

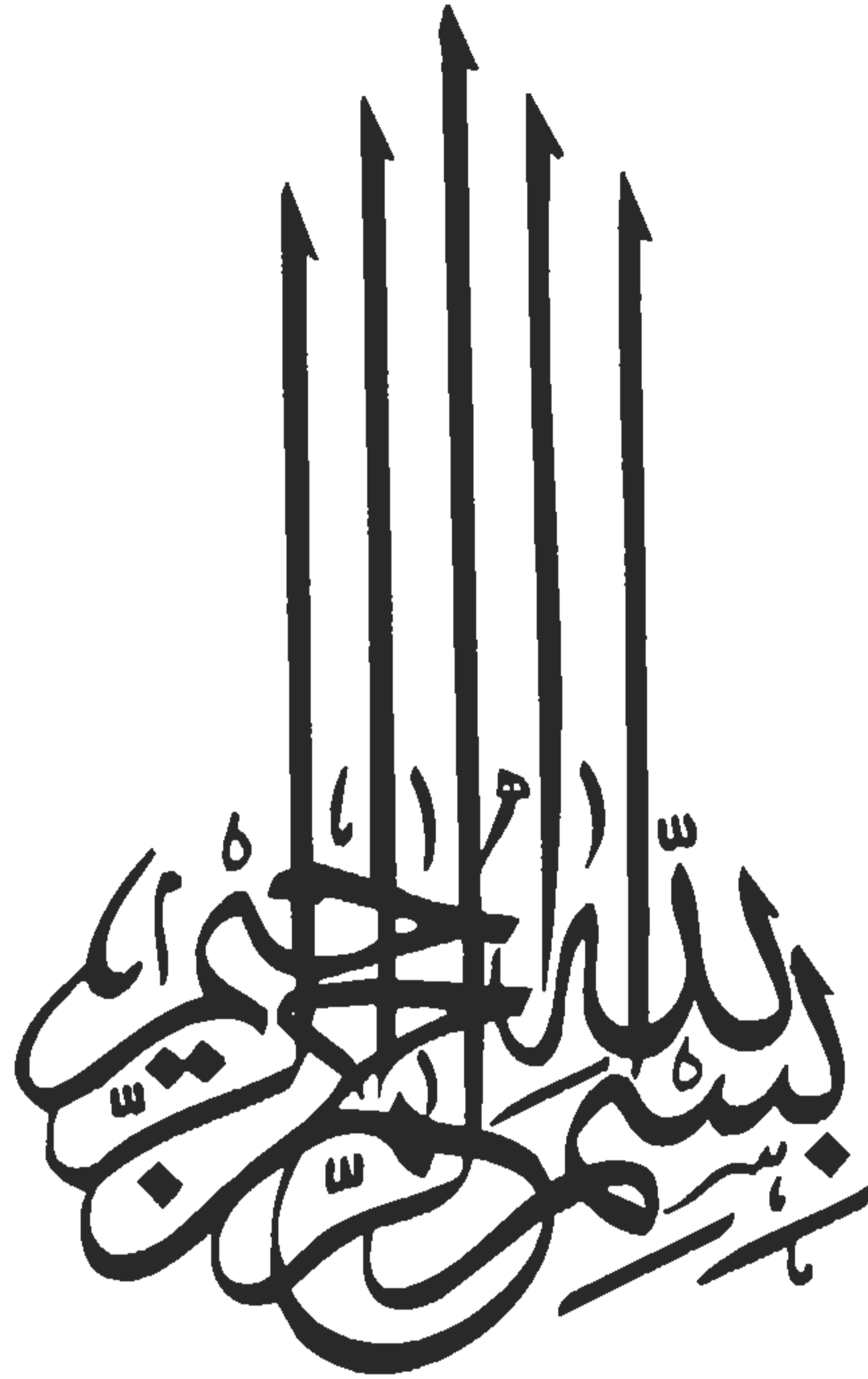


IDEAL
SPINNING
MILLS
LIMITED



21ST
Annual
REPORT
2009



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COMPANY INFORMATION

CHAIRMAN:	MR. NISAR AHMED SHEIKH
CHIEF EXECUTIVE OFFICER:	MR. MUHAMMAD SAEED SHEIKH
DIRECTORS:	MR. MUHAMMAD ARSHAD MR. M. ANWAR SAJJAD MR. AMJAD SAEED MR. SHAHZAD AHMED MR. SAAD ASHRAF (NIT)
AUDIT COMMITTEE:	
CHAIRMAN	MR. MUHAMMAD ARSHAD
MEMBER	MR. MUHAMMAD ANWAR SAJJAD
MEMBER	MR. SHAHZAD AHMED
CHIEF FINANCIAL OFFICER:	MR. M. PERVAIZ AKHTAR
COMPANY SECRETARY:	MR. SHAHID AKRAM
AUDITORS:	M/S RIAZ AHMED & COMPANY. CHARTERED ACCOUNTANTS
BANKERS:	ALLIED BANK OF PAKISTAN BANK AL-FALAH LIMITED ALBARAKA ISLAMIC BANK HABIB METROPOLITAN BANK THE BANK OF PUNJAB BANK AL-HABIB LTD.
REGISTERED OFFICE AND SHARES DEPARTMENT:	ROOM NO 404 & 405, 4TH FLOOR, BUSINESS CENTRE, DUNALLY ROAD, KARACHI.
FACTORY:	SHEIKHUPURA ROAD, TEHSIL JARANWALA, DISTT. FAISALABAD.

NOTICE OF MEETING

Notice is hereby given that the 21st Annual General Meeting of **Ideal Spinning Mills Limited** will be held at Bagh-e-Zehra Building, GK-7, 60 Bagh-e-Zehra Street Kharadar, Karachi-74000 on October 31, 2009 at 10:30 A.M. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on October 30, 2008.
2. To receive consider and adopt the Audited Financial Statements of the company for the year ended June 30, 2009 together with Directors' and Auditors' report thereon.
3. To appoint Auditors for the year 2009-2010 and fix their remuneration. The present Auditor **M/S RIAZ AHMED & COMPANY** chartered Accountants, being eligible have offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

By order of the board

Dated: October 05, 2009
KARACHI

SHAHIDAKRAM
Company Secretary

NOTES:

1. The Share transfer books of the company will remain closed from October 24, 2009 to November 01, 2009 (both days inclusive) transfers received at the 404 & 405 4th Floor, Business Center, Dunally Road Karachi at the close of business hours on 23rd October, 2009 will be treated in time.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint another member as proxy. Proxies received in order to be effective at the Registered Office of the company not less than 48 hours before the time for the meeting.
3. Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original NIC or passport to prove his/her identity and in case of proxy must enclosed an attested copy of his/her NIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to promptly notify the company of change in their addresses.



MISSION

To be a foremost Company receptive to the needs of our customers, acknowledged for consistently providing fine quality products and services by understanding the customers behaviour and preparing fully to meet the challenges of global markets and to maximize profit by making best efforts in production planning, quality of product and marketing strategies.

**DIRECTORS' REPORT TO THE SHARE HOLDERS.**

Our directors feel pleasure in presenting 21st Annual report with audited Financial Statements of the company for the year ended 30 June 2009.

FINANCIAL RESULTS	2009	2008
GROSS PROFIT	61,273	46,181
DISTRIBUTION COST	5,439	4,557
ADMINISTRATIVE EXPENSES	32,216	30,566
OTHER OPERATING EXPENSES	257	727
	37,912	35,850
OTHER OPERATING INCOME	23,361	10,331
PROFIT FROM OPERATIONS	1,040	897
FINANCE COST	24,401	11,228
LOSS BEFORE TAXATION	71,792	56,495
PROVISION FOR TAXATION	(47,391)	(45,267)
LOSS AFTER TAXATION	2,068	10,544
LOSS PER SHARE	(45,323)	(34,723)
BASIC	(4.57)	(3.50)

During the period under review your company has recorded Net sale of Rs.1,111 Million as compared to Rs.984 Million of the last year, which is mainly attributed to increase in the production and prices of products. Cost of sales is Rs. 1,050 Million as compared to Rs.938 Million of the last year. This was primarily due to higher raw material, labour and energy cost. Financial expenses are also increased from 56.495 Million to 71.792 Million mainly due to increase in the borrowing cost.

EXPANSION / MODERNIZATION

Management of the company is making efforts to modernizing/Balancing the unit by adding the following machinery.

Dust Filter System	China	1 Machine	LSDT
HT Pannel	Pakistan	2 No's	

FUTURE PROSPECTS

The country as well as textile industry is going through a very challenging time. Cotton crop status for 2009-2010 is satisfactory and hope production will meet the home consumption, the prices of polyester fiber is likely to be stable at its existing level. Government of Pakistan has decided to increase the energy charges and the gas load shedding in the coming month may affect the financial results of the Company. The economists of the world are predicting that the revival of the economy may start from 2009-2010 and will gradually improve.

The management of the Company is struggling hard to overcome the facts cited above by getting better prices of the products and efficiency and had an opinion that the financial result for the coming period may be improved.

AUDITORS

The present auditor M/S RIAZ AHMED & CO. Chartered Accountants, being eligible offered themselves for re-appointment for the year 2009-2010.

**PATTERN OF SHAREHOLDING**

Pattern of share holding as on 30 June, 2009 is annexed.

NO. OF BOARD MEETING HELD

During the year under review (4) meetings of Board Directors held. Attendance by each director is appended here under:

<u>NAME OF DIRECTORS</u>		<u>ATTENDANCE</u>
Nisar Ahmed Sheikh	Chairman	4
Muhammad Saeed Sheikh	Chief Executive Officer	4
Muhammd Arshad Sheikh	Director	4
M. Anwar Sajjad	Director	4
Amjad Saeed	Director	4
Shahzad Ahmed	Director	4
Saad Ashraf (N.I.T.)	Director	4

AUDIT COMMITTEE

The Board in compliance with the Code of Corporate Governance has established an audit committee comprising the following members:

Mr. Muhammd Arshad	Chairman
Mr. Anwar Sajjad	Member
Mr. Shahzad Ahmed	Member

CORPORATE AND FINANCIAL REPORTING FRAME WORK

In compliance with listing regulations of stock exchanges and as required under the companies ordinance, 1984. Your directors are pleased to state as under:

1. The Financial Statements prepared by the management of your company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There is no doubt upon the company's ability to continue as a going concern.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. Key operating and financial data of last six years in summarized form is annexed.

ACKNOWLEDGEMENT

The Board places on record its appreciation for loyalty and devotion to work, by staff and workers for the company. The relationship between management and workers remained very cordial and we hope that these will further improve in the years to come.

On Behalf of the Board

MUHAMMAD SAEED

Dated: October 5, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the code of corporate governance contained in the Regulations No. 37, chapter no. XIII of the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company had applied the principles contained in the code in the following manner;

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present Board includes five independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy has occurred in the Board of Directors.
5. The company has prepared a "statement of ethics and business practices", which has been signed by all directors and employees of the company.
6. 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.
7. The meetings of the Board were presided over by the Chairman 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.
8. The Board of Directors of the company are aware of their responsibilities and fully conversant with the provisions of Companies Ordinance, 1984 and all other business and regulatory laws and the provisions of the Memorandum and Articles of Association required for managing the affairs of the company on behalf of the shareholders.
9. The Board arranged an orientation course for its directors on September 25, 2008 to appraise them of their duties and responsibilities.
10. The Board has approved the 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 period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of 3 members, who are non-executive directors including the chairman of the committee.
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. The related parties transactions have been placed before the audit committee and approved by the Board of Directors.
17. The Board has set-up an effective internal audit function. The audit staff is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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) guidance 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.

Dated: October 5, 2009
Faisalabad

MUHAMMAD SAEED
Chief Executive Officer

**KEY OPERATING & FINANCIAL DATA
FOR LAST SIX YEARS**

PARTICULARS	2009	2008	2007	2006	2005	2004
RUPEES IN MILLIONS						
FINANCIAL POSITION						
Paid up capital	99.200	99.200	99.200	99.200	99.200	99.200
Fixed assets (own) at cost	936.681	923.868	889.257	836.159	491.486	447.711
Fixed Assets (Lease) at cost	65.153	65.153	42.653	33.119	10.626	10.626
Accumulated depreciation	438.756	404.132	371.492	329.681	299.668	285.662
Current assets	174.247	259.022	172.246	175.228	157.640	140.933
Current liabilities	250.710	337.459	226.730	216.592	170.871	141.891
INCOME						
Sales	1,111.393	985.013	841.869	718.141	511.904	673.94
Other income	1.040	0.523	2.773	0.172	0.255	0.057
Pre tax (Loss) / profit	(47.391)	(45.266)	(13.426)	12.750	5.254	(17.419)
Taxation	2.068	(10.544)	(1.098)	8.890	3.654	0.300
STATISTICS AND RATIOS						
Pre tax (Loss) / profit to sales %	(4.26)	(4.60)	(1.59)	1.78	1.03	(2.58)
Pre tax (Loss) / profit to capital %	(47.78)	(45.69)	(13.53)	12.85	5.30	(17.55)
Current ratio	1:0.70	1:0.77	1:0.76	1:0.81	1: 0.92	1:0.99
Paid up value per share (Rs.)	10	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	(4.57)	(3.50)	(1.24)	0.39	0.16	(1.73)
Cash dividend %	--	--	5	--	--	--
Break up value per share (Rs.)	2.88	7.45	11.14	12.38	12.00	11.84



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 **IDEAL SPINNING MILLS LIMITED** ("the Company") for the year ended 30 June 2009, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

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

Date: October 05, 2009
Faisalabad.

M/S RIAZ AHMAD & COMPANY
CHARTERED ACCOUNTANTS

**AUDITORS' REPORT TO THE MEMBERS**

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

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.9 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

M/S RIAZ AHMAD & COMPANY
CHARTERED ACCOUNTANTS

Liaqat Ali Panwar

Date: October 05, 2009
Faisalabad.

BALANCE SHEET AS AT 30 JUNE 2009

	2009 (RUPEES IN THOUSAND)	2008 (RUPEES IN THOUSAND)	NOTE	2009 (RUPEES IN THOUSAND)	2008 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Authorised share capital	200,000	200,000			
20 000 000 (30 June 2008: 20 000 000) ordinary shares of Rupees 10 each					
Issued, subscribed and paid up share capital	99,200	99,200			
9 920 000 (30 June 2008: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash	(70,600)	(25,277)			
Revenue reserves	28,600	73,923			
Total equity	427,594	387,096			
NON-CURRENT LIABILITIES	26,503	36,532	3		
Long term financing	6,832	10,197	4		
Liabilities against assets subject to finance lease	460,929	433,825	5		
Deferred liabilities					
CURRENT LIABILITIES	61,033	50,936			
Trade and other payables	14,381	13,222			
Accrued mark-up	104,795	170,223			
Short term borrowings	70,501	98,153			
Current portion of non-current liabilities	-	4,925			
Provision for taxation	250,710	337,459			
TOTAL LIABILITIES	711,639	771,284			
CONTINGENCIES AND COMMITMENTS					
TOTAL EQUITY AND LIABILITIES	740,239	845,207			
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	563,078	584,889	11		
Long term deposits	2,914	1,295			
CURRENT ASSETS	565,992	586,184			
Stores, spare parts and loose tools	15,477	17,849	12		
Stock-in-trade	90,301	179,234	13		
Trade debts	54,401	39,905	14		
Loans and advances	4,706	9,668	15		
Short term deposits and prepayments	301	131	16		
Other receivables	5,802	5,645	17		
Cash and bank balances	3,259	6,591	18		
TOTAL ASSETS	174,247	259,023			
	740,239	845,207			

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

MUHAMMAD SAEED
CHIEF EXECUTIVE OFFICER

AMJAD SAEED
DIRECTOR

IDEAL SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 (RUPEES IN THOUSAND)	2008
SALES	19	1,111,393	984,639
COST OF SALES	20	1,050,120	938,458
GROSS PROFIT		61,273	46,181
DISTRIBUTION COST	21	5,439	4,557
ADMINISTRATIVE EXPENSES	22	32,216	30,566
OTHER OPERATING EXPENSES	23	257	727
		37,912	35,850
		23,361	10,331
OTHER OPERATING INCOME	24	1,040	897
PROFIT FROM OPERATIONS		24,401	11,228
FINANCE COST	25	71,792	56,495
LOSS BEFORE TAXATION		(47,391)	(45,267)
PROVISION FOR TAXATION	26	2,068	10,544
LOSS AFTER TAXATION		(45,323)	(34,723)
LOSS PER SHARE-BASIC AND DILUTED (RUPEES)	27	(4.57)	(3.50)

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

Muhammad Saeed

MUHAMMAD SAEED
CHIEF EXECUTIVE OFFICER

Amjad Saeed

AMJAD SAEED
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	NOTE	2009 (RUPEES IN THOUSAND)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	28	161,609	(46,523)
Finance cost paid		(70,633)	(52,661)
Income tax paid		(1,650)	(4,379)
Staff retirement benefits paid		(3,719)	(1,935)
Increase in long term deposits		(1,619)	(1,125)
Net cash flows from / (used in) operating activities		83,988	(106,623)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of		2,585	4,002
Purchase of operating fixed assets		(27,294)	(73,951)
Net cash used in investing activities		(24,709)	(69,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing acquired		32,225	133,020
Finance lease liabilities acquired		-	22,500
Repayment of long term financing		(14,309)	(81,728)
Payment of finance lease liabilities		(15,099)	(9,383)
Dividend paid		-	(1,893)
Short term borrowings - net		(65,428)	81,140
Net cash (used in) / generated from financing activities		(62,611)	143,656
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,332)	(32,916)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,591	39,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	3,259	6,591

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

MUHAMMAD SAEED
CHIEF EXECUTIVE OFFICER

AMJAD SAEED
DIRECTOR

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

(RUPEES IN THOUSAND)

	SHARE CAPITAL	REVENUE RESERVES	TOTAL EQUITY
		Unappropriated profit / (accumulated loss)	
Balance as at 01 July 2007	99,200	11,339	110,539
Final dividend for the year ended 30 June 2007 at the rate of Rupees 0.50 per share	-	(1,893)	(1,893)
Loss for the year ended 30 June 2008	-	(34,723)	(34,723)
Balance as at 30 June 2008	99,200	(25,277)	73,923
Loss for the year ended 30 June 2009	-	(45,323)	(45,323)
Balance as at 30 June 2009	99,200	(70,600)	28,600

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



MUHAMMAD SAEED
CHIEF EXECUTIVE OFFICER



AMJAD SAEED
DIRECTOR



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. THE COMPANY AND ITS ACTIVITIES

Ideal Spinning Mills Limited (the Company) is incorporated in Pakistan on 09 July 1989 as a public limited company under the Companies Ordinance, 1984. The Company is currently listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn and cloth. The registered office of the Company is situated at Room No. 404 - 405, 4th Floor, Business Centre, Dunally Road, Karachi. The mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

a) 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's) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting Convention

These financial statements have been prepared under the historical cost convention, except for the recognition of staff retirement benefits on the basis of actuarial valuation.

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Employees retirement benefits

The cost of the defined benefit plans is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Changes in these assumptions in future years may effect the liability / asset under these plans in those years.

d) Standard and Interpretation that is effective in current year

During the year ended 30 June 2009, IFRS 7 'Financial Instruments: Disclosures' and IFRIC 14 'IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction' became effective.

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 411(I) / 2008 dated 28 April 2008 notified the adoption of IFRS 7. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 'Disclosures in Financial Statements of Banks and Similar Financial Institutions' and disclosure requirements of IAS 32 'Financial Instruments: Presentation'. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

IFRIC 14 provides guidance on assessing the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The interpretation does not have any impact on the Company's financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2008 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2009 or later periods:



IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. Adoption of the aforesaid standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn. This change will not effect the financial statements as the Company already has the policy to capitalize its borrowing cost.

'IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the Company's financial statements other than increase in disclosures.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in May 2008 and April 2009, specifically in IAS 1 'Presentation of Financial Statements', IAS 7 'Cash Flow Statement', IAS 16 'Property, Plant and Equipment', IAS 19 'Employee Benefits', and IAS 23 'Borrowing Costs' that are considered relevant to the Company's financial statements. The management is in the process of evaluating the impact of these changes on the Company's financial statements.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property, plant and equipment

2.2.1. Operating fixed assets

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land and capital work in progress are stated at cost less impairment losses, if any.

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 benefit 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 profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their

estimated useful lives at the rates given in Note 11.1. The Company charges the depreciation on additions from the month of acquisition and on deletions upto the month preceding the disposal when the asset is derecognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognized.

2.2.2 Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates and basis applicable to Company owned assets. Depreciation of leased assets is charged to profit and loss account.

2.3 Impairment

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

2.4 Borrowing costs

Interest, markup and other charges attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other interest, markup and other costs are recognised in profit and loss account.

2.5 Stores, spare parts and loose tools

These are valued at the lower of moving average cost and net realizable value. Items considered obsolete are carried at nil value and items in transit are valued at cost comprising invoice value plus other charges paid thereon.



2.6 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Stock of waste materials is stated at net realizable value.

Net realisable value represents the estimated selling price less estimated cost of completion and estimated cost necessary to make the sales.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks on current accounts and saving accounts.

2.8 Leases

Leases, where the Company has substantially all the risks and rewards of ownership of assets are classified as finance leases. At inception, finance leases are recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.9 Staff retirement benefits

The main features of the funds operated by the Company for its employees are as follows:

a) Gratuity

The Company operates defined benefit plan - unfunded gratuity scheme for all its permanent employees except the employees at Head Office, who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.



Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceeds ten percent of the greater of the present value of the Company's gratuity is amortised over the average expected remaining working lives of the employees.

Details of the scheme is given in Note 5 to the financial statements.

b) Employees' Provident Fund

Until the previous year, the Company was operating unfunded gratuity scheme for all its employees. However, from the current year, the Company has started provident fund for its permanent employees at Head Office. However, Provident Fund Trust is not created yet by the Company. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.25 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred. Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

	RUPEES IN THOUSAND
Deferred liabilities would have been higher by	455
Loss after taxation would have been higher by	153
Loss per share would have been higher by (Rupees)	0.01

2.10 Provisions

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

2.11 Provision for taxation**Current**

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.



2.12 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.13 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark-up and trade and other payables etc.

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

Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which is measured initially at fair value.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

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

a) Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

b) Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified. Other receivables are carried at nominal amount which is the fair value of the consideration to be received in future.

c) Trade and other payables

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

2.14 Off setting

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

2.15 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using the rate of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used. All differences are taken to the profit and loss account.

2.16 Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Sizing and conversion income is recognized on dispatch of goods.

Profit on bank deposits is accrued on time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.17 Related party transactions and transfer pricing

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

	2009 (RUPEES IN THOUSAND)	2008
3. LONG TERM FINANCING		
Secured		
Financing from banking companies (Note 3.1)	240,233	254,542
Unsecured		
Directors' loan (Note 3.2)	245,675	213,450
	485,908	467,992
Less: Current portion shown under current liabilities (Note 9)	58,314	80,896
	<u>427,594</u>	<u>387,096</u>



ARS HAD GROUP

3.1

LENDER	FACILITY	2009	2008	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(RUPEES IN THOUSAND)								
The Bank of Punjab	Term finance-I	-	4,610	3 Month KIBOR + 2.30% without any floor or cap	Last installment was paid on 06 October 2008	-	-	-
Bank Al Habib Limited	Term finance-II	21,700	26,040	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 27 December 2006 and ending on 30 June 2011 with a grace period of one year.	As and when notified by SBP.	Quarterly	Joint pari passu charge on fixed assets of the Company for an amount of Rupees 80 million.
The Bank of Punjab	Term finance-III	75,778	89,556	3 Month KIBOR + 2.75% with floor of 8 %	Eighteen equal quarterly installments commenced on 28 March 2007 and ending on 28 June 2011.	Quarterly	Quarterly	First joint pari passu charge on fixed assets of the Company for an amount of Rupees 195 million and personal guarantee of the Chief Executive Officer of the Company.
Allied Bank Limited	Demand finance-I	45,150	54,180	3 Month KIBOR + 2% without any floor or cap	Ten equal half yearly installments commenced on 14 August 2006 and ending on 31 December 2010.	Quarterly	Quarterly	First exclusive charge on fixed assets of the Company and further secured against personal guarantees of the Directors of the Company.
Allied Bank Limited	Demand finance-II	39,335	46,886	SBP rate for LTF - EOP + 2%	Nine equal half yearly installments commenced on 14 February 2006 and ending on 05 August 2011 with a grace period of one year.	As and when notified by SBP.	Quarterly	First exclusive charge on fixed assets of the Company and further secured against personal guarantees of the Directors of the Company.
The Bank of Punjab	Demand finance-III	13,270	13,270	3 Month KIBOR + 2% with a floor of 8%	Nine equal half yearly installments to be commenced on 31 July 2009 and ending on 30 July 2013.	Quarterly	Quarterly	Registered exclusive charge over the plant and machinery for an amount of Rupees 20 million and personal guarantee of the Chief Executive Officer of the Company.
Habib Metropolitan Bank Limited	Demand finance-IV	45,000	20,000	3 Month KIBOR + 2% without any floor or cap	It is repayable in lump sum on 30 September 2010.	Quarterly	Quarterly	Hypothecation of stocks of yarn with 25% margin.
		<u>240,233</u>	<u>254,542</u>					

3.2

Directors' loan

This represent interest free loans from the directors of the Company with no defined future settlement date. However, it is confirmed by the lenders that repayment would not be demanded within next twelve months from the balance sheet date. Loan amounting to Rupees 153.700 million is subordinated to the long term bank borrowings.

2009 **2008**
(RUPEES IN THOUSAND)

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	38,690	53,789
Less: current portion shown under current liabilities (Note 9)	12,187	17,257
	26,503	36,532

These represent plant and machinery acquired under Ijara financing agreements. The principal plus financial charges are payable over the lease period in 8 to 12 half yearly/quarterly installments. The liability represents the total minimum lease payments discounted at the rate of 3 Month KIBOR + 1.75% (30 June 2008: 3 Month KIBOR + 1.75%) with a floor of 8% per annum being the interest rate implicit in lease. These are secured against deposits of Rupees 1.125 million and specific charge over plant and machinery of the Company for an amount of Rupees 80.567 million.

The Company intends to exercise its option to purchase the above assets upon completion of the lease period.

The future minimum lease payments to which the Company is committed as at 30 June are as under:

Financial year ending 30 June			
2009	-	23,241	
2010	15,964	21,601	
2011	20,947	15,684	
2012	9,053	3,244	
	45,964	63,770	
Less:			
Financial charges payable	7,274	9,981	
	38,690	53,789	

Reconciliation of future minimum lease payments with present value of future minimum lease payments is as follows:

	2009		2008	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	----- RUPEES IN THOUSAND -----			
Not later than one year	15,964	12,187	23,241	17,257
Later than one year but not later than five years	30,000	26,503	40,529	36,532
	45,964	38,690	63,770	53,789



		2009	2008			
		(RUPEES IN THOUSAND)				
5.	DEFERRED LIABILITIES					
	Provision for gratuity (Note 5.1)	6,832	8,129			
	Deferred taxation (Note 5.2)	-	2,068			
		6,832	10,197			
5.1	Provision for gratuity					
	The scheme provides terminal benefits for all permanent employees of the Company except of the employees at Head Office, who attains the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at 30 June 2009 using Projected Unit Credit Method.					
5.2	Movement in liability					
	Opening balance	8,129	6,682			
	Charge for the year (Note 5.4)	3,637	3,381			
	Retirement benefits paid	(3,719)	(1,934)			
	Transferred to current liabilities (Note 5.2.1 and Note 6)	(1,215)	-			
	Closing balance	6,832	8,129			
5.2.1	This includes the balance of gratuity of employees transferred to the scheme of Provident Fund. This amount is payable in the next twelve months.					
5.3	Balance sheet reconciliation					
	Present value of obligations	8,047	8,157			
	Transferred to current liabilities	(1,215)	-			
	Unrecognised actuarial (loss)/gain	-	(28)			
		6,832	8,129			
5.4	Charge for the year					
	Service cost	2,658	2,807			
	Interest cost	979	574			
		3,637	3,381			
5.5	Principal actuarial assumptions					
	Discount factor used (% per annum)	12%	12%			
	Expected rate of increase in salaries (% per annum)	11%	11%			
	Expected remaining working life time of employees (years)	4	4			
5.6	Trend information					
		2009	2008	2007	2006	2005
		-----RUPEES IN THOUSAND-----				
	Present value of defined benefit obligation	8,047	8,157	6,377	5,076	4,698
	Experience adjustment on obligation (%)	-	-	-	-	-
5.2	Deferred taxation					
	This comprise of the following:					
	Taxable temporary difference					
	Differences in tax and accounting bases of assets		101,910		120,766	
	Deductible temporary differences					
	Liability against assets subject to finance lease		(13,542)		(18,826)	
	Tax losses		(122,929)		(99,872)	
			(136,471)		(118,698)	
	Opening deferred tax liability adjusted		2,068		-	
	Deferred tax (asset) / liability		(32,493)		2,068	
	Deferred tax asset not recognised		(32,493)		-	
			-		2,068	

- 5.3 The company has accumulated tax losses of Rupees 351.226 million as at 30 June 2009 (30 June 2008: Rupees 286.654 million). The related deferred income tax asset has not been recognized as the management expects that it is not probable that taxable profits / taxable temporary difference would be available in near future against which the deferred tax asset can be recognized.

2009 2008
(RUPEES IN THOUSAND)

6. **TRADE AND OTHER PAYABLES**

Creditors (Note 6.1)	41,496	35,628
Accrued liabilities	15,829	13,650
Advances from customers	1,606	1,369
Retention money	-	45
Payable to Employees' Provident Fund	604	-
Staff retirement gratuity payable (Note 5.2)	1,215	-
Income tax deducted at source	39	-
Unclaimed dividend	244	244
	<u>61,033</u>	<u>50,936</u>

- 6.1 This includes amounts in aggregate of Rupees 14.101 million (30 June 2008: Rupees 11.643 million) due to associated undertakings.

7. **ACCRUED MARK-UP**

Long term financing	5,886	6,569
Liabilities against assets subject to finance lease	992	1,054
Short term borrowings	7,503	5,599
	<u>14,381</u>	<u>13,222</u>

8. **SHORT TERM BORROWINGS**

From banking companies - secured

Cash finance (Note 8.1)	59,423	118,887
Murabaha finance (Note 8.2)	39,870	39,920
Running finance (Note 8.3)	2,359	11,416
Finance against imported merchandise (Note 8.4)	3,014	-

From banking companies - unsecured

Temporary bank overdraft	129	-
	<u>104,795</u>	<u>170,223</u>

- 8.1 These form part of total credit facility of Rupees 250 million (30 June 2008: Rupees 325 million) and is secured against pledge of raw material and yarn. These are further secured by the personal guarantee of directors of the Company. Rate of mark up ranges from 14.56% to 18.02% per annum (30 June 2008:10.83% to 16.38% per annum).



- 8.2 These form part of total credit facility of Rupees 150 million (30 June 2008: Rupees 100 million) and are secured against first charge over current assets, and personal guarantee of directors of the Company. Rate of markup ranges from 11.77% to 18.00% per annum (30 June 2008: 11.33% to 14.24% per annum).
- 8.3 These form part of total credit facility of Rupees 5 million (30 June 2008: Rupees 30 million) and are secured against hypothecation of stocks and personal guarantee of directors of the Company. Rate of markup ranges from 14.77 % to 17.52% per annum (30 June 2008: 11.09 % to 12.00% per annum).
- 8.4 These form part of total credit facility of Rupees 10 million (30 June 2008: Nil) and are secured against lien on import bills of lading / import documents and commodities. Rate of markup ranges from 14.66% to 14.78% per annum (30 June 2008: Nil).

2009 **2008**
(RUPEES IN THOUSAND)

9. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term financing (Note 3)	58,314	80,896
Liabilities against assets subject to finance lease (Note 4)	12,187	17,257
	<u>70,501</u>	<u>98,153</u>

10. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) Guarantee of Rupees 13 million (30 June 2008: Rupees 13 million) has been given by the Company to Sui Northern Gas Pipelines Limited against supply of gas.
- ii) The Company is contingently liable for Rupees 0.252 million (30 June 2008: Rupees 0.252 million) on account of custom duty and income tax not acknowledged in view of pending appeal before appellate authorities.

Commitments

- i) Contracts for capital expenditure are Nil (30 June 2008: Rupees 3.331 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 0.120 million (30 June 2008: Rupees 0.581 million).

11. PROPERTY, PLANT AND EQUIPMENT

- Owned (Note 11.1)	510,638	527,548
- Leased (Note 11.1)	52,440	57,341
	<u>563,078</u>	<u>584,889</u>

11.1 PROPERTY, PLANT AND EQUIPMENT

	Owned											Leased
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fixtures	Vehicles	Total	Plant and machinery	
RUPEES IN THOUSAND												
At 01 July 2007												
Cost	3,372	145,730	675,295	27,904	6,383	4,536	2,899	1,095	22,045	889,259	42,653	
Accumulated depreciation	-	(46,458)	(299,572)	(8,651)	(1,441)	(1,935)	(1,161)	(518)	(9,941)	(369,677)	(1,817)	
Net book value	3,372	99,272	375,723	19,253	4,942	2,601	1,738	577	12,104	519,582	40,836	
Year ended 30 June 2008												
Opening net book value	3,372	99,272	375,723	19,253	4,942	2,601	1,738	577	12,104	519,582	40,836	
Additions	-	1,369	45,434	1,369	22	223	143	84	2,807	51,451	22,500	
Disposals	-	-	(13,648)	-	-	-	-	-	(3,192)	(16,840)	-	
Cost	-	-	11,056	-	-	-	-	-	1,942	12,998	-	
Accumulated depreciation	-	-	(2,592)	-	-	-	-	-	(1,250)	(3,842)	-	
Depreciation change	-	(6,170)	(27,917)	(1,973)	(496)	(267)	(185)	(63)	(2,572)	(39,643)	(5,995)	
Closing net book value	3,372	94,471	390,648	18,649	4,468	2,557	1,696	598	11,089	527,548	57,341	
At 30 June 2008												
Cost	3,372	147,099	707,081	29,273	6,405	4,759	3,042	1,179	21,660	923,870	65,153	
Accumulated depreciation	-	(52,628)	(316,433)	(10,624)	(1,937)	(2,202)	(1,346)	(581)	(10,571)	(396,322)	(7,812)	
Net book value	3,372	94,471	390,648	18,649	4,468	2,557	1,696	598	11,089	527,548	57,341	
As at 01 July 2009												
Opening net book value	3,372	94,471	390,648	18,649	4,468	2,557	1,696	598	11,089	527,548	57,341	
Additions	-	1,343	18,164	4,181	-	280	150	9	3,167	27,294	-	
Disposals	-	-	(13,648)	-	-	-	-	-	(835)	(14,483)	-	
Cost	-	-	11,478	-	-	-	-	-	497	11,975	-	
Accumulated depreciation	-	-	(2,170)	-	-	-	-	-	(338)	(2,508)	-	
Depreciation change	-	(5,920)	(30,112)	(2,040)	(447)	(271)	(181)	(61)	(2,664)	(41,696)	(4,901)	
Closing net book value	3,372	89,894	376,530	20,790	4,021	2,566	1,665	546	11,254	510,638	52,440	
At 30 June 2009												
Cost	3,372	148,442	711,597	33,454	6,405	5,039	3,192	1,188	23,992	936,681	65,153	
Accumulated depreciation	-	(58,548)	(335,067)	(12,664)	(2,384)	(2,473)	(1,527)	(642)	(12,738)	(426,043)	(12,713)	
Net book value	3,372	89,894	376,530	20,790	4,021	2,566	1,665	546	11,254	510,638	52,440	
Annual rate of depreciation (%)	-	5.10	5.10	10	10	10	10	10	20	5.10	5.10	



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

	2009	2008
	(RUPEES IN THOUSAND)	
Owned		
Cost of sales (Note 20.3)	38,700	36,740
Administrative expenses (Note 22)	2,996	2,903
Leased	41,696	39,643
Cost of sales (Note 20.3)	4,901	5,995
	46,597	45,638

11.1.3 Detail of operating assets, exceeding the book value of Rupees 50,000 disposed off during the year is as follows:

DESCRIPTION	QTY.	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
----- RUPEES IN THOUSAND -----							
Plant and Machinery							
Murata Match Cone winder with Spicer, 60 Drums.	2	13,648	11,478	2,170	2,200	Negotiation	H.A. Haq Spinning Mills, Montgomery Bazar, Faisalabad.
Vehicles							
Hyundai Shehzore	1	702	437	265	300	Claim settlement	Adamjee Insurance Company
Motorcycles having individual book values of less than Rupees 50,000		14,350	11,915	2,435	2,500		
		133	60	73	85		
		14,483	11,975	2,508	2,585		

	2009	2008
	(RUPEES IN THOUSAND)	
12. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores (Note 12.1)	7,086	7,920
Spare parts	8,374	9,910
Loose tools	17	19
	<u>15,477</u>	<u>17,849</u>
12.1	It includes stores in transit of Nil (30 June 2008: Rupees 2.525 million).	
12.2	Stores and spare parts include items that may result in capital expenditure but are not distinguishable.	
13. STOCK IN TRADE		
Raw material	40,686	117,443
Work in process	11,043	11,928
Finished goods (Note 13.1)	38,572	49,863
	<u>90,301</u>	<u>179,234</u>
13.1	Finished goods include stock at net realisable value of Nil (30 June 2008: Rupees 0.051 million)	
14. TRADE DEBTS		
Considered good:		
Unsecured (Note 14.2)	<u>54,401</u>	<u>39,905</u>
14.1	As at 30 June 2009, trade debts of Rupees 18.905 million (30 June 2008 : Rupees 15.293 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:	
Upto 1 month	14,921	4,290
1 to 6 months	2,743	3,977
More than 6 months	1,241	7,026
	<u>18,905</u>	<u>15,293</u>
14.2	Trade debts include Rupees 16.851 million (30 June 2008: 9.114 million) due from associated undertakings.	
15. LOANS AND ADVANCES		
Considered good:		
Employees - interest free (Note 15.1 and 15.2)	2,185	2,301
Advances to suppliers	416	1,982
Letters of credit	120	12
Income tax	1,985	5,260
Other advances	-	113
	<u>4,706</u>	<u>9,668</u>



- 15.1** These represent advances given to employees for meeting their personal expenditure and are secured against balance to the credit of employees in gratuity. These are recoverable in equal monthly installments.
- 15.2** The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		2009	2008
		(RUPEES IN THOUSAND)	
16.	SHORT TERM DEPOSITS AND PREPAYMENTS		
	Deposits	-	27
	Prepayments	301	104
		301	131
17.	OTHER RECEIVABLES		
	Considered good:		
	Export rebate and claims	-	232
	Sales tax refundable	5,802	5,413
		5,802	5,645
18.	CASH AND BANK BALANCES		
	With banks:		
	PLS saving accounts (Note 18.1)	1,313	193
	Current accounts	1,459	5,778
		2,772	5,971
	Cash in hand	487	620
		3,259	6,591
18.1	Rate of profit on bank deposits ranges from 5% to 7% (30 June 2008: 3% to 3.78%) per annum.		
19.	SALES		
	Local		
	Yarn	948,416	843,247
	Cloth	34,626	64,887
	Waste	16,530	9,079
		999,572	917,213
	Sizing income	11,111	9,056
	Conversion income	100,710	58,370
		1,111,393	984,639

	2009	2008
	(RUPEES IN THOUSAND)	
20. COST OF SALES		
Raw material consumed (Note 20.1)	768,699	711,474
Salaries, wages and other benefits (Note 20.2)	87,712	73,680
Stores, spare parts and loose tools	21,157	15,474
Packing materials consumed	12,682	11,861
Sizing material consumed	14,374	12,551
Repair and maintenance	1,333	2,820
Fuel and power	84,810	66,177
Insurance	3,236	2,810
Other factory overheads	340	544
Depreciation (Note 20.3)	43,601	42,735
	<u>1,037,944</u>	<u>940,126</u>
Work-in-process		
Opening stock	11,928	6,985
Closing stock	(11,043)	(11,928)
	885	(4,943)
Cost of goods manufactured	<u>1,038,829</u>	<u>935,183</u>
Finished goods		
Opening stock	49,863	53,138
Closing stock	(38,572)	(49,863)
	11,291	3,275
Cost of sales	<u>1,050,120</u>	<u>938,458</u>
20.1 Raw material consumed		
Opening stock	117,443	20,844
Add: purchased during the year	691,942	808,073
	<u>809,385</u>	<u>828,917</u>
Less: closing stock	40,686	117,443
	<u>768,699</u>	<u>711,474</u>
20.2	Salaries and other benefits include staff retirement benefits amounting to Rupees 2.587 million (30 June 2008: Rupees 1.299 million).	
20.3 Depreciation		
- Owned (Note 11.1.2)	38,700	36,740
- Leased (Note 11.1.2)	4,901	5,995
	<u>43,601</u>	<u>42,735</u>
21. DISTRIBUTION COST		
Outward freight and handling	448	214
Commission to selling agents	4,991	4,343
	<u>5,439</u>	<u>4,557</u>

	2009	2008
	(RUPEES IN THOUSAND)	
22. ADMINISTRATIVE EXPENSES		
Directors' remuneration	1,188	1,188
Salaries and other benefits (Note 22.1)	14,177	14,260
Rent, rates and taxes	50	50
Legal and professional charges	185	19
Insurance	493	658
Traveling and conveyance	824	1,186
Vehicles' running and maintenance	5,184	4,125
Entertainment	2,488	2,154
Auditors' remuneration (Note 22.2)	525	150
Advertisement	27	97
Postage and telephone	1,509	1,440
Electricity, gas and water	1,091	740
Printing and stationery	630	582
Repair and maintenance	152	137
Fee and subscription	536	454
Miscellaneous	161	423
Depreciation – owned assets (Note 11.1.2)	2,996	2,903
	32,216	30,566
22.1	Salaries and other benefits include staff retirement benefits amounting to Rupees 1.302 million (30 June 2008: Rupees 2.081 million).	
22.2 Auditors' remuneration		
Audit fee	500	125
Half yearly review	25	25
	525	150
23. OTHER OPERATING EXPENSES		
Donations (Note 23.1)	25	-
Debit balances written off	232	727
	257	727
23.1	The directors and their spouses have no interest in donations made by Company during the year.	
24. OTHER OPERATING INCOME		
Income from financial assets		
Profit on deposits with banks	14	16
Income from non financial assets		
Gain on sale of operating fixed assets	77	160
Scrap sales	584	374
Credit balances written back	365	243
Other income	-	104
	1,026	881
	1,040	897



	2009	2008
	(RUPEES IN THOUSAND)	
25. FINANCE COST		
Mark-up on:		
Long term financing	26,148	27,777
Short term borrowings	36,028	21,589
Finance charges on lease liabilities	8,273	6,017
Bank charges and commission	1,343	1,112
	<u>71,792</u>	<u>56,495</u>
26. PROVISION FOR TAXATION		
Current - for the year (Note 26.1)	-	(4,925)
Deferred	2,068	15,469
	<u>2,068</u>	<u>10,544</u>

26.1 No provision against current tax is required due to accumulated tax losses. Tax losses available as at 30 June 2009 are Rupees 351.226 million (30 June 2008: Rupees 286.654 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view accumulated tax losses of the Company.

(FIGURES IN THOUSAND)

27. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share which is based on:

Net loss for the year	(Rupees in thousand)	<u>(45,323)</u>	<u>(34,723)</u>
Number of ordinary shares	(Numbers)	<u>9 920 000</u>	<u>9 920 000</u>
Loss per share – basic	(Rupees)	<u>(4.57)</u>	<u>(3.50)</u>

	2009	2008
	(RUPEES IN THOUSAND)	
28. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(47,391)	(45,267)
Adjustment for non-cash charges and other items:		
Depreciation	46,597	45,638
Profit on disposal of operating fixed assets	(77)	(161)
Provision for staff retirement benefits	3,637	3,381
Finance cost	71,792	56,495
Debit balances written off	232	727
Credit balances written back	(365)	(244)
Working capital changes (Note 28.1)	87,184	(107,092)
	<u>161,609</u>	<u>(46,523)</u>



2009 2008
(RUPEES IN THOUSAND)

28.1 Working capital changes

Decrease / (increase) in current assets

- Stores, spare parts and loose tools	2,372	(7,471)
- Stock in trade	88,933	(98,267)
- Trade debts	(14,496)	(13,732)
- Loans and advances	1,687	(1,725)
- Short term deposits and prepayments	(170)	229
- Other receivables	(389)	885
	<u>77,937</u>	<u>(120,081)</u>

Increase in current liabilities

- Trade and other payables	9,247	12,989
	<u>87,184</u>	<u>(107,092)</u>

29. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE

The aggregate amount charged in the financial statements for the year for remuneration including all benefits to Chief Executive Officer, Director and Executive of the Company is as follows:

	Chief Executive Officer		Director		Executive	
	2009	2008	2009	2008	2009	2008
	-----RUPEES IN THOUSAND-----					
Managerial Remuneration	331	331	488	488	829	-
Allowances						
House rent	149	149	220	220	371	-
	<u>480</u>	<u>480</u>	<u>708</u>	<u>708</u>	<u>1,200</u>	<u>-</u>
Number of persons	1	1	1	1	1	-

29.1 Chief Executive Officer and Director are entitled to reimbursement of electricity, gas and water bills.

29.2 No remuneration was paid to directors as meeting fee during the current year.

30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

2009 2008
(RUPEES IN THOUSAND)

Associated companies:

Purchase of goods and services	-	2,690
Fuel and power purchased	5,101	3,063
Organisational expenses recovered	1,207	2,359
Sales of goods	63,372	3,502
Sizing / conversion income received	45,193	15,062

Directors' loan

Loans obtained	118,125	89,750
Loans repaid	85,900	-

	2009	2008
--	------	------

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinnin

100 % plant capacity converted to 20s count based on 3 shifts per day for 1095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	5 826 492	5 826 492
--	--------	-----------	-----------

Actual production converted to 20s count based on 3 shifts per day for 1095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	6 296 286	6 210 784
---	--------	-----------	-----------

Weavin

100 % plant capacity at 60 picks based on 3 shifts per day for 1095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	18 712 577	18 763 844
---	----------	------------	------------

Actual production converted to 60 picks based on 3 shifts per day for 1095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	15 908 179	13 109 634
--	----------	------------	------------

31.1 REASON FOR LOW PRODUCTION

Due to heavy quality of cloth production, the efficiency of plant was decreased.

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balances in foreign currency as at 30 June 2009.

(ii) Other price risk

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

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2009	2008
	(RUPEES IN THOUSAND)	
Fixed rate instruments:		
Financial liabilities		
Long term financing	61,035	72,926
Floating rate instruments:		
Financial assets		
Bank balances- saving accounts	1,313	193
Financial liabilities		
Long term financing	179,198	181,616
Liabilities against assets subject to finance lease	26,503	36,532
Short term borrowings	104,795	170,223

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 3.105 million (30 June 2008: Rupees 3.884 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2009	2008
	(RUPEES IN THOUSAND)	
Loans and advances	2,185	2,414
Deposits	2,914	1,322
Trade debts	54,401	39,905
Bank balances	2,772	5,971
	<u>62,272</u>	<u>49,612</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	RATING			2009 (RUPEES IN THOUSAND)	2008
	SHORT TERM	LONG TERM	AGENCY		
Banks					
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	60	528
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	471	2,619
Meezan Bank Limited	A-1	A+	JCR-VIS	58	43
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	871	1,393
Barclays Bank PLC	P-1	Aa3	Moody's		
MCB Bank Limited	A1+	AA+	PACRA	985	253
Allied Bank Limited	A1+	AA	PACRA	96	30
United Bank Limited	A-1+	AA+	JCR-VIS	14	18
Faysal Bank Limited	A1+	AA	PACRA	11	28
National Bank of Pakistan	A-1+	AAA	JCR-VIS	106	91
Habib Bank Limited	A-1+	AAA	JCR-VIS	6	33
Askari Bank Limited	A1+	AA	PACRA	3	53
Bank Alfalah Limited	A1+	AA	PACRA	22	424
Bank Al-Habib Limited	AA+	A1+	PACRA	2	150
The Royal Bank of Scotland Limited (formerly ABN Amro Bank Limited)	A1+	AA	PACRA	5	5
The Bank of Punjab	A1+	AA-	PACRA	8	261
K.A.S.B. Bank Limited	A1	A	PACRA	33	33
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	21	9
				2,772	5,971

Due to the Company's long standing business relationships with these counterparties, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rupees 348.334 million available borrowing limits from financial institutions (30 June 2008: Rupees 322.777 million) and Rupees 3.259 million cash and bank balances (30 June 2008: Rupees 6.591 million). Management believes the liquidity risk to be medium. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2009:

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----RUPEES IN THOUSAND-----						
Long term financing	485,908	521,943	25,462	41,599	393,228	61,654
Liabilities against assets						
subject to finance lease	38,690	45,964	6,868	9,096	20,947	9,053
Trade and other payables	57,569	57,569	57,569	-	-	-
Accrued mark-up	14,381	14,381	14,381	-	-	-
Short term borrowings	104,795	121,824	121,824	-	-	-
	<u>701,343</u>	<u>761,681</u>	<u>226,104</u>	<u>50,695</u>	<u>414,175</u>	<u>70,707</u>

Contractual maturities of financial liabilities as at 30 June 2008:

Long term financing	467,992	506,172	56,053	36,977	314,354	98,788
Liabilities against assets						
subject to finance lease	53,789	63,770	12,440	10,801	21,601	18,928
Trade and other payables	49,567	49,567	49,567	-	-	-
Accrued mark-up	13,222	13,222	13,222	-	-	-
Short term borrowings	170,223	182,990	182,990	-	-	-
	<u>754,793</u>	<u>815,721</u>	<u>314,272</u>	<u>47,778</u>	<u>335,955</u>	<u>117,716</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 3, 4 and Note 8 to these financial statements.

32.2 Fair values of financial assets and liabilities

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

32.3 Financial instruments by categories

	(RUPEES IN THOUSAND)
	Loans and receivables
As at 30 June 2009	
Assets as per balance sheet	
Loans and advances	2,185
Deposits	2,914
Trade debts	54,401
Cash and bank balances	3,259
	<u>62,759</u>

	(RUPEES IN THOUSAND)
	Financial liabilities at amortized cost
Liabilities as per balance sheet	
Long term financing	485,908
Liabilities against assets subject to finance lease	38,690
Accrued mark-up	14,381
Short term borrowings	129,795
Trade and other payables	57,569
	<u>726,343</u>
	Loans and receivables
As at 30 June 2008	
Assets as per balance sheet	
Loans and advances	2,414
Deposits	1,322
Trade debts	39,905
Cash and bank balances	6,591
	<u>50,232</u>
	Financial liabilities at amortized cost
Liabilities as per balance sheet	
Long term financing	467,992
Liabilities against assets subject to finance lease	53,789
Accrued mark-up	13,222
Short term borrowings	170,223
Trade and other payables	49,567
	<u>754,793</u>

32.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders 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 and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing (except subordinated loans), liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 3, 4 and 8 respectively. Equity represents 'total equity' as shown in the balance sheet and directors' loans which are subordinated to long term financing as referred in note 3.2. Total capital employed includes 'equity' plus 'borrowings'. The Company's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 70% debt and 30% equity.

		2009	2008
Borrowings	(Rupees in thousand)	475,693	598,304
Total equity	(Rupees in thousand)	182,300	167,623
Total capital employed	(Rupees in thousand)	<u>657,993</u>	<u>765,927</u>
Gearing ratio	(Percentage)	<u>72.29</u>	<u>78.12</u>

**33. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on 05 October 2009 by the Board of Directors of the Company.

34. CORRESPONDING FIGURES

Comparative figures of balance sheet, profit and loss account, cash flow statement and statement of changes in equity and related notes have been re-arranged, wherever necessary for the purpose of comparison. However, no significant reclassification has been made except for:

- Advance income tax and sales tax refundable has been grouped in loans and advances and other receivables respectively.
- Scrap sales are grouped in other operating income instead of merging in sales.

35. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

MUHAMMAD SAEED
CHIEF EXECUTIVE OFFICER

AMJAD SAEED
DIRECTOR

**PATTERN OF SHAREHOLDINGS
AS ON 30-06-2009**

	TYPE OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	
	1	100	543	51181
	101	500	716	321218
	501	1,000	104	98601
	1001	5,000	138	363000
	5001	10,000	28	218500
	10001	20,000	10	130000
	25001	30,000	1	30000
	30001	40,000	1	37000
	40001	45,000	2	81000
	45001	55,000	2	100100
	65001	70,000	1	70000
	70001	85,000	1	72800
	85001	115,000	11	1071600
	115001	135,000	3	381800
	135001	155,000	3	448600
	185001	205,000	1	198500
	225001	280,000	2	501500
	290001	310,000	1	300000
	310001	660,000	4	2353896
	660001	770,000	2	1363104
	770001	800,000	1	774600
	940001	1,040,000	1	953000
	Total ==>>	1,576	9,920,000	



**CATEGORIES OF SHAREHOLDING
AS AT JUNE 30, 2009**

CATEGORIES OF SHAREHOLDING	NUMBERS	SHARES HELD	PERCENTAGE %
Associated Companies, Undertakings and related parties			
NIT And ICP	5	1,337,400	13.48
Directors, Chief Executive & Their Spouse and Adult Children			
Mr. Nisar Ahmed Sheikh (Chairman)	1	496,900	5.01
Spouse and Adult Children	5	531,800	5.36
Mr. Muhammad Saeed Sheikh (Chief Executive)	1	8,100	0.08
Adult Children	2	212,200	2.14
Mr. Muhammad Arshad Sheikh (Director)	1	646,400	6.52
Spouse and Adult Children	6	643,500	6.49
Mr. M. Anwar Sajjad (Director)	1	685,100	6.91
Spouse and Adult Children	3	710,800	7.17
Mr. Amjad Saeed (Director)	1	552,200	5.57
Spouse and Adult Children	6	776,300	7.83
Mr. Shahzad Ahmed Sheikh (Director)	1	774,600	7.81
Spouse	1	130,000	1.31
Executives	---	---	---
Public Sector Companies And Corporations	---	---	---
Banks, Development Finance Institutions,	---	---	---
Non - Banking Finance Institutions,	---	---	---
JOINT STOCK COMPANIES	13	1,088,200	10.96
Insurance Companies, Modaraba and Mutual Funds	---	---	---
Individuals	1529	1,326,500	13.36
Others	---	---	---
TOTAL	1576	9,920,000	100.00

**STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS,
CEO, CFO, COMPANY SECRETARY AND THE MINOR FAMILY MEMBERS
FROM 1ST JULY 2008 TO JUNE 30, 2009.**

NAME	DESIGNATION	SHARES BOUGHT	SHARES SOLD
Mr. Nisar Ahmed Sheikh	Chairman	---	---
Mr. Muhammad Saeed Sheikh	Chief Executive	---	---
Mr. Muhammad Arshad Sheikh	Director	---	---
Mr. M. Anwar Sajjad	Director	---	---
Mr. Amjad Saeed	Director	---	---
Mr. Shahzad Ahmed Sheikh	Director	---	---
Mr. Saad Ashraf	Director(N.I.T.)	---	---
Mr. M. Pervaiz Akhtar	Chief Financial Officer	---	---
Mr. Shahid Akram	Company Secretary	---	---



IDEAL SPINNING MILLS LIMITED
ROOM NO. 404 & 405, 4TH FLOOR,
BUSINESS CENTRE, DUNALLY ROAD, KARACHI.

PROXY FORM

I/We of
..... being member(s) of
IDEAL SPINNING MILLS LIMITED holding..... ordinary shares as per Registered
Folio No./CDC A/c. No. (For members who have shares in CDS).....
hereby appoint Mr./Mrs./Miss of
(full address) or failing
him/her Mr./Mrs./Miss of
(full address)
(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our
behalf at the 21st Annual General Meeting of the Company to be held on October 31, 2009 and /
or any adjournment thereof.

As witness my/our hand seal this..... day of 2009
Signed by..... in the
presence of.....

Signature on
Rs. 5/-
Revenue Stamp

(Signature must agree with the specimen
signature registered with the Company)

NOTES:

- 1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, 404/405, 4th Floor, Business Centre, Dunally Road, Karachi not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a Corporation may appoint a person who is not a member.
3. If a member appoints more than one proxies and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representatives of Corporate members should bring the usual documents required for such purpose.





IDEAL SPINNING MILLS LIMITED

Annual Report