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**BOARD OF DIRECTORS**

Mr. Naeem Shafi Chief Executive  
Mr. Waseem Shafi  
Mr. Qamar Mashkooor  
Mr. Zahid Ali  
Mr. Sajid Hussain  
Mr. Muhammad Arshad  
Mr. Iqbal Ahmed Khan

**CHIEF FINANCIAL OFFICER/  
COMPANY SECRETARY**

Mr. Mohammad Aurangzeb

**AUDIT COMMITTEE**

Mr. Waseem Shafi Chairman  
Mr. Qamar Mashkooor Member  
Mr. Zahid Ali Member

**AUDITORS**

Rao & Company Chartered Accountants

**LEGAL ADVISOR**

S. Akhtar & Company

**BANKERS**

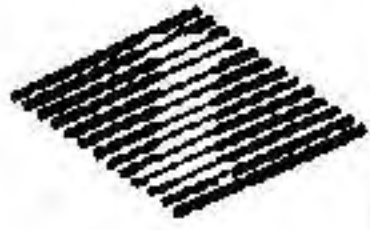
Bank AL-Habib Limited  
Habib Bank Limited

**REGISTERED OFFICE & FACTORY**

F-2A(L), S.I.T.E., Karachi-75730.

**REGISTRAR**

Gangjees Registrar Services (Pvt.) Ltd.  
516, Clifton Centre, Kehkashan,  
Block-5, Clifton,  
Karachi-75600.



Notice is hereby given that the 19th Annual General Meeting of the Shareholders of International Knitwear Limited will be held on Saturday, 24th October, 2009 at 05:00 p.m. at registered office situated at F-2A/(L), S.I.T.E. Karachi to transact the following business:

**ORDINARY BUSINESS:-**

- 1 To confirm the minutes of the 18th Annual General Meeting held on October 25, 2008.
- 2 To receive, consider and adopt the Audited Accounts together with Director's and Auditors Reports thereon for the year ended June, 30,2009.
- 3 To approve the cash dividend of paisa 0.75 per share of Rs. 10/- each (i.e. 7.5%) and Bonus share in proportion of 15 ordinary shares for every 200 ordinary shares held (i.e. 7.5%) as recommended by the Board of Directors.
- 4 To appoint Auditors for the year 2009-10 and to fix their remuneration. The present Auditors M/s. Rao & Company Chartered Accountants being eligible have offered themselves for re-appointment. The Audit committee and Board of Directors have also recommended appointment of M/s. Rao & Company Chartered Accountants as Auditors for the year 2009-2010.
- 5 To elect seven Directors of the Company as fixed by the Board under section 178 and 180 of the companies ordinance 1984 for a term of three years. The following Directors retire and are eligible for re-election.

1- Mr. Naeem Shafi	2- Mr. Waseem Shafi
3- Mr. Qamar Mashkooor	4- Mr. Zahid Ali
5- Mr. Sajid Hussain	6- Mr. Arshad Ahmed
7- Mr. Iqbal Ahmed Khan	
- 6 To transact such other business as may be placed before the meeting with the permission of the Chair.

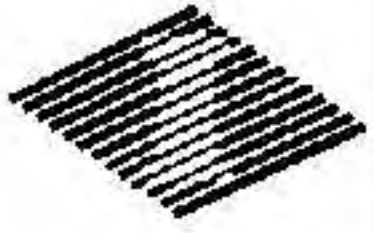
By Order of the Board

Karachi:  
October 01, 2009

**Mohammad Aurangzeb**  
Chief Financial Officer / Company Secretary

**Notes:**

- i. The Share Transfer books of the Company will remain closed from October 17, 2009 to October 24, 2009.



2. A member of the Company entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote on his /her behalf. A proxy need not be a member of the Company.
3. Proxies must be received at the registered office of the Company not less than 48 hours before the time of the Meeting.
4. Shareholders are requested to intimate any changes in their addresses immediately to our Register, Gangjees Registrar Services (Pvt) Ltd, Room No. 516, 5th Floor ,Clifton Center, Kehkashan, Block 5, Clifton, Karachi-75600.
5. In pursuance of Circular No. 1 of 2000 of SECP dated January 26,2000 the beneficial owners of the shares registered in the name of Central Depository Company (CDC) and / or their proxies are required to produce their National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Company within the stipulated time duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produce at the time of the meeting.



Assalam-o-Alaikum

The Director of the Company have pleasure in presenting the 19th Annual Report of the Company together with the audited accounts and the Auditors Report thereon for the year ended June 30, 2009.

#### **REVIEW OF OPERATIONS**

Alham-du-Lillah Financial results year 2008-09 have been satisfactory, despite too many hardships and withdrawal of R&D support from the government as compared to the last year.

The company has achieved net sale of Rs. 158.53 million against Rs. 180.26 in the preceding year, showing a decrease of 12.1%, despite a challenging business environment and security issues in the country.

There has been gross profit of Rs. 21.4 million against Rs. 26.01 million as compared to the previous year.

Admin & selling expenses at Rs. 6.4 million decreased, by 7.9% have been under control despite double digit inflation.

Financial & other charges recorded an increase to Rs. 4.873 million was mainly due to higher markup rate and bank charges on export proceeds.

After incorporating administrative and selling expenses, financial & other charges and W.P.P.F. our profit before taxation for the period under review is Rs. 12,008,804 as against Rs. 16,264,333 in the corresponding period.

Capital expenditure recorded during this period is Rs. 9.989 million incurred on account of facility improvement and balancing of machinery.

#### **FUTURE OUTLOOK**

Although the export opportunity are being heavily chased by fierce competition in the international market but your company remains committed to take proactive measures to respond to challenges and maintain its strategy to focus on selected brands / customers.

#### **DIVIDEND**

The Board of Directors have recommended a cash dividend of 7.5% and bonus shares 7.5% for the year ended June 30, 2009 against nil dividend last year.

#### **EARNING PER SHARE**

The earning per share for the period under review is Rs 3.70 as compared to Rs 4.82 in the last year.

#### **KEY OPERATING AND FINANCIAL DATA**

Summary for last six years of key operating and financial data are annexed.



### **ELECTION OF DIRECTORS**

The term of present seven Directors of the company is expiring on June 30, 2009 on the completion of three years. Election of Directors for fresh term of three years will be held in the 19th Annual General Meeting of the company in accordance with the provisions of the companies ordinance 1984. The numbers of Directors of the company fixed by the Board of Directors are seven. All retiring Directors shall be eligible to offer themselves for re-election.

### **OUTSTANDING STATUTORY PAYMENTS**

There are no statutory payments outstanding on account of taxes, duties, levies and charges except of a normal and routine nature.

### **PROVIDENT FUND**

The company is operating a funded scheme. The trustees of the fund have invested the fund in PLS account, The PLS account showing a credit balance of Rs. 2.341 Million as on June 30,2009. The independent auditor audits Provident fund accounts.

### **SIGNIFICANT PLANS AND DECISIONS**

There are no significant plans for corporate restructuring and discontinuance of operations except for improvement in the normal business activities to increase the size of the business and sales volumes.

### **AUDIT COMMITTEE**

The Board of Directors in compliance with the Code of Corporate Governance has established an audit committee and the following non-executive directors are its members:

Mr. Waseem Shafi	Chairman
Mr. Qamar Mashkoor	Member
Mr. Zahid Ali	Member

### **INTERNAL AUDIT FUNCTION**

The audit committee is assisted by the internal audit function maintaining internal controls and best practices, function of the internal audit is to review controls and procedures.

### **MEETING OF THE BOARD OF DIRECTORS.**

During the period under review 4 board meeting were held, Each Director attended meeting as follow:-

<b>S.No.</b>	<b>Name of Director</b>	<b>No of Meeting attended.</b>
1.	Mr. Naeem Shafi	4
2.	Mr. Waseem Shafi	4
3.	Mr. Muhammad Sajid Hussain	1
4.	Mr. Arshad Ahmed	1
5.	Mr. Iqbal Ahmed Khan	1
6.	Mr. Qamar Mashkoor	4
7.	Mr. Zahid Ali	4



**AUDITORS.**

The retiring auditors M/s RAO & Company, being eligible, offer themselves for reappointment.

**PATTERN OF SHAREHOLDING**

The pattern of shareholding and additional information regarding pattern of shareholding is attached to the financial statements included in this report.

**ACKNOWLEDGMENT**

We appreciate and thanks to the members of the management and the Staff for their endeavor, loyalty and commitment to the success of the company

We immensely value the support and cooperation of our customers, suppliers, bankers and all stake holders and wish to record our thanks and gratitude.

On Behalf of the Board

Karachi:  
October 01, 2009

**Nacem Shafi**  
Chief Executive



This statement is being presented to comply with the Code of Corporate governance contained in regulation No. 37 of the listing regulations of Karachi stock exchange for the purpose of establishing a frame work of good corporate governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the code in the following manner.

- 1 The Board comprises seven Directors including Chief Executive. The company encourages representation of independent Non-Executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six Non-executive Directors.
- 2 The Directors have confirmed that non 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. None of the directors or their spouses are engaged in the business of stock brokerage.
- 4 The tenure of the board is three years and casual vacancy occurred and filled in the board.
- 5 The company has prepared a "Statement of Ethics and business Practices" which has been signed by all the Directors and employees of the company.
- 6 The Board has developed vision and mission statements, 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 CEO or a director elected by the board for his purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The board has started the process of arranging orientation courses for its directors to apprise them of their duties and responsibilities.
- 10 The Board has approved appointment of CFO, Company secretary including their remuneration and terms and conditions of employment, as determined by the CEO.
- 11 Directors report for the year has been prepared in compliance with the requirements of the code and fully describes the salient matter required to be disclosed.
- 12 The financial statements of the company were duly endorsed by the 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 sharcholding.

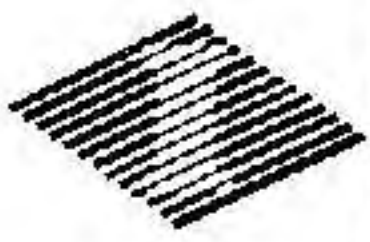




- 14 The company has complied with all the corporate and financial reporting requirements of the code.
- 15 The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
- 16 The meetings of the Audit Committee were held at least once every quarter prior to approval of the 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 internal audit function by Internal Auditor.
- 18 The statutory auditors of the company have confirmed that they have been given 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 services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20 The company has adopted terms of reference of Audit Committee. The Audit committee has been accordingly advised for compliance. The overall corporate strategy and significant policies of the Company have been documented.
- 21 We confirm that all other material principles contained in the Code have been complied with.

**Naeem Shafi**  
Chief Executive

Karachi: October 01, 2009



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009, prepared by the Board of Directors of **INTERNATIONAL KNITWEAR LIMITED**, to comply with Listing Regulation No. 37 of the Karachi Stock Exchange 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 the 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 risks and controls and the effectiveness of such internal controls.

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.

**RAO & COMPANY**  
CHARTERED ACCOUNTANTS

Karachi: October 01, 2009



We have audited the annexed balance sheet of INTERNATIONAL KNITWEAR LIMITED as at June 30, 2009 and the related profit & 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 & 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 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 the profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the 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 & Ushr Ordinance, 1980.

**RAO & COMPANY**  
CHARTERED ACCOUNTANTS

Karachi: October 01, 2009



# International Knitwear Limited

## BALANCE SHEET AS AT JUNE 30, 2009

**ANNUAL  
REPORT  
2008-09**

	Note	2009 Rupees	2008 Rupees
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorised capital 6,000,000 (2008: 6,000,000) Ordinary shares of Rs. 10/- each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid-up capital 3,000,000 (2008: 3,000,000) fully paid Ordinary shares of Rs. 10/- each	6	30,000,000	30,000,000
Unappropriated Profit		<u>16,706,863</u>	<u>5,596,170</u>
		<b>46,706,863</b>	<b>35,596,170</b>
<b>Non-current liabilities</b>			
Deferred liabilities	7	-	210,320
<b>CURRENT LIABILITIES</b>			
Short term finance under mark-up arrangement	8	-	5,500,000
Trade & other payables	9	38,586,145	54,203,324
Provision for Taxation	10	2,911,410	6,573,348
		<b>41,497,555</b>	<b>66,276,672</b>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11	-	-
		<u><b>88,204,418</b></u>	<u><b>102,083,162</b></u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	12	19,981,074	14,365,438
Long term deposits	13	1,607,669	1,607,669
<b>CURRENT ASSETS</b>			
Stock -in- trade	14	7,530,393	10,429,621
Advance Payment of Tax		-	3,741,459
Trade debtors		45,883,831	49,867,537
Loans, Advances, and prepayments	15	3,873,410	739,455
Other Receivables	16	5,551,749	5,380,915
Cash and bank balances	17	3,776,292	15,951,068
	18	<u>66,615,675</u>	<u>86,110,055</u>
		<u><b>88,204,418</b></u>	<u><b>102,083,162</b></u>

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

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director



# International Knitwear Limited

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

**ANNUAL  
REPORT  
2008-09**

	Note	2009 Rupees	2008 Rupees
Sales (net)	19	158,531,833	180,260,286
Cost of sales	20	137,103,397	154,243,006
<b>Gross profit</b>		<b>21,428,436</b>	<b>26,017,280</b>
Administrative & selling expenses	21	6,494,516	7,051,847
<b>Operating profit</b>		<b>14,933,920</b>	<b>18,965,433</b>
Finance Cost & Other charges	22	(4,872,700)	(2,283,954)
Other income	23	2,830,233	781,279
Workers' Profit Participation Fund		(643,073)	(873,138)
Workers' Welfare Fund		(239,576)	(325,287)
		<b>(2,925,116)</b>	<b>(2,701,100)</b>
<b>Profit before taxation</b>		<b>12,008,804</b>	<b>16,264,333</b>
<b>Taxation</b> :- Prior		<b>801,889</b>	-
:- Current		<b>(1,700,000)</b>	<b>(1,800,000)</b>
<b>Profit after taxation</b>		<b>11,110,693</b>	<b>14,464,333</b>
<b>Earning per share-basic and diluted</b>		<b>3.70</b>	<b>4.82</b>

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

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director



# International Knitwear Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

**ANNUAL  
REPORT  
2008-09**

	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,008,804	16,264,333
Adjustment for:		
Depreciation	4,293,901	4,072,825
Finance cost	4,872,700	2,283,954
Provision for doubtful debts	1,423,270	1,173,270
Gain on sale of property, plant & equipment	938,779	-
	<u>11,528,650</u>	<u>7,530,049</u>
Cash flows before working capital changes	23,537,454	23,794,382
Decrease / (Increase) in current assets		
Stock - in - trade	2,899,228	3,703,908
Stock -in- transit	-	473,000
Trade debtors	5,406,976	(4,716,470)
Loan and Advances	(3,133,955)	(341,223)
Other receivables (Net)	(69,371)	(364,867)
	<u>5,102,878</u>	<u>(1,245,652)</u>
<b>(decrease) / Increase in current liabilities</b>		
Trade & other payables	(15,617,179)	(437,953)
Income tax paid	(3,661,938)	(980,461)
Net cash flows from operating activities	<u>(19,279,117)</u>	<u>21,130,317</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for capital expenditure	(9,989,258)	(1,354,360)
Proceeds from sale of property, plant & equipment	(1,018,500)	-
Profit on Deposits	(155,533)	-
Net cash used in investing activities	<u>(11,163,291)</u>	<u>(1,354,360)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance cost paid	(4,872,700)	(2,283,954)
Net cash (used in) financing activities	<u>(4,872,700)</u>	<u>(2,283,954)</u>
Net increase/(Decrease) in cash and cash equivalents	(6,674,777)	17,492,002
Cash and bank balances at beginning of the year	(10,451,068)	(7,040,934)
Cash and bank balances at the end of the year	<u>3,776,292</u>	<u>10,451,068</u>
<b>Cash and cash equivalent:</b>		
Cash and bank balances	3,776,292	15,951,068
Short term finance under mark-up arrangement	-	(5,500,000)
	<u>3,776,292</u>	<u>10,451,068</u>

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

Naeem Shafi  
Chief Executive

Waseem Shafi  
Director



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

	<b>Share Capital</b>	<b>Un appropriated Profit / (Loss)</b>	<b>Total</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Balance:as at July 1,2007	30,000,000	(8,868,163)	21,131,837
Net Profit for the year ended June 30, 2008	-	14,464,333	14,464,333
Balance as at June, 2008	30,000,000	5,596,170	35,596,170
Net Profit for the year ended June 30, 2009	-	11,110,693	11,110,693
<b>Balance as at June 30, 2009</b>	<b>30,000,000</b>	<b>16,706,863</b>	<b>46,706,863</b>

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

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director

**1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on May 21, 1990 as an unlisted public limited company and was listed on the Karachi Stock Exchange on February 08, 1994. Its principal activities are knitting, dyeing, stitching, marketing of garments and providing dyeing facilities. The registered office of the Company is situated at F-2A/L, S.I.T.E. Karachi.

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provision of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or the directive issued by the securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**2.2 New Accounting Standards****2.2.1 ADOPTION OF NEW AND REVISED STANDARD AND INTERPRETATIONS****Standard Effective in 2008-2009**

In the current year, the Company have adopted IFRS 7 - Financial Instruments: Disclosure. Adoption of this standard only impacts the format and extend of disclosures as presented in note 27 to the financial statement.

Standards, Amendments and Interpretation issued but not yet effective.

		Effective for periods beginning on after
IFRS 8	Operating Segments	January 1, 2009
IAS 1	Presentation of Financial Statement (Revised)	January 1, 2009
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2009
IAS 12	Income Taxes (Amendments)	January 1, 2009
IAS 16	Property Plant & Equipment (Amendments)	January 1, 2009
IAS 18	Revenue (Amendments)	January 1, 2009
IAS 19	Employee Benefits (Amendments)	January 1, 2009
IAS 21	The effect of changes in Foreign Exchange Rate (Amendments)	January 1, 2009
IAS 23	Borrowing Cost (Revised)	January 1, 2009
IAS 32	Financial Instrument: Presentation (Amendments)	January 1, 2009
IAS 33	Earnings per share (Amendments)	January 1, 2009
IAS 36	Impairment of Assets (Amendments)	January 1, 2009
IAS 39	Financial Instrument: Recognition & measurement (Amendments)	January 1, 2009
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 1, 2009

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





**Standards, amendments and interpretations effective in 2008-2009 but not relevant:**

There are certain new standards and interpretations that were mandatory for accounting period beginning on or after July, 1, 2009 but are considered not to be relevant or have any significant effect on the Company's operations and are therefore not disclosed in these financial statements.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with international accounting standards requires standard the use of certain accounting estimates. It also requires the management to exercise its judgment in the process of standard applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows;

- a) Provision for impairment of trade
- b) Provision for obsolete inventory
- c) Taxation
- d) Valuation of Work in Process

Estimates and judgments are continually evaluated and are based on historical expenses and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**4 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are as follows:

**5.1 Staff Retirement Benefits**

The Company operates an approved defined contributory provident fund scheme for eligible employees. Equal contributions are made to the fund by the Company and the employees at the rate of 8.33 % of basic salary.

**5.2 Taxation  
Current**

The charge for current taxation is based on taxable income at current rate of taxation including "presumptive tax regime" of the Income Tax Ordinance 2001, in respect of export sales.

**Deferred**

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized.



**5.3 Property, Plant, Equipment and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. In respect of additions, depreciation is charged from the month in which assets is put to use to the month prior to disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Gain and loss arising on disposal of property, plant and equipment is included in income in the year of disposal.

**5.3.1 Assets Subject to Finance Lease**

The Company accounts for fixed assets acquired under finance lease by recording the asset and the corresponding liability. These amounts are based on discounting value of minimum lease payments. Financial charges are allocated to the income in the period.

**5.4 Stores and Spares**

- a) These are valued at cost determined on weighted average method.
- b) Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

**5.5 Stock-in-Trade**

- a) Raw, Packing and other materials are valued at the lower of cost calculated on a first-in-first-out basis and net realizable value.
- b) Work in Process is valued at material cost plus estimated conversion cost.
- c) Finished Goods are valued at lower of cost and net realizable value (NRV). NRV signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred to make the sale.
- d) Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.

**5.6 Trade Debts**

Known bad debts, if any, are written off and provision is made against debts considered doubtful. Provision for doubtful debts is based on management's assessment of customer's outstanding and credit Worthiness.

**5.7 Provisions**

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



**5.8 Foreign Currencies Translation**

Transaction in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees, at the rate of exchange prevailing at the balance sheet date. Exchange gain / losses are recognized in income currently.

**5.9 Revenue Recognition**

Revenue from export sales is recognized upon transfer of risks and rewards which coincides with shipment of goods.

Revenue from dyeing, knitting and local sales is recognized on completion of services and delivery of goods.

**5.10 Dividend distribution**

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

**5.11 Financial Instruments**

Financial instruments carried on the balance sheet include investments, loans and advances, deposits, trade debts, other receivables, cash and bank balances, liabilities against assets subject to finance lease, short-term running finances utilized under mark-up arrangements, short-term loans, creditors, accrued and other liabilities and mark-up accrued. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of consideration given or received for it. The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment loss is recognized in the profit and loss account.

**5.12 Foreign Currencies**

Transaction in foreign currencies are accounted for in Pakistan Rupees at the rate prevailing on the dates of transaction. Monetary Assets and liabilities in foreign currencies are translated into Rupees of the rates of exchange which approximate those prevailing at the balance sheet date. Exchange difference are taken to the profit and loss account.

**5.13 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, balances with banks in current accounts and highly liquid short-term finances.

**5.14 Offsetting**

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

**5.15 Functional and presentation currency**

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

**5.16 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalized as a part of the cost of that asset.

**5.17 Related Party Transactions**

All transactions with related parties are carried out by the company using the methods prescribed under the Companies Ordinance, 1984.

**5.18 Impairment of assets**

The carrying value of fixed assets is reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exist and the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

**5.19 Segments Reporting****5.19.1 Identification of Segments**

Export Division

Dyeing Division

**5.19.2 Method of Pricing inter-segment transfer:**

These are transferred on the basis of actual cost.

**5.19.3 Basis for allocation for Revenue and Expenses:**

Revenue and expenses in respect of each segment are separately identifiable.

However depreciation is allocated on the following basis.

**Basis of Allocation**

Depreciation on Plant &amp; Machinery

Depreciation on other Assets

**Segment Allocation**

<b>Export</b>	<b>Dyeing</b>
<b>5 %</b>	<b>95%</b>
<b>50%</b>	<b>50%</b>

**5.19.4 Disclosure requirement as per Para 48 of IAS - 14**

Assets that are jointly used by our two segments have been allocated to segments using the same basis which has been used for allocating depreciation on such assets to segments.

**5.19.5 Accounting policies in respect of business segments, Segment assets and liabilities, allocation of segment expenses have been made in accordance with the requirement of IAS - 14.**

	Note	2009 Rupees	2008 Rupees
<b>6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		<u>30,000,000</u>	<u>30,000,000</u>
3,000,000 (2008: 3,000,000) fully paid ordinary shares of Rs. 10/- each			
<b>7 DEFERRED LIABILITIES-STAFF GRATUITY</b>			
Balance as at July, 01		-	555,603
Current portion		-	345,283
Long term portion		<u>-</u>	<u>210,320</u>
<b>8 SHORT TERM FINANCE UNDER MARK-UP ARRANGEMENT - Secured</b>			
From Bank A1-Habib Ltd			
- Export refinance facility		-	<u>5,500,000</u>
8.1 Limit Rs. 12.00 million.			
8.2 Secured against hypothecation charge over stocks and equitable mortgage over factory property at Plot # F-2A/L, SITE, Karachi for Rs. 22 million, and lien over export documents and personal guarantees of Directors of the Company. The rate of mark-up is equal to 3 Months KIBOR + 2% with a floor of 11% p.a. (2007: 3% KIBOR+1%). The facility is renewable and is valid till June 30, 2009.			
<b>9 TRADE &amp; OTHER PAYABLES</b>			
Creditors		31,178,367	47,479,531
Accrued charges		2,483,244	1,975,280
Advance from customers		500,000	846,674
Worker's profit participation fund payable	9.2	3,170,787	2,717,178
Worker's welfare fund payable	9.3	885,081	650,505
Others Payable		185,607	165,437
Current portion of deferred liabilities	7	-	345,283
Other fund payable	9.1	183,058	23,436
		<u>38,586,144</u>	<u>54,203,324</u>
	Note	2009 Rupees	2008 Rupees
<b>9.1 Provident fund payable</b>			
Provident fund contribution payable		-	13,436
P.F. loan payable		334	10,000
Gratuity payable		182,724	-
		<u>183,058</u>	<u>23,436</u>

	Note	2009 Rupees	2008 Rupees
<b>9.2 W.P.P.F. Payable</b>			
Balance as at July 01,		2,717,178	2,025,093
Add: Provision for the year		643,073	873,138
Interest on W. P. P.F. Payable		167,492	184,847
		<u>3,527,743</u>	<u>3,083,078</u>
Less: Amount paid		(356,956)	(365,900)
Balance as at June 30,		<u>3,170,787</u>	<u>2,717,178</u>
<b>9.3 W.W.F. Payable</b>			
Balance as at July 01,		650,505	325,218
Add: Provision for the year		239,576	325,287
Less: Amount paid		890,081	650,505
Balance as at June 30,		(5,000)	-
		<u>885,081</u>	<u>650,505</u>
<b>10 PROVISION FOR TAXATION</b>			
Provision for taxation - Prior year		2,030,000	4,773,348
Provision for taxation - current	10.1	1,700,000	1,800,000
		<u>3,730,000</u>	<u>6,573,348</u>
Less: Advance payment of tax		(818,590)	-
		<u>2,911,410</u>	<u>6,573,348</u>
10.1	Keeping in view the prudence concept and unused business loss as on June 30, 2009 deferred tax assets have not been recognized in the financial statements. Furthermore, numerical reconciliation between the average tax rate and applicable tax rate has not been presented as provision for current year. Provision of income tax has been made under the provision of minimum tax under section 113 of the Income Tax Ordinance 2001. The company's tax computation give rises to a tax loss.		
<b>11 CONTINGENCIES AND COMMITMENTS</b>			
<b>11.1 Contingencies</b>			
Guarantees issued by Bank A1-Habib against Sui Southern Gas Company Ltd		<u>3,000,000</u>	<u>3,000,000</u>
<b>11.2 Commitments in respect of:</b>			
11.2.1 Letter of credit for purchase of raw materials, stores and spares		<u>1,838,225</u>	<u>2,458,700</u>
11.2.2 Custom duty on import of goods by indemnity bonds deposited to the Collector of Customs (Export) as per provision of SRO 410(1)01 dated 18-06-2001.		<u>231,723</u>	<u>526,000</u>

**12. PROPERTY, PLANT AND EQUIPMENT**

Particulars	COST			ACCUMULATED DEPRECIATION			BOOK VALUE		Rate %
	As on July 01, 2008	Addition / (Deletion) during the year	As on June 30, 2009	As on July 01, 2008	Adjustment of (disposal)	For the Year	As on June 30, 2009	Book Value as on June 30, 2009	
Leasehold Land	4,717,652		4,717,652	467,406	-	47,177	514,583	4,203,069	1%
Factory building	6,916,173	21,900	6,938,073	3,041,267	-	346,265	3,387,532	3,550,541	5%
Plant & machinery	37,354,672	9,325,143 (1,126,526)	45,553,289	32,151,519	(1,079,591)	3,299,133	34,371,061	11,182,228	10%
Furniture & fixture	841,859	86,990	928,849	597,341	-	52,198	649,539	279,310	10%
Office equipment	1,118,640	179,425 (33,500)	1,264,565	911,707	(33,500)	47,631	925,838	338,727	10%
Motor vehicles	3,256,781	350,000 (977,808)	2,628,973	2,833,140	(945,022)	464,735	2,352,853	276,120	20%
Computer	1,011,063	25,800	1,036,863	849,022	-	36,762	885,784	151,079	20%
<b>2009-Rupees</b>	<b>55,216,840</b>	<b>9,989,258 (2,137,834)</b>	<b>63,068,264</b>	<b>40,851,402</b>	<b>(2,058,113)</b>	<b>4,293,901</b>	<b>43,087,190</b>	<b>19,981,074</b>	
2008-Rupees	53,862,480	1,354,360	55,216,840	36,778,577	-	4,072,825	40,851,402	14,365,438	

12.1 The detail of property, plant & equipment disposed of during the year are as follows:

Particular	Cost	Accumulated depreciation	Book Value	Sale Proceeds	Mode of disposal	Particular of Purchaser
Vehicle	400,000	400,000	-	100,000	Negotiation	M. Saced Khan
Vehicle	577,808	545,022	32,786	360,000	Negotiation	M. Aamir Malik
Soft Flow Dyeing Machine	1,126,526	1,079,591	46,935	550,000	Negotiation	Sarwar Engineering
Split	23,500	23,500	-	5,500	Negotiation	M. Ejaz Khan
Windows AC.	10,000	10,000	-	3,000	Negotiation	M. Ejaz Khan
<b>Total</b>	<b>2,137,834</b>	<b>2,058,113</b>	<b>79,721</b>	<b>1,018,500</b>		

**12.2 SEGMENTWISE ALLOCATION OF DEPRECIATION**

Particulars	Allocation Criteria	2009			2008		
		EXPORT	DYEING	TOTAL	EXPORT	DYEING	TOTAL
Land	-	23,589	23,589	47,177	21,466	21,466	42,932
Building	50 : 50	173,133	173,133	346,265	143,252	143,252	286,504
Plant & machinery	5 : 95	164,957	3,134,176	3,299,133	151,294	2,874,593	3,025,887
	<b>Cost of sales</b>	<b>361,678</b>	<b>3,330,897</b>	<b>3,692,575</b>	<b>316,012</b>	<b>3,039,311</b>	<b>3,355,323</b>
Furniture & fixture	50 : 50	26,099	26,099	52,198	22,479	22,479	44,958
Office equipment	50 : 50	23,816	23,816	47,631	23,249	23,249	46,498
Motor vehicles	50 : 50	232,368	232,368	464,735	289,081	289,081	578,162
Computer	50 : 50	18,381	18,381	36,762	23,943	23,943	47,886
Admin and selling expenses		300,663	300,663	601,326	358,752	358,752	717,504
		<b>662,340</b>	<b>3,631,560</b>	<b>4,293,901</b>	<b>674,764</b>	<b>3,398,063</b>	<b>4,072,827</b>



	Note	2009 Rupees	2008 Rupees
<b>13 LONG TERM DEPOSITS</b>			
Security deposits		<u>1,607,669</u>	<u>1,607,669</u>
<b>14 STOCK-IN-TRADE</b>			
Raw material		5,353,248	2,979,699
Work-in-process		1,761,383	7,389,235
Finished goods		830,585	475,510
		7,945,216	10,844,444
Less: Provision for obsolete stock		(414,823)	(414,823)
		<u>7,530,393</u>	<u>10,429,621</u>
<b>15 TRADE DEBTS - considered good</b>			
Export (Secured)-considered good		3,285,981	5,135,903
Local (Dyeing)- Un secured			
Considered good		42,947,850	44,981,634
Considered doubtful		1,073,270	1,173,270
		44,021,120	46,154,904
Less: Provision for bad debts		(1,423,270)	250,000
Less: Provision for doubtful debts		-	(1,173,270)
		(1,423,270)	(1,423,270)
		<u>45,883,831</u>	<u>49,867,537</u>
<b>16 LOAN, ADVANCES, AND PREPAYMENTS</b>			
<b>LOAN</b>			
Loan to employees-un-secured considered good	16.1	<u>513,700</u>	<u>546,000</u>
<b>ADVANCES-UN-SECURED CONSIDERED GOOD</b>			
Sundry Advance - unsecured	16.2	362,660	136,905
Advance for land		2,800,000	-
Advance to contractor & supplier- unsecured		187,750	-
Advance against Imprest - unsecured		-	52,000
		3,350,410	188,905
Prepayment		9,300	4,550
		<u>3,873,410</u>	<u>739,455</u>

16.1 The unsecured loans to employees are granted in accordance with the terms of employment. Loans are recoverable in monthly installments over a period ranging between 3 to 5 years and are interest free. The outstanding balance as at 30 June 2009 pertains to a period between 1 - 2 years.



	Note	2008 Rupees	2008 Rupees
<b>17 OTHER RECEIVABLES</b>			
Sales tax refundable		4,393,354	3,961,968
Export rebate receivables		260,510	96,181
R & D receivable		897,885	1,314,511
S.E.D Refundable		-	8,255
		<u>5,551,749</u>	<u>5,380,915</u>

17.1 This represents sales tax refunds due from the Sales Tax Collectorate Karachi West for the period from 1996 to 2009.

**18 CASH & BANK**

Cheques in hand		—	10,015,999
Cash in hand		18,797	—
With banks:			
Treasures Call accounts		2,438,422	2,493,231
Current account		1,319,073	3,441,838
		<u>3,757,495</u>	<u>5,935,069</u>
		<u>3,776,292</u>	<u>15,951,068</u>

18.1 Balances in treasures call accounts earned interest/mark-up at fixed rate of 5% per annum.

**19 SEGMENT INFORMATION**

EXPORT GARMENTS		DYEING & LOCAL		TOTAL	
Jun-09	Jun-08	Jun-09	Jun-08	Jun-09	Jun-08

**19.1 Operating results:**

**Sales and services**

	Amount in Rupees					
Export sales	70,433,725	76,518,936	-	-	70,433,725	76,518,936
Export rebates	521,205	382,595	-	-	521,205	382,595
Research and development support	66,406	4,246,276	-	-	66,406	4,246,276
Local sales	679,301	-	977,987	-	1,657,288	4,246,276
Dyeing sales	-	2,768,563	85,853,209	96,343,916	85,853,209	2,768,563
						96,343,916
	<u>71,700,637</u>	<u>83,916,370</u>	<u>86,831,196</u>	<u>96,343,916</u>	<u>158,531,833</u>	<u>180,260,286</u>
Inter-segment transfer	(5,777,199)	-	(5,777,199)	-	-	-
	<u>65,923,438</u>	<u>83,916,370</u>	<u>92,608,395</u>	<u>96,343,916</u>	<u>158,531,833</u>	<u>180,260,286</u>
Cost of goods sold	(56,978,013)	(72,790,886)	(80,125,384)	(81,452,120)	(137,103,397)	(154,243,006)
Gross profit	8,945,425	11,125,484	12,483,011	14,891,796	21,428,436	26,017,280
Administrative and selling	3,710,871	3,992,143	2,783,645	3,059,704	6,494,516	7,051,847
Operating profit	5,234,554	7,133,341	9,699,366	11,832,092	14,933,920	18,965,433
Financial Charges	(4,658,055)	(2,169,600)	(214,645)	(114,354)	(4,872,700)	(2,283,954)
Other Income	2,830,233	-	-	-	2,830,233	-
Workers profit participation fund	(169,587)	(436,569)	(473,486)	(436,569)	(643,073)	(873,138)
Workers welfare fund	(63,179)	(162,643)	(176,397)	(162,644)	(239,576)	(325,287)
Profit before taxation	3,173,966	4,364,529	8,834,838	11,118,525	12,008,804	15,483,054
Adjustment prior year taxation	400,945	-	400,944	-	801,889	-
Current year taxation	(800,000)	(836,561)	(900,000)	(963,439)	(1,700,000)	(1,800,000)
Profit before taxation	<u>2,774,911</u>	<u>3,527,968</u>	<u>8,335,782</u>	<u>10,155,086</u>	<u>11,110,693</u>	<u>13,683,054</u>



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

<b>Segment assets</b>						
Fixed assets	4,958,534	7,976,199	15,022,540	6,389,239	19,981,074	14,365,438
Current assets	12,908,033	17,024,756	50,921,957	62,989,541	63,829,990	80,014,297
Others unallocated					4,393,354	7,703,427
					<b>88,204,418</b>	<b>102,083,162</b>
<b>Segment Liabilities</b>						
Unallocated	14,699,571	38,515,192	18,962,041	24,112,534	33,661,612	62,627,726
					7,835,943	3,648,946
					<b>41,497,555</b>	<b>66,276,672</b>
<b>Capital expenditure</b>	<b>4,994,629</b>	<b>677,180</b>	<b>4,994,629</b>	<b>677,180</b>	<b>9,989,258</b>	<b>1,354,360</b>

20 COST OF GOODS SOLD	EXPORT GARMENTS		DYEING & LOCAL		TOTAL	
	2009	2008	2009	2008	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Raw &amp; packing material consumed</b>						
Opening stock	920,181	2,051,720	2,059,518	1,378,095	2,979,699	3,429,815
Purchases	25,863,766	32,915,617	34,643,497	33,722,382	60,507,263	66,637,999
Closing stock	(691,466)	(920,181)	(1,069,917)	(2,059,518)	(1,761,383)	(2,979,699)
	<b>26,092,481</b>	<b>34,047,156</b>	<b>35,633,098</b>	<b>33,040,959</b>	<b>61,725,579</b>	<b>67,088,115</b>
<b>Manufacturing expenses</b>						
Salaries, allowances & benefits	4,730,853	3,227,639	6,132,348	4,751,416	10,863,201	7,979,055
Knitting charges	1,618,069	2,088,257	-	-	1,618,069	2,088,257
Dyeing & other charges	3,510,495	8,126,047	6,685,913	13,402,043	10,196,408	21,528,090
Embroidery charges	4,958,280	6,394,956	-	-	4,958,280	6,394,956
Stitching charges	5,092,881	8,447,442	-	-	5,092,881	8,447,442
Fuel & power	2,276,183	1,622,662	25,106,053	22,065,763	27,382,236	23,688,425
Communication	168,992	242,737	126,557	146,682	295,549	389,419
Stores & spare consumed	98,057	95,147	1,043	-	99,100	95,147
Repairs & maintenance	1,547,405	275,800	2,633,804	4,198,484	4,181,209	4,474,284
Motor vehicle & conveyance	251,062	216,020	94,411	41,945	345,473	257,965
Insurance Expense	61,834	59,238	61,833	59,238	123,667	118,476
Depreciation (Note 12.2)	361,678	316,013	3,330,897	3,039,311	3,692,575	3,355,324
Clearing & forwarding	446,662	1,095,251	-	-	446,662	1,095,251
Freight, octroi & cartage	2,348,216	2,413,546	1,358,026	961,475	3,706,242	3,375,021
Others	446,587	354,911	248,767	259,076	695,354	613,987
	<b>27,917,254</b>	<b>34,975,666</b>	<b>45,779,652</b>	<b>48,925,433</b>	<b>73,696,906</b>	<b>83,901,099</b>
<b>Work-in-process</b>						
Balance as at July 01,	6,554,343	10,035,572	834,892	320,620	7,389,235	10,353,192
Balance as at June 30,	(3,230,990)	(6,554,343)	(2,122,258)	(834,892)	(5,353,248)	(7,389,235)
Cost of goods manufactured	<b>57,333,088</b>	<b>72,504,051</b>	<b>80,125,384</b>	<b>81,452,120</b>	<b>137,458,472</b>	<b>153,956,171</b>
<b>Finished goods</b>						
Balance as at July 01,	475,510	762,345	-	-	475,510	762,345
Balance as at June 30,	(830,585)	(475,510)	-	-	(830,585)	(475,510)
<b>COST OF GOODS SOLD</b>	<b>56,978,013</b>	<b>72,790,886</b>	<b>80,125,384</b>	<b>81,452,120</b>	<b>137,103,397</b>	<b>154,243,006</b>

	EXPORT GARMENTS		DYEING & LOCAL		TOTAL	
	Accumulated as at	Accumulated as at	Accumulated as at	Accumulated as at	Accumulated as at	Accumulated as at
	June, 2009	June, 2008	June, 2009	June, 2008	June, 2009	June, 2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>21 ADMINISTRATION AND SELLING EXPENSES</b>						
Salaries, allowances & benefits	2,359,871	1,307,069	1,948,535	1,035,730	4,308,406	2,342,799
Vehicle up-keep	99,812	60,794	-	-	99,812	60,794
Communication	107,039	96,715	16,516	46,929	123,555	143,644
Travelling & conveyance	41,895	3,859	40,958	68,485	82,853	72,344
Repair & maintenance	26,155	3,000	7,505	-	33,660	3,000
Legal & professional charges	112,125	120,198	119,625	109,698	231,750	229,896
Auditors' remuneration	144,277	123,750	144,276	143,750	288,553	267,500
Printing & stationery	46,731	53,870	33,697	17,593	80,428	71,463
Advertisement & publicity	17,416	3,700	18,590	-	36,006	3,700
Membership & subscription	73,823	54,712	72,925	38,000	146,748	92,712
Insurance	61,833	18,282	61,833	18,282	123,666	36,564
Depreciation (Note 12.2)	300,663	358,751	300,663	358,751	601,326	717,502
Rent, Rate & Taxes	15,431	42,546	15,432	42,546	30,863	85,092
Others	47,400	39,624	3,090	6,670	50,490	46,294
R&D expenses	-	1,510,798	-	-	-	1,510,798
Provision for doubtful debts	-	-	-	1,173,270	-	1,173,270
Export Development Surcharge	201,400	194,475	-	-	201,400	194,475
Sampling Charges	55,000	-	-	-	55,000	-
	<b>3,710,871</b>	<b>3,992,143</b>	<b>2,783,645</b>	<b>3,059,704</b>	<b>6,494,516</b>	<b>7,051,847</b>
<b>22 FINANCIAL CHARGES</b>						
Financial Charges Lease assets						
Mark-up on short-term finance	125,364	618,742	-	-	125,364	618,742
Bank charges	218,823	1,366,011	51,009	114,354	269,832	1,480,365
Interest on Provident fund loan	-	-	79,890	-	79,890	-
Interest on worker's profit participation fund	83,746	184,847	83,746	-	167,492	184,847
Bank charges exp. remittance	4,230,122	-	-	-	4,230,122	-
	<b>4,658,055</b>	<b>2,169,600</b>	<b>214,645</b>	<b>114,354</b>	<b>4,872,700</b>	<b>2,283,954</b>
<b>23 OTHER INCOME</b>						
23.1 Income From Non-Financial Assets						
Gain on Disposal on I/A	938,779	-	-	-	938,779	-
23.2 Income From Financial Assets						
Exchange gain / (loss) (Net)	1,735,921	742,167	-	-	1,735,921	742,167
Profit on bank accounts	155,533	39,112	-	-	155,533	39,112
	<b>2,830,233</b>	<b>781,279</b>	<b>-</b>	<b>-</b>	<b>2,830,233</b>	<b>781,279</b>



	2009 Rupees	2008 Rupees
<b>24 BASIC EARNINGS PER SHARE</b>		
Earning after taxation attributable to ordinary share holders	11,110,693	14,464,333
Number of ordinary shares	3,000,000	3,000,000
Basic earning/(loss) per share Rs.	3.70	4.82

**25 REMUNERATION OF DIRECTOR & EXECUTIVES**

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Directors and Executive of the Company were as follows:

	Director	Chief Executive	Executives	Director	Chief Executive	Executives
	2009			2008		
	Rupees			Rupees		
Basic salary	-	774,192	774,192	309,677	425,808	735,485
Allowances	-	241,296	241,296	170,322	234,192	404,514
Company's contribution to provident fund	-	64,516	64,516	25,800	35,472	61,272
<b>Total</b>	<b>-</b>	<b>1,080,004</b>	<b>1,080,004</b>	<b>505,799</b>	<b>695,472</b>	<b>1,201,271</b>
Number	1	1	1	1	1	1

25.1 The Director and Executives are provided with company owned and maintained cars.

**26 TRANSACTIONS WITH RELATED PARTIES**

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. The related parties comprise of staff retirement funds, directors and key management personnel. Transactions with related parties, other than those disclosed elsewhere in these financial statements, are follows:

	2009 Rupees	2008 Rupees
Retirement benefit plans      Contribution to staff retirement benefit plans	-	429,924
Key management personnel      Remuneration and other benefits	-	1,979,999

**27 FINANCIAL INSTRUMENTS**
**27.1 Financial assets and liabilities**

	INTEREST/MARK-UP BEARING			NON-INTEREST/MARK-UP BEARING			Total
	Rate of markup	Maturity upto one year	Sub Total	Maturity upto one year	Maturity upto one year	Sub Total	
Rupees							
<b>Financial assets:</b>							
Long-term deposits	-	-	-	-	1,607,669	1,607,669	1,607,669
Trade debts	-	-	-	45,883,831	-	45,883,831	45,883,831
Loans, advances, deposits and other receivables	-	-	-	-	-	-	-
				3,873,410	-	3,873,410	3,873,410
Cash & bank	3%	2,438,422	2,438,422	1,337,870	-	1,337,870	3,776,292
	2009	2,438,422	2,438,422	51,095,111	1,607,669	52,702,780	55,141,202
<b>Financial Liabilities</b>							
Short-term running finance	7.5%	-	-	-	-	-	-
Trade and other payables	-	-	-	38,586,145	-	38,586,145	38,586,145
	2009	-	-	38,586,145	-	38,586,145	38,586,145

	INTEREST/MARK-UP BEARING			NON-INTEREST/MARK-UP BEARING			Total
	Rate of markup	Maturity upto one year	Sub Total	Maturity upto one year	Maturity upto one year	Sub Total	
Rupees							
<b>Financial assets:</b>							
Long-term deposits	-	-	-	-	1,607,669	1,607,669	1,607,669
Trade debts	-	-	-	49,867,537	-	49,867,537	49,867,537
Loans, advances, deposits and other receivables	-	-	-	734,905	-	734,905	734,905
Cash & bank	3%	2,493,231	2,493,231	13,457,837	-	13,457,837	15,951,068
	2008	2,493,231	2,493,231	64,060,279	1,607,669	65,667,948	68,161,179
<b>Financial Liabilities</b>							
Short-term running finance	7.5%	-	-	-	-	-	-
Trade and other payables	-	-	-	54,203,324	-	54,203,324	54,203,324
	2008	-	-	54,203,324	-	54,203,324	54,203,324



**27.2 Financial risk management objective and policies**

**27.2.1 Financial risk factors**

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

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.

**a) Credit risk**

Credit risk represent 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 Company's credit risk is primarily attributable to its trade debts and balances at banks. Credit sales are essentially to M.Y Bari Mills (Dyg) and export. Receivable from export sales are secured against letter of credit. The credit risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings.

**i) Exposure to credit risk**

The carrying amount of financial assets represents maximum credit exposure. The maximum exposure to credit risk at the date of reporting was as follows:

	2009	2008
	Rupees	
Loans and advances	3,873,410	734,905
Cash and bank balances	3,776,292	15,951,068
	<u>55,141,202</u>	<u>68,161,179</u>

As on June 30, 2009, trade debts of Rs. 47,307,101 (2008: 51,290,807) were past due but not impaired. The ageing analysis of these trade receivables is as follows.

	2009	2008
	Rupees	
Up to 3 months	32,628,442	32,313,208
3 to 6 months	11,479,705	12,873,740
6 to 12 months	2,061,790	4,963,809
Above 12 months	1,137,164	1,140,050
	<u>47,307,101</u>	<u>51,290,807</u>

**ii) Credit quality of financial assets**

The credit quality of the Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by The Pakistan Credit Rating Agency limited (PACRA) and JCR-VIS Credit Rating Company Limited. The counterparties for which external credit rating is not available have been assessed by reference to internal credit rating department based on their historical information for any defaults in meeting obligations.

	2009		2008	
	Rating	Balance Rupees	Rating	Balance Rupees
<b>Trade debts</b>				
<b>Counter parties without external credit rating</b>				
Secured against letter of credit		3,285,981		5,135,903
Others		44,021,120		46,154,904
		<u>47,307,101</u>		<u>51,290,807</u>
<b>Bank balances</b>				
Bank Al-Habib	A1+	3,660,524	A1+	5,835,816
Habib Bank	A-1+	96,971	A-1-	99,253
		<u>3,757,495</u>		<u>5,935,069</u>

**b) Liquidity risk**

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

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amount disclosed in the table are undiscounted cash flows.



	Less than 1 year	Between 1 to 5 years Rupees	Over 5 Years
<b>At June 30, 2009</b>			
Long term deposits	-	-	1,607,669
Trade and other payable	38,586,145	-	-
<b>At June 30, 2008</b>			
Long term deposits	-	-	1,607,669
Trade and other payable	54,203,324	-	-

**(c) 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.

Financial assets include Rs. 3,285,981 (2008: Rs. 5,135,903) which were subject to currency risk.

**(ii) Interest rate risk**

Interest rate risk represent the risk that are fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial assets include Rs. 2,438,422 (2008: Rs. 2,493,231) which were subject to interest rate risk. Applicable interest rate for financial assets have been indicated in respective notes.

**(iii) Other price risk**

Price risk represent 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.

At the year end the Company is not exposed to price risk since there are no financial instrument, whose fair value or future cash flows will fluctuate because of changes in market prices.

**27.2.2 Capital risk management**

The Company's objective when managing capital are to safeguard the Company's ability to continue as 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 share and take other measures commensurating to the circumstances.

The capital structure of the Company is equity based. It has financed all its projects and business expansion through equity financing and never restarted on debt financing. Company has availed short-term borrowing for working capital purposes only.

**27.2.3 Fair value of financial assets and liabilities**

The carrying value of financial assets and liabilities approximate their fair value.

	Note	Installed capacity	Actual production	
			2009	2008
<b>28. CAPACITY AND PRODUCTION</b>				
Export (Pcs.)	28.1	400,000	400,000	213,992
Dyeing (Kgs.)	28.2	1,800,000	1,800,000	2,321,417

**28.1** The un-utilized capacity in respect of export of garments was because of shortage in demands.

**28.2** The actual production of the company increases during the year significantly as compared to installed capacity due to the fact that the company has obtained production during the year round the clock in three shifts.

**29 NUMBER OF EMPLOYEES**

The permanent employees of the company at the balance sheet date are 78 (2008:74)

**30 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved by the Board of Directors of the Company and authorized for issue on October 01, 2009.

**31 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, if any, wherever necessary for the purpose of comparison.

**32 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in their meeting held on October 01, 2009 have proposed a cash dividend of Rs. 7.5% and bonus shares 7.5% for the year ended June 30, 2009.

**33 GENERAL**

Amounts have been rounded off to the nearest of rupees.

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*Naeem Shaif*  
Chief Executive

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*Waseem Shaif*  
Director



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

Particulars	June 2009	June 2008	June 2007	June 2006	June 2005	June 2004
Ruppes						
Sales-Net	Rs. 158,531,833	180,260,286	149,601,972	85,917,898	83,048,872	74,440,525
Cost of sales	Rs. (137,103,397)	(154,243,006)	(133,164,357)	(78,731,700)	(73,699,968)	(74,084,488)
Gross profit	Rs. 21,428,436	26,017,280	16,437,615	7,186,198	9,348,904	356,037
Administrative & selling expenses	Rs. (6,494,516)	7,051,847	(6,151,359)	(4,106,612)	(7,291,513)	(4,798,501)
Operating profit/(loss)	Rs. 14,933,920	18,965,433	10,286,256	3,079,586	2,057,391	(4,442,464)
Other income	Rs. 2,830,233	781,279	487,505	314,388	455,629	831,711
Financial charges	Rs. (4,872,700)	(2,283,954)	(2,425,206)	(1,161,688)	(1,631,608)	(1,293,260)
W.P.P.F	Rs. (643,073)	(873,138)	(450,000)	(106,864)	-	-
W.W.F	Rs. (239,576)	(325,287)	(171,000)	(35,000)	-	-
Profit/(loss) before taxation	Rs. 12,008,804	16,264,333	7,727,555	2,087,422	881,412	(4,904,013)
Taxation :- Prior	801,889					
Taxation :- Current	Rs. (1,700,000)	(1,800,000)	(1,400,000)	(600,000)	(600,000)	(500,000)
Net profit/(loss) after taxation	Rs. 11,110,693	14,464,333	6,327,555	1,487,422	281,412	5,404,013



# International Knitwear Limited

COMBINED PATTERN OF CDC AND PHYSICAL SHARES HOLDING AS AT JUNE 30, 2009

**ANNUAL  
REPORT  
2008-09**

Nos. of Shareholders	Shareholding	Total Share Held
116	1	100
928	101	500
26	501	1000
47	1001	5000
10	5001	10000
2	10001	15000
1	15001	20000
3	20001	25000
3	30001	35000
1	40001	45000
1	45001	50000
1	65001	70000
1	80001	85000
1	85001	90000
1	100001	105000
3	110001	115000
1	115001	120000
1	150001	155000
4	195001	200000
1	240001	245000
<b>1152</b>		<b>3,000,000</b>

## CATEGORIES OF SHAREHOLDINGS AS AT JUNE 30, 2009

S. # Categories	Numbers	Shares Held	Percentage
1 Individuals	1145	2,703,900	90.13%
2 Joint Stock Companies	4	4,100	0.137%
3 Financial Institutions	2	225,000	7.50%
4 Modaraba Companies	1	67,000	2.233%
<b>Total</b>	<b>1152</b>	<b>3,000,000</b>	<b>100.00</b>

	Number	Shares Held	Percentage
<b>1 Associated Companies, understaking, and related parties</b>	-	-	-
<b>2 Joint Stock Companies</b>			
Al-Shafi Knitwear (Pvt.) Limited	1	2,600	0.086
Progressive Investment Management (Pvt)	1	500	0.016
Stock Street (Private) Limited	1	500	0.016
M.R. Securities (SMC-Pvt) Ltd.	1	500	0.016
<b>3 Investment Companies</b>			
National Bank of Pakistan (Trustee Deptt.)	1	110,832	3.694
NBP Trustee-NI (U)T(LOC) FUND	1	114,168	3.805
<b>4 First UDL Mudaraba</b>	1	67,000	2.233
<b>5 Individuals</b>			
Holding Less than 10%	1,132	2,139,416	71.31
<b>6 Directors, their spouse and minor children</b>			
Mr. Waseem Shafi	1	161,500	5.38
Mr. Naeem Shafi	1	113,000	3.77
Mr. Qamar Mashkooor	1	500	0.016
Mr. Zahid Ali	1	500	0.016
Mr. Sajid Hussain	1	500	0.016
Mr. Arshad Ali	1	500	0.016
Mr. Iqbal Ahmed Khan	1	500	0.016
Mrs. Bushra Shafi	1	2,400	0.08
Mrs. Humaira Shafi	1	266,284	8.87
Manahil Shafi	1	3,800	0.13
Muhammad Shafi	1	5,000	0.17
Salsabil Shafi	1	5,000	0.17
Noor Shafi	1	5,000	0.17
<b>TOTAL</b>	<b>1,152</b>	<b>3,000,000</b>	<b>100</b>

