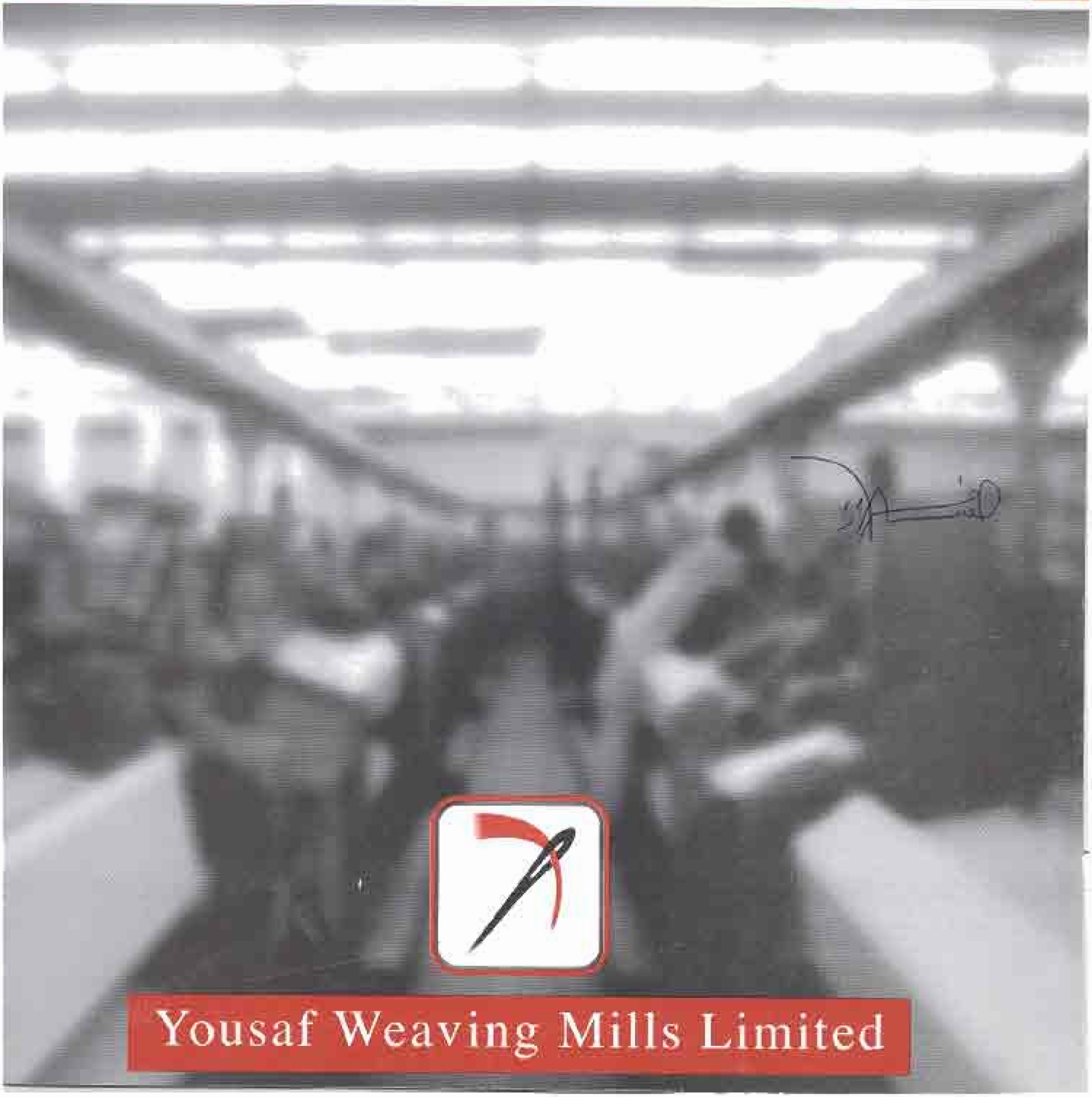
2009 ANNUAL REPORT



Yousaf Weaving Mills Limited

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Nadeem	(Chief Executive)
Khawaja Mohammad Jahangir	
Khawaja Mohammad Tanveer	
Khawaja Mohammad Kaleem	
Khawaja Mohammad Naveed	
Mr. Danish Tanveer	

AUDIT COMMITTEE

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Jahangir	
Khawaja Mohammad Naveed	

CORPORATE SECRETARY / CFO

Mr. Nadeem Anwar (ACA)

BANKERS OF THE COMPANY

Habib Metropolitan Bank Limited
National Bank of Pakistan
Faysal Bank Limited

AUDITORS

Horwath Hussain Chaudhury & Co.
Chartered Accountants
25-E, Main Market, Gulberg-II,
Lahore.

SHARES REGISTRAR

CORPLINK (PVT) LIMITED
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 3583 9182, 3588 7262
Fax : (042) 3586 9037

REGISTERED OFFICE

Kashana-e-Yousaf
Khawaja Street, Chakwal.
Tel: (0543) 644254, 644281

MILLS

Weaving Unit
49-Kilometer
Multan Road, Bhai Phero
Tel: (0494) 540083-4

Spinning Unit
7-Kilometer
Multan Road, Pattoki.
Tel: (049) 4420959

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of **YOUSAF WEAVING MILLS LIMITED** will be held on Saturday, October 31, 2009 at 11:00 a.m. at the premises of Kohinoor Spinning Mills Limited, Unit No. 1, Pindi Road, Aminabad, Chakwal to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 31, 2008.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2009 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore:
October 10, 2009.

NADEEM ANWAR
Corporate Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 23, 2009 to October 31, 2009 (both days inclusive).
2. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Shareholders are requested to immediately notify the change in their address, if any, to our share registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-3583 9182

DIRECTORS REPORT TO THE SHAREHOLDERS

The directors of your company are pleased to present before you the audited accounts for the year ended June 30, 2009.

The year under review was very tough as the global slow down, rising inflation, crippling power supply, rising financing cost and deteriorated law and order situation in the country badly suffer trade and industry in the country. Due to this reason the year under review was very challenging for the management of the company but our continued efforts enable us to sustain the local and export market. By the Grace of Almighty Allah the company earned a pre tax profit of Rs. 14.898 million as compared to Rs. 0.706 million in the previous period. The after tax profit of the company is Rs. 3.546 million as compared to after tax loss of Rs. 10.461 million in the corresponding period. The turnover of the company during the year was Rs. 2.099 billion as compared to Rs. 1.964 billion during the previous period. We faced all the menace but ultimately got the goal of profitability which is mainly attributed to high production efficiencies, effective management planning, cost reduction and aggressive marketing efforts. The increase in the distribution cost is due to rise in export sale and inflationary pressures. The increase in financial cost is due to volatile KIBOR based mark up rates. The past year decision of the Government to freeze principal payment get added benefit to manage the liquidity and cash flow in high volatile inflationary recession.

The management of the company remains aggressive and realizing the need to optimize the production and get the benefit of economy of scale decided to import 08 No latest model Picanol Air jet Looms. These looms are financed under the State Bank of Pakistan scheme under LTFF for the export oriented project. The looms have reached mill site and after commencement of their production it will contribute significantly towards the profitability of the company.

The Government has taken pragmatic steps for the development of textile industry by announcing the textile policy for a period of five years. We believe that the Government has realized the revival of the textile industry for the lubrication of the whole economy of the country. The textile pundit believe that the rough patch of the textile is over as the global slow down has subside and the world economy is showing signs of recovery. The announcement of this policy has generated a lot of optimism as it recognizes the crucial importance of the textile industry in the economic revival of the country. The need of the time is to implement the policy in true letter and spirit because the revival largely hinges on the early implementation. The Government has promised in the textile policy to ensure uninterrupted gas and power supply among others, we believe if it is achieved the industry would be able to surpass the export target envisaged in the policy.

The inflationary pressures are expected to continue in the coming period which will definitely have its impact on the production cost and profitability of the company. The management will continue to face these challenges and shall make all efforts to sustain and improve the profitability of the company. The marketing strategy of the company is quiet flexible and has successfully made a growth in the value added processed and dyed fabric business. The company has also planned its garment customer base in Europe in the period to come.

Corporate & Financial Reporting Framework:

We are pleased to report that your company has taken necessary steps to comply with the provisions of Code of Corporate Governance as incorporated in the listing regulations of the Stock Exchanges:

- The financial statements for the year ended June 30, 2009 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan has been followed in preparation of financial statements; and departure if any has been adequately disclosed;
- The system of internal control is sound in design. The process of monitoring will continue and control strengthened where ever considered necessary;
- There are no significant doubts upon the company's ability to continue as a going concern;

- There has been no material departure from the best practices of corporate governance as detailed in listing regulations;
- The key financial data of last six years is annexed;
- There are no outstanding statutory payments on accounts of taxes, duties, levies or charges except those reflected in Note No. 8 to the audited accounts.
- The company operated an un-funded and unapproved gratuity scheme. Provision is made annually to cover the obligations under the scheme. The latest actuarial valuation has been carried out as at June 30, 2009.
- During the period under review Four board meetings were held and the attendance of each Director was as under:

Name of Directors	No. of Board Meetings Attended
Khawaja Mohammad Jawed	4
Khawaja Mohammad Jahangir	4
Khawaja Mohammad Tanveer	4
Khawaja Mohammad Kaleem	4
Khawaja Mohammad Nadeem	4
Khawaja Mohammad Naveed	4
Mr. Danish Tanveer	3
Mr. Muhammad Aman	1

(The Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.)

- The pattern of shareholding as on 30-06-2009 and its disclosure as required in the Code of Corporate Governance is annexed with this report;

Auditors

The auditors of the Company Messrs. Horwath Hussain Chaudhury & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

Acknowledgement

Your directors are pleased to put on record their appreciation and gratitude to the executives, officers, staff members and workers of the company in performance of their duties. Your directors would also like to put on record their profound and sincere gratitude to valued customers, regulators, external auditors, bankers and our shareholders.

For and on behalf of the Board

Lahore:
October 10, 2009

Khawaja Mohammad Kaleem
Director

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes six non-executive directors.

2. It is confirmed that none of the directors is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurred in the Board was filled up by the director within thirty days there of.

5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.

6. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date 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 have been taken by the Board. The remuneration payable to working director was approved by the shareholders in Annual General Meeting.

8. All the meetings of the Board were presided over by the Chief Executive or in his absence other director nominated by the Board. The Board met four times during the year. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. Appointment of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions will be approved by the Board as determined by CEO.

11. The directors' report for the year ended June 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises three members; all the members are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the committee have been formed and advised to the committee for compliance.

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

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

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

Established Since 1947

Horwath

Horwath Hussain Chaudhury & Co.
Chartered Accountants

25-E, Main Market, Gulberg 2,
Lahore-54660 Pakistan

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+92-42-5759226 Fax
www.horwath.com.pk
hhc@horwath.com.pk

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 **Yousaf Weaving Mills Limited**, to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi Stock Exchange and Lahore Stock Exchange, respectively, 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 controls systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 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 arms length price or not.

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

Horwath Hussain Ch. Co.

Lahore:
October 10, 2009

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Abrar S. Chaudhury)

Horwath

Horwath Hussain Chaudhury & Co.
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.

(b) in our opinion:

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

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

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Horwath Hussain Ch. & Co.

Lahore:
October 10, 2009

(HORWATH HUSSAIN CHAUDHURY & CO.)
Chartered Accountants
(Engagement Partner: Abrar S. Chaudhury)

BALANCE SHEET

	Note	2009 Rupees	2008 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
40,000,000 (2008: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	400,000,000	400,000,000
Accumulated loss		(226,839,645)	(230,385,970)
		173,160,355	169,614,030
Non Current Liabilities			
Long term financing	5	485,490,520	500,362,947
Liabilities against assets subject to finance lease	6	8,474,932	13,273,644
Deferred liabilities	7	21,016,725	18,687,485
		514,982,177	532,324,076
Current Liabilities			
Trade and other payables	8	239,110,378	210,688,142
Accrued mark up	9	14,704,406	12,312,698
Short term borrowings	10	257,785,552	300,151,903
Current and overdue portion of non current liabilities	11	56,436,217	73,456,978
Provision for taxation	12	11,351,710	10,175,000
		579,388,263	606,784,721
Contingencies and Commitments	13	-	-
		1,267,530,795	1,308,722,827

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

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

Chief Executive of the Company, being out of Country for the time being, these financial statements have been signed by two directors of the Company pursuant to Section 241.

AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	786,871,478	813,939,759
Intangible assets	15	2,074,666	2,593,332
Capital work in progress	16	1,935,000	22,524,420
Long term loans	17	10,753,359	8,947,973
Long term deposits	18	5,518,455	6,468,347
		807,152,957	854,473,831
Current Assets			
Stores and spares	19	24,733,685	24,228,351
Stock in trade	20	196,644,050	177,848,612
Trade debts	21	93,835,753	129,106,698
Loans and advances	22	64,034,128	82,335,317
Trade deposits, short term prepayments and other receivables	23	63,212,101	24,115,326
Sales tax refundable		11,372,438	12,771,567
Cash and bank balances	24	6,545,684	3,843,125
		460,377,838	454,248,996
		1,267,530,795	1,308,722,827

(Khawaja Mohammad Jahangir)
Director

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

	Note	2009 Rupees	2008 Rupees
Sales - net	25	2,098,979,505	1,963,833,393
Cost of sales	26	(1,884,558,082)	(1,788,203,718)
Gross Profit		214,421,423	175,629,675
Operating Expenses:			
- Distribution cost	27	(75,787,475)	(69,626,943)
- Administrative expenses	28	(39,397,009)	(41,047,889)
		(115,184,483)	(110,674,832)
Operating Profit		99,236,940	64,954,843
Finance cost	29	(77,110,068)	(63,121,939)
Other operating expenses	30	(14,331,804)	(1,528,866)
Other operating income	31	7,102,968	401,901
Profit before Taxation		14,898,035	705,939
Taxation	32	(11,351,710)	(11,167,532)
Profit / (Loss) after Taxation		3,546,325	(10,461,593)
Earnings per Share - Basic	33	0.09	(0.26)

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

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Jahangir)
Director

Chief Executive of the Company, being out of Country for the time being, these financial statements have been signed by two directors of the Company pursuant to Section 241.

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees		2008 Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		14,898,035		705,939
Adjustments for:				
- Depreciation	60,568,535		61,631,665	
- Amortization of intangible assets	518,666		523,334	
- Provision for gratuity	8,165,470		7,653,277	
- Loss / (gain) on sale of property, plant and equipment	11,891,817		(293,718)	
- Profit on bank deposits	(134)		(4,527)	
- Liabilities written back	(3,256,922)		-	
- Workers' (profit) participation fund	1,197,437		-	
- Finance cost	77,110,068		63,121,939	
		156,194,937		132,631,970
Operating profit before working capital changes		171,092,972		133,337,908
Decrease / (increase) in current assets				
- Stores and spares	(505,335)		(8,215,158)	
- Stock in trade	(18,795,438)		(30,519,173)	
- Trade debts	35,270,945		(81,861,165)	
- Loans and advances	22,972,527		(22,273,909)	
Trade deposits, short term prepayments and other receivables	(39,319,624)		6,411,328	
- Sales tax refundable	1,399,130		(5,091,992)	
(Decrease) / increase in current liabilities				
- Trade and other payables	30,481,721		(12,462,210)	
		31,503,924		(154,012,279)
Cash generated from / (used in) operations		202,596,896		(20,674,371)
Gratuity paid		(5,836,230)		(5,163,610)
Finance cost paid		(74,718,360)		(57,790,386)
Income tax paid		(14,761,909)		(16,624,671)
Workers' (profit) participation fund paid		-		(643,681)
Long term loans to employees		(1,889,814)		(4,009,439)
Long term deposits		1,172,742		(22,594)
Net Cash generated from / (used in) Operating Activities		106,563,325		(104,928,752)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(12,035,521)		(9,058,831)	
Capital work in progress	(13,285,250)		(134,842,017)	
Acquisition of intangible assets	-		(855,000)	
Proceeds from disposal of property, plant and equipment	4,104,000		515,000	
Profit received on bank deposits	133		54,025	
Net Cash used in Investing Activities		(21,216,638)		(144,186,823)
CASH FLOWS FROM FINANCING ACTIVITIES				
Long term financing - net	14,561,813		(15,442,579)	
Liabilities against assets subject to finance lease	(10,273,990)		(7,428,452)	
Short term borrowings	(86,931,951)		158,678,810	
Net Cash (used in) / from Financing Activities		(82,644,128)		135,807,779
Net Increase / (Decrease) in Cash and Cash Equivalents		2,702,559		(113,307,796)
Cash and cash equivalents at the beginning of the year		3,843,125		117,150,921
Cash and Cash Equivalents at the End of the Year		6,545,684		3,843,125

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Jahangir)
Director

Chief Executive of the Company, being out of Country for the time being, these financial statements have been signed by two directors of the Company pursuant to Section 241.

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

	Share Capital	Unappropriated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2007	400,000,000	(219,924,377)	180,075,623
Net loss for the year	-	(10,461,593)	(10,461,593)
Balance as at June 30, 2008	400,000,000	(230,385,970)	169,614,030
Net profit for the year	-	3,546,325	3,546,325
Balance as at June 30, 2009	400,000,000	(226,839,645)	173,160,355

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Jahangir)
Director

Chief Executive of the Company, being out of Country for the time being, these financial statements have been signed by two directors of the Company pursuant to Section 241.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Note 1
The Company and its Operations

The Company was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore stock exchanges. The Company is engaged in the business of textile weaving, spinning and sale of processed fabric and home textile. The registered office of the Company is situated at Kashana-e-Yousaf, Khawaja Street, Chakwal.

Note 2
Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Use of estimation and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, incomes and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, slow moving inventory, obsolescence of inventory, post employment benefits payable, export claims and taxation. However, the management believes that any change in the outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

2.4 Reporting currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

2.5 New / revised standards and interpretations

Following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards and interpretations.

Standards or interpretation		Effective date (accounting period beginning on or after)
IAS 1	- Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	- Borrowing Costs (Revised)	January 01, 2009
IAS 27	- Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32	- Financial Instruments: Presentation (Amended)	January 01, 2009
IAS 39	- Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2	- Share Based Payments (Amended)	January 01, 2009
IFRS 3	- Business Combinations (Revised)	July 01, 2009
IFRS 8	- Operating Segments	January 01,2009
IFRIC 15	- Agreement for the Construction of Real Estate	January 01,2009
IFRIC 16	- Hedge of Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	- Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18	- Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of above standards and interpretations will have no material impact on the Company's Financial Statements in the period of initial application

Note 3
Summary of Significant Accounting Policies

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently, unless otherwise stated.

3.1 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and of which a reliable estimate can be made.

3.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded and unapproved gratuity scheme for all its permanent employees. Provisions are made to cover obligations under the scheme on the basis of actuarial valuation and are charged to income.

Actuarial gains / (losses) in excess of 10% of the present value of defined benefit obligation are recognized over the expected average future working lives of employees participating in the scheme. Past service cost is recognized immediately to the extent of the benefits already vested. The amount recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

3.3 Taxation

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

Current

Charge for taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

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 assets and liabilities in the financial statements and corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the probable extent where taxable profits are available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the balance sheet date are used to determine deferred income tax.

3.4 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 or not billed to the Company.

3.5 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment except freehold land which is stated at cost. Cost of property, plant and equipment comprises historical cost, interest and mark up pertaining to the construction and erection period and directly attributable cost of bringing assets to their working condition.

Depreciation is charged to income using the reducing balance method to write off the cost of assets over their expected useful lives at the rates specified in Note 14. Full month's depreciation is charged on additions during the month, whereas, no depreciation is charged on assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss, if any, on disposal of property, plant and equipment is included in income currently.

Leased assets

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted values of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis as owned assets at the rates specified in Note 14 to write off the cost of assets over their estimated useful life.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

3.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and identified impairment, if any. Amortization is charged to income using the reducing balance method to write off the cost of intangibles over their expected useful life at the rates specified in Note 15. Full month's amortization is charged on additions during the month, whereas, no depreciation is charged on intangibles disposed off during the month.

3.7 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

3.8 Stores and spares

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost. Cost comprises invoice value plus incidental charges paid thereon.

3.9 Stock in trade

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

Raw materials	- at moving average cost
Materials in transit	- at cost comprising invoice value plus incidental charges paid thereon
Work in process	- at estimated average manufacturing cost
Finished goods	- at average manufacturing cost

Manufacturing cost in relation to work in process and finished goods comprises cost of materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price in the ordinary course of business less necessary cost to make the sale.

3.10 Trade debts

All outstanding debts are reviewed at the balance sheet date. The Company recognizes and carries these debts at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

3.12 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognizing is charged to income.

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

3.13 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and its related parties or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

3.14 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments.

3.15 Mark-up, interest and other charges

Mark-up, interest and other charges on loans and advances are capitalized upto the date of commissioning of the respective asset, acquired out of the proceeds of such loans and advances. All other mark-up, interest and other charges are charged to income currently.

3.16 Revenue recognition

- Revenue from local and export sales is recognized on dispatch of goods to customers.
- Processing income is recognized on the basis of services rendered to customers.
- Dividend income on equity investments is recognized as income when the right to receive the dividend is established.
- Profit on short-term deposits is accounted for on time-apportioned basis on the principal outstanding by using the rate applicable.
- Rebates on exports, if any, are accounted for on accrual basis.

3.17 Dividends

Dividends are recognized as liability in the period in which these are declared.

3.18 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange prevailing on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

3.19 Borrowing costs

Borrowing costs are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

Note 4

Issued, Subscribed and Paid Up Capital

	2009 Rupees	2008 Rupees
40,000,000 (2008: 40,000,000) ordinary shares of Rs. 10 each, fully paid in cash	400,000,000	400,000,000

4.1 75,000 (2008: 75,000) shares representing 0.19% equity of the Company are held by Naveed Industries (Private) Limited, an associated company.

Note 5

Long Term Financing

	Note	2009 Rupees	2008 Rupees
Banking companies - Secured			
LTF - EOP	5.1	121,504,644	151,973,108
Demand finance	5.2	4,639,000	8,887,000
Term finances	5.3	99,279,770	50,000,000
LTFF	5.4	22,977,000	22,978,493
		248,400,414	233,838,601
Less : Current portion		(48,625,272)	(63,756,632)
		199,775,142	170,081,969
Related parties - Unsecured			
Loan from directors	5.5	285,715,378	330,280,978
		485,490,520	500,362,947

5.1 The facilities amounting to Rs. 217.625 million have been obtained under LTF - EOP scheme of State Bank of Pakistan for the purchase of plant and machinery from Habib Metropolitan Bank Limited. These are repayable in equal quarterly installments latest by December, 2012 and carry markup at the rate 7% per annum, payable quarterly. The loans are secured against first charge over fixed assets of the Company, demand promissory notes and personal guarantees of sponsoring directors.

5.2 Demand finance facilities amounting to Rs. 16.5 million have been obtained from Habib Metropolitan Bank Limited for the purchase of plant and machinery. These are repayable in equal monthly installments and carry 6 months KIBOR based markup with a spread ranging from 1.5% to 2% per annum, payable quarterly. The loans are secured against first charge over fixed assets of the Company and personal guarantees of sponsoring directors.

5.3 This represents term finance facilities obtained from various banks repayable latest by December 2011. The rate of markup during the year varied from 11.93% to 18.52%. These facilities are secured against hypothecation of stocks of the weaving unit of the Company, export letters of credit and personal guarantees of the directors of the Company.

5.4 This represents long term financing facility amounting to Rs. 22.708 million obtained from Habib Metropolitan Bank Limited . These facilities have been obtained under LTFF scheme of the State Bank of Pakistan for purchase of plant and machinery. These facilities are payable in 10 equal quarterly installments latest by June 26, 2012 and carry markup at the rate 8% per annum, payable quarterly. This financing is secured against first charge over fixed assets of the Company, demand promissory notes and personal guarantees of sponsoring directors.

5.5 These loans are unsecured and interest free. Loans amounting to Rs. 250 million are under subordination agreement and shall be repaid after the repayment of liabilities of the banks. Remaining amount of loan shall be repaid as and when the cash flows of the Company allow.

Note 6

Liabilities Against Assets Subject To Finance Lease

	2009 Rupees	2008 Rupees
The amounts of future lease rentals are payable during:		
- 2008 - 2009	-	9,921,526
- 2009 - 2010	7,596,991	6,645,387
- 2010 - 2011	3,521,297	2,291,657
- 2011 - 2012	2,832,508	1,705,338
- 2012 - 2013	404,652	404,652
	14,355,448	20,968,560
Security deposits	4,427,652	5,575,402
	18,783,100	26,543,962
Financial charges not currently due	(2,497,223)	(3,569,972)
Present value of minimum lease payments	16,285,877	22,973,990
Current and overdue portion	(7,810,945)	(9,700,346)
	8,474,932	13,273,644

Reconciliation between total of minimum lease payments and their present value is as under:

	2009	2008
Gross minimum lease payments:		
- Due not later than one year	7,596,991	9,921,526
- Due later than one year but not later than five years	11,186,109	16,622,436
	18,783,100	26,543,962
Present value of minimum lease payments:		
- Due not later than one year	7,810,945	9,700,346
- Due later than one year but not later than five years	8,474,932	13,273,644
	16,285,877	22,973,990

6.1 This represents finance lease arrangements entered into with banks / leasing companies to acquire vehicles and plant and machinery. Financing rates ranging from 14% to 20% per annum, approximately, have been used as discounting factor. Taxes, repairs, replacement and insurance costs are borne by the Company.

6.2 Lease liabilities are secured against title of leased assets, personal guarantees of directors and security deposits amounting to Rs. 4.427 million (2008: Rs.5.575 million).

Note 7
Deferred Liabilities

	Note	2009 Rupees	2008 Rupees
Gratuity payable	7.1	21,016,725	18,687,485
Deferred tax - net	7.2	-	-
		21,016,725	18,687,485

7.1 Gratuity payable

Latest actuarial valuation was carried out as on June 30, 2009 using the Projected Unit Credit Method. Principal assumptions used are as follows:

	2009	2008
Discount rate	12%	12%
Expected rate of salary increase in future years	11%	11%
Average expected remaining working life time of employees	4 years	4 years

The amount recognized in the balance sheet is as follows:

	2009	2008
Present value of defined benefit obligation	22,803,734	19,936,324
Benefits due but not paid during the year	275,290	333,830
Unrecognized actuarial loss	(2,062,299)	(1,582,669)
	21,016,725	18,687,485
Movement in net liability recognized		
Balance at the beginning of the year	18,687,485	16,197,818
Amount recognized during the year	8,165,470	7,653,277
	26,852,955	23,851,095
Benefits paid during the year	(5,836,230)	(5,163,610)
	21,016,725	18,687,485
Charge for the defined benefit plan		
Current service cost	5,773,111	6,154,013
Interest cost	2,392,359	1,499,264
	8,165,470	7,653,277

7.2 The management being prudent has not accounted for net deferred tax asset amounting to Rs. 1.432 million (2008: Rs. 17.398 million) as at the balance sheet date.

Note 8
Trade and Other Payables

	Note	2009 Rupees	2008 Rupees
Creditors			
- Secured	8.1	119,868,256	95,296,823
- Unsecured	8.2	84,118,737	85,138,601
Accrued expenses		27,826,415	21,943,367
Unclaimed dividend		3,111,143	3,111,143
Workers' (profit) participation fund	8.3	2,030,257	832,820
Income tax payable		495,259	3,076,705
Other liabilities		1,660,311	1,288,683
		239,110,378	210,688,142

8.1 These are secured against letters of credit issued by the bankers of the Company.

8.2 These include an amount of Rs. 0.238 million (2008: Rs. 4.506 million) due to related parties on account of raw materials purchases.

8.3 Workers' (profit) participation fund

Opening balance	832,820	1,476,501
Allocation for the year	1,197,437	-
	2,030,257	1,476,501
Less : Paid during the year	-	(643,681)
Closing balance	2,030,257	832,820

Note 9

Accrued Mark Up

	2009 Rupees	2008 Rupees
Accrued mark up on:		
- Long term financing	2,717,566	2,818,516
- Lease liabilities on assets under finance lease	-	6,533
- Short term borrowings	11,986,840	9,487,649
	14,704,406	12,312,698

Note 10

Short Term Borrowings

		2009 Rupees	2008 Rupees
Banking companies - Secured			
Running / packing / export finances	10.1	237,367,985	276,529,345
Related parties - Unsecured			
Loan from directors	10.2	584,413	203,610
Others			
Unpresented cheques	10.3	19,833,154	23,418,948
		257,785,552	300,151,903

10.1 These represent utilized portion of short term funded facilities of Rs. 560.5 million (2008: Rs. 444.5 million) available from various banks under mark up arrangements. These facilities are secured against pledge of raw material stocks, registered hypothecation charge over fabrics and yarn stocks, charges over fixed and current assets of the Company and lien on export orders, import documents, irrevocable L/Cs and export bills. These facilities carry mark up ranging from 3 to 6 months KIBOR + 1.5% to 4% per annum (2008: 3 to 6 months KIBOR + 1.5% to 3%) per annum, payable quarterly. These facilities shall expire latest by March 31, 2010.

10.2 This represents interest free funds obtained from directors to meet working capital requirements of the Company.

10.3 This represents cheques issued but not presented on the balance sheet date. These cheques have been honoured subsequent to the balance sheet date.

Note 11

Current and Overdue Portion of Non Current Liabilities

	2009 Rupees	2008 Rupees
Long term financing	48,625,272	63,756,632
Liabilities against assets subject to finance lease	7,810,945	9,700,346
	56,436,217	73,456,978

Note 12

Provision for Taxation

	2009 Rupees	2008 Rupees
Opening balance	10,175,000	9,827,975
Provision for current year	11,351,710	10,175,000
Provision for prior years	-	1,296,891
	11,351,710	11,471,891
	21,526,710	21,299,866
Payments / adjustments against advance tax	(10,175,000)	(11,124,866)
	11,351,710	10,175,000

Note 13

Contingencies and Commitments

Contingencies

Income tax liability amounting to Rs. 47.363 million upto the assessment year 2002-2003 under Section 62 of the Repealed Income Tax Ordinance, 1979 was determined by the Income Tax Department. Pending the outcome of appeals filed by the Company, no provision has been made in these financial statements as the management views that the outcome of the appeals shall be in the favour of the Company.

Commitments

	2009	2008
	Rupees in million	
Commitments for purchase of raw material and stores	0.787	8.826
Commitments for import of plant and machinery	84.313	-

Note 14

Property, Plant and Equipment

Particulars	Cost				Depreciation Rate	Accumulated Depreciation				Written Down Value as at 30-06-2009
	As at 01-07-2008	Additions	Disposals / Adjustments	Total as at 30-06-2009		As at 01-07-2008	Disposals	For the year	Total as at 30-06-2009	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Owned										
Land - freehold	7,536,673	-	-	7,536,673	-	-	-	-	-	7,536,673
Factory building on freehold land	145,991,353	5,078,100	-	151,069,453	5	91,295,840	-	2,963,681	94,259,521	56,809,932
Colony building on freehold land	29,818,530	-	-	29,818,530	5	21,703,827	-	405,735	22,109,562	7,708,968
Plant and machinery	1,049,794,540	32,560,770	(29,292,722)	1,053,062,588	7	349,722,362	(14,760,121)	50,008,724	384,970,965	668,091,623
Tools and equipment	5,759,488	-	-	5,759,488	10	3,149,764		260,977	3,410,741	2,348,747
Office equipment	14,282,020	421,850	-	14,703,870	20	6,790,378	-	1,303,842	8,094,220	6,609,650
Furniture and fixtures	4,374,224	311,037	-	4,685,261	10	2,698,444	-	174,194	2,872,638	1,812,623
Vehicles	12,011,562	7,538,434	(3,062,475)	26,510,256	20	6,719,090	(1,599,259)	1,552,875	12,958,734	13,551,522
			10,022,735				6,286,028			
Sub total	1,269,568,390	45,910,191	(32,355,197)	1,293,146,119		482,079,705	(16,359,380)	56,670,029	528,676,382	764,469,737
			10,022,735				6,286,028			
Leased										
Plant and machinery	12,735,857	-	-	12,735,857	7	1,582,430	-	780,740	2,363,170	10,372,687
Vehicles	22,998,988	3,585,880	(10,022,735)	16,562,133	20	7,701,341	(6,286,028)	3,117,767	4,533,080	12,029,053
Sub total	35,734,845	3,585,880	(10,022,735)	29,297,990		9,283,771	(6,286,028)	3,898,507	6,896,250	22,401,740
Total Rupees 2009	1,305,303,235	49,496,071	(42,377,932)	1,322,444,109		491,363,476	(22,645,408)	60,568,535	535,572,631	786,871,478
			10,022,735				6,286,028			
Total Rupees 2008	1,177,085,524	129,133,261	(915,550)	1,305,303,235		430,426,079	(694,268)	61,631,665	491,363,476	813,939,759

14.1 The depreciation charge for the year has been allocated as under:

	Note	2009	2008
		Rupees	Rupees
Cost of sales	26	54,419,857	55,313,370
Administrative	28	6,148,678	6,318,295
		60,568,535	61,631,665

14.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Honda Civic	1,312,975	634,430	678,545	1,000,000	321,455	Negotiation	Haji Waheed Ahmed - Lahore
Honda City	988,110	505,034	483,076	800,000	316,924	Negotiation	Ahmad Mustafa (Employee) - Lahore
Suzuki Cultus	690,900	445,345	245,555	400,000	154,445	Negotiation	Ejaz Ahmad (Employee) - Lahore
Motorcycle	70,490	14,450	56,040	70,000	13,960	Insurance Claim	Adamjee Insurance Company Limited
Plant and Equipment							
Air compressors	22,792,722	11,484,878	11,307,844	1,099,000	(10,208,844)	Negotiation	Pro Air Engineering
Water cooled chiller	6,500,000	3,275,243	3,224,757	735,000	(2,489,757)	Negotiation	Pro Air Engineering
Total Rupees 2009	32,355,197	16,359,380	15,995,817	4,104,000	(11,891,817)		
Total Rupees 2008	915,550	694,268	221,282	515,000	293,718		

Note 15
Intangible Assets

Particulars	**Cost**			Amortization Rate	**Accumulated Amortization**			**Amortized Value as at 30-06-2009**
	As at 01-07-2008	Additions	Total as at 30-06-2009		As at 01-07-2008	For the year	Total as at 30-06-2009	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Owned								
ERP system	3,155,000	-	3,155,000	20	561,668	518,666	1,080,334	2,074,666
Total Rupees 2008	2,300,000	855,000	3,155,000	20	38,334	523,334	561,668	2,593,332

15.1 The amortization charge for the year has been allocated to cost of sales.

Note 16
Capital Work in Progress

	Note	2009 Rupees	2008 Rupees
Opening balance		22,524,420	204,300
Additions during the year	16.1	13,285,250	134,842,017
Transferred to property, plant and equipment		(33,874,670)	(112,521,897)
		1,935,000	22,524,420

16.1 Additions include borrowing cost capitalized amounting to Rs. Nil (2008: Rs. 1.110 million) as part of the cost of plant and machinery during the qualifying period.

Note 17
Long Term Loans

	Note	2009 Rupees	2008 Rupees
Loans to employees - Considered good	17.1	12,308,359	10,418,545
Current portion shown under current assets		(1,555,000)	(1,470,572)
		10,753,359	8,947,973

17.1 These represent long term loans given to employees as per the Company policy, for house building and other purposes. These loans are interest free and secured against employees' respective gratuity balances. These loans are recoverable by way of equal monthly installments.

17.2 Advances to employees include Rs. 7.057 million (2008: Rs. 5.138 million) due from executives as at the balance sheet date and movement during the year has been as under:

Opening balance	5,138,537	1,456,855
Disbursements during the year	11,784,632	3,976,682
Recoveries during the year	(9,866,102)	(295,000)
Closing balance	7,057,067	5,138,537

Note 18
Long Term Deposits

	Note	2009 Rupees	2008 Rupees
Security deposits against:			
- Utilities		2,716,503	2,741,495
- Finance lease		4,427,652	5,575,402
Adjustable within next 12 months	23	(1,625,700)	(1,848,550)
		2,801,952	3,726,852
		5,518,455	6,468,347

Note 19
Stores and Spares

	2009 Rupees	2008 Rupees
Stores	12,729,552	12,407,955
Spares	12,004,133	11,820,396
	24,733,685	24,228,351

Note 20
Stock in Trade

	2009 Rupees	2008 Rupees
Raw materials	53,761,055	50,544,549
Work in process	44,580,736	38,636,591
Finished goods	98,302,259	88,667,472
	196,644,050	177,848,612

20.1 This includes stocks amounting to Rs. 87.22 million (2008: 59.33 million) approximately, which is pledged against short term borrowings.

Note 21
Trade Debts

	Note	2009 Rupees	2008 Rupees
Local debts (Unsecured - considered good)	21.1	69,941,281	81,546,396
Foreign debts (Secured - considered good)		23,894,472	47,560,302
		93,835,753	129,106,698

21.1 This includes Rs. Nil (2008: Rs. 137,531) due from associated undertaking.

Note 22
Loans and Advances

	Note	2009 Rupees	2008 Rupees
Current portion of loans to employees	17	1,555,000	1,470,572
Advances - considered good			
- Suppliers		3,031,184	28,719,560
- Staff		2,262,365	1,248,634
- Income tax		54,171,198	49,584,289
- Letters of credit		3,014,381	1,312,262
		64,034,128	82,335,317

Note 23
Trade Deposits, Short Term Prepayments and Other Receivables

	Note	2009 Rupees	2008 Rupees
Cash margin against import letter of credit		54,734,910	16,586,585
Cash margin against letter of guarantee		3,890,430	2,738,969
Security deposits		236,992	133,500
Deposit against finance lease	18	1,625,700	1,848,550
Prepayments		876,738	1,029,950
Other receivables - considered good			
- Export rebate		1,777,319	1,712,761
- Interest receivable		12	11
- Others		70,000	65,000
		63,212,101	24,115,326

Note 24
Cash and Bank Balances

	2009 Rupees	2008 Rupees
Imprest with staff	59,049	251,559
Cash in hand	2,445,543	1,834,431
Bank balance in current accounts	4,041,091	1,757,135
	6,545,684	3,843,125

Note 25
Sales - Net

	2009 Rupees	2008 Rupees
Exports		
- Grey cloth	931,667,678	901,844,409
- Processed cloth	210,820,396	122,164,779
Export rebate	1,066,431	1,993,795
	1,143,554,505	1,026,002,983
Local		
- Grey cloth	463,179,036	429,996,725
- Processed cloth	5,324,410	2,022,369
- Yarn	504,189,118	508,045,241
	972,692,564	940,064,335
Waste sales	2,579,389	1,406,234
Processing income	1,191,942	5,322,998
	2,120,018,400	1,972,796,550
Commission	(21,038,895)	(8,963,157)
	2,098,979,505	1,963,833,393

Note 26
Cost of Sales

	Note	2009 Rupees	2008 Rupees
Raw materials consumed	26.1	1,441,981,424	1,393,845,442
Salaries, wages and benefits	26.2	110,903,904	103,700,847
Dying and processing charges		33,934,450	22,681,157
Fuel and power		153,787,943	131,710,926
Stores, spares and chemicals consumed		67,098,915	52,172,077
Packing material		19,152,800	14,160,273
Insurance		3,709,624	2,830,298
Repairs and maintenance		4,694,949	6,851,630
Miscellaneous		8,329,483	3,126,162
Depreciation	14.1	54,419,857	55,313,370
Amortization	15.1	518,666	523,334
		1,898,532,015	1,786,915,516
Opening work in process		38,636,591	33,485,813
Closing work in process		(44,580,736)	(38,636,591)
		1,892,587,870	1,781,764,738
Opening stock of finished goods		88,667,472	92,593,952
Cloth purchased		1,605,000	2,512,500
		1,982,860,342	1,876,871,190
Closing stock of finished goods		(98,302,259)	(88,667,472)
		1,884,558,082	1,788,203,718

	2009	2008
	Rupees	Rupees
26.1 Raw materials consumed		
Opening stock	50,544,549	21,249,674
Purchases made during the year	1,433,278,194	1,407,880,566
Purchase expenses	16,679,323	17,185,956
	1,500,502,066	1,446,316,196
Cost of raw materials sold	(4,759,587)	(1,926,205)
	1,495,742,479	1,444,389,991
Less: Closing stock	(53,761,055)	(50,544,549)
	1,441,981,424	1,393,845,442

26.2 This includes Rs. 5.576 million (2008: Rs. 5.226 million), approximately, in respect of employee benefits - gratuity scheme.

Note 27

Distribution Cost

	2009	2008
	Rupees	Rupees
Salaries, wages and other benefits	7,190,028	5,455,683
Freight, octroi and other charges	41,924,789	49,127,610
Commission, claims and promotion	14,918,618	6,259,481
Travelling and conveyance	9,164,070	6,977,299
Printing and stationery	148,809	50,559
Communication	1,834,565	1,469,018
Testing, sampling and others	606,596	287,294
	75,787,475	69,626,943

Note 28

Administrative Expenses

	Note	2009	2008
		Rupees	Rupees
Salaries, wages and benefits	28.1	16,168,430	16,643,569
Traveling and conveyance		651,303	1,833,562
Rent, rates and taxes		1,447,196	1,339,226
Printing and stationery		816,057	656,789
Communications		1,803,794	1,691,113
Entertainment		574,951	1,411,371
Electricity and gas		1,987,768	2,520,281
Vehicles' running and maintenance		2,850,103	3,374,768
Legal and professional charges		1,719,024	341,750
Fees and subscriptions		257,522	714,721
Repairs and maintenance		2,509,030	1,885,667
Insurance		1,735,045	1,556,444
Guest house expenses		-	36,526
Donations	28.2	170,600	215,276
Advertisement		30,300	74,497
Miscellaneous		527,208	434,035
Depreciation	14.1	6,148,678	6,318,295
		39,397,009	41,047,890

28.1 This includes Rs. 2.590 million (2008: Rs. 2.427 million), approximately, in respect of employee benefits - gratuity scheme.

28.2 None of the directors or their spouses had any interest in any of the donees.

Note 29
Finance Cost

	2009 Rupees	2008 Rupees
Interest / mark up on:		
- Long term financing	11,874,998	13,681,244
- Finance lease	1,984,714	1,790,189
- Short term borrowings	50,758,261	32,611,432
Bank charges and commissions	12,492,096	15,039,074
	77,110,068	63,121,939

Note 30
Other Operating Expenses

	2009 Rupees	2008 Rupees
Auditors' remuneration		
Statutory audit	375,000	350,000
Certification and reviews	125,000	125,000
	500,000	475,000
Exchange loss	-	1,053,866
Loss on sale of property, plant and equipment	11,891,817	-
Loss on sale of raw material	742,550	-
Workers' (profit) participation fund	1,197,437	-
	14,331,804	1,528,866

Note 31
Other Operating Income

	2009 Rupees	2008 Rupees
Exchange gain	3,845,912	-
Gain on sale of property, plant and equipment	-	293,718
Gain on sale of raw materials	-	103,656
Profit on bank deposit accounts	134	4,527
Liabilities written back - net	3,256,922	-
	7,102,968	401,901

Note 32
Taxation

	2009 Rupees	2008 Rupees
Current		
- Current year	11,351,710	10,175,000
- Prior periods	-	1,296,891
	11,351,710	11,471,891
Deferred	-	(304,359)
	11,351,710	11,167,532

32.1 Numerical tax reconciliation has not been given as there was no change / credit in respect of deferred tax.

32.2 Income tax assessments have been finalized / framed upto the assessment year 2002 - 2003 (accounting year ended September 30, 2001) and appeals thereagainst are pending for adjudication before appellate forums. Tax years 2004 onwards have been deemed assessed as filed under self assessment scheme and detailed audit proceedings in respect of tax year 2003 and 2004 are under process as at the balance sheet date.

Note 33
Earnings per Share - Basic

		2009	2008
		Rupees	Rupees
Net profit / (loss) for the year	Rupees	3,546,325	(10,461,593)
Weighted average number of ordinary shares outstanding during the year	Number	40,000,000	40,000,000
Earnings per share - Basic (Rupees per share)	Rupees	0.09	(0.26)

33.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company has no commitments resulting in dilution of earnings of the Company.

Note 34
Chief Executive's, Directors' and Executives' Remuneration

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive of the Company is as follows:

Particulars	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	2,400,000	2,400,000	800,000	800,000	1,846,667	1,846,667
House rent allowance	960,000	960,000	320,000	320,000	738,667	738,667
Utilities	240,000	240,000	80,000	80,000	184,667	184,667
Others	265,551	692,052	358,566	393,387	864,376	1,322,716
Total Rupees	3,865,551	4,292,052	1,558,566	1,593,387	3,634,377	4,092,717
No. of persons	1	1	1	1	3	3

34.1 No meeting fee has been paid to any director of the Company.

34.2 Chief executive, directors and executives are provided with Company maintained vehicles.

34.3 Executives are defined as employees with basic salary exceeding Rs. 500,000.

Note 35
Transactions with Related Parties

The related parties comprise associated undertakings, directors and other related parties through directorship of close family members of the directors of the Company.

Transactions with related parties undertaken during the year were as follows:

	2009	2008
	Rs. in million	Rs. in million
Purchase of materials, goods and services	12.960	97.474
Sale of materials, goods and services	8.683	7.304
Long term loan repaid to directors - net	(44.566)	-
Short term funds availed from directors - net	0.381	-
Rent of building paid	1.200	1.200

There were no transactions with key management personnel other than undertaken as per terms of their employment.

Sale and purchase transactions have been carried out at arms length price under comparable uncontrolled price method.

Note 36

Plant Capacity and Production

	2009	2008
Number of looms installed	145	145
Installed capacity converted into 50 picks based on 364 days (Sq. Meters approximately)	70,980,260	70,980,260
Actual production converted into 50 picks - (Sq. Meters)	70,438,331	69,406,197
Number of spindles installed	23,616	23,616
Installed capacity in 20's count (Kgs) - approximately	9,358,132	9,358,132
Actual production after conversion into 20's count (Kgs)	7,803,403	8,768,785

36.1 Under utilization of spinning unit capacity is mainly due to shortage of electricity supply, normal repairs and maintenance and changes on account of production mix.

Note 37
Financial Risk Management

37.1 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 policies focus on the unpredictabilit

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 liqui

(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 is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2009	2008
	Rupees in thousands	
Trade debts	23,894	47,560
Gross balance sheet exposure	23,894	47,560
Outstanding letters of credit	(85,100)	(8,826)
Net exposure	(61,206)	38,734

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	80.00	65.00
Reporting date rate	81.34	68.20

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 1.195 million (2008: Rs. 2.378 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 equity and 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, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow 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 thousands	
Floating rate instruments		
Financial liabilities		
Long term financing	248,400	233,839
Liabilities against assets subject to finance lease	16,286	22,974
Short term borrowings	257,786	300,152

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 5.225 million (2008: Rs. 5.570 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates 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. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2009	2008
	Rupees in thousands	
Long term loan	12,308	10,419
Long term deposits	2,717	2,741
Trade debts	93,836	129,107
Loans and advances	2,262	1,249
Trade deposits and other receivables	2,014	1,846
Cash and bank balances	4,100	3,843

The aging of the trade debts at the reporting date is:

	2009	2008
Not past due	75,069	96,830
Past due 0 - 30 days	14,075	25,821
Past due 31 - 60 days	4,692	6,455

(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. As at the balance sheet date, the Company had Rs. 560.5 million worth short term borrowing limits available from financial institutions and Rs 6.546 million cash and bank balances. Although it has negative working capital, the Company does not view high liquidity risk. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2009:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Long-term finances	534,116	549,332	2,594	47,349	145,582	353,807
Liabilities against lease finance	16,286	16,853	4,447	3,927	3,701	4,779
Trade and other payables	236,585	236,585	236,585	-	-	-
Accrued interest	14,704	14,704	14,704	-	-	-
Short term finances	257,786	257,786	257,786	-	-	-
	1,059,476	1,075,260	516,116	51,276	149,283	358,586

Contractual maturities of financial liabilities as at June 30, 2008:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	2-5 Years
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Long-term finances	564,120	589,597	36,813	32,183	90,233	430,368
Liabilities against lease finance	22,974	24,539	3,353	4,941	8,374	7,871
Trade and other payables	206,779	206,779	206,779	-	-	-
Accrued interest	12,313	12,313	12,313	-	-	-
Short term finances	300,152	300,152	300,152	-	-	-
	1,106,338	1,133,380	559,410	37,124	98,607	438,239

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 5, Note 6 and Note 10 to these financial statements.

37.2 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.

Note 38
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents and borrowings from directors. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2009	2008
	Rupees in thousands	
Total borrowings	522,472	556,964
Cash and bank balances	(6,546)	(3,843)
Net Debt	515,926	553,121
Equity	173,160	169,614
Total Capital	689,087	722,735
Gearing Ratio	74.87%	76.53%

Note 39
Authorization of Financial Statements

These financial statements were authorised for issue on October 10, 2009 by the Board of Directors of the Company.

Note 40
General

Figures have been rounded off to the nearest Rupee.

Lahore:
October 10, 2009

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Jahangir)
Director

Chief Executive of the Company, being out of Country for the time being, these financial statements have been signed by two directors of the Company pursuant to Section 241.

KEY FINANCIAL DATA OF LAST SIX YEARS

Rupees in '000

	2009	2008	2007	2006	2005 9 Months	2004
Sales	2,098,980	1,963,833	1,572,651	1,172,802	884,975	1,571,791
Gross Profit	214,421	175,630	131,349	124,804	2,256	82,079
(Loss)/Profit Before Taxation	14,898	706	26,039	39,506	(92,397)	(70,514)
Tax	(11,352)	(11,168)	(11,106)	7,845	19,104	35,048
(Loss)/Profit After Taxation	(3,546)	(10,462)	14,933	31,661	111,501	(35,466)
Total Assets	1,267,531	1,308,723	1,181,066	956,728	721,316	989,020
Current Liabilities	579,388	606,785	431,887	325,435	316,621	614,431
	688,143	701,938	749,179	631,293	404,695	374,589
Share Capital	400,000	400,000	400,000	400,000	181,680	181,680
Accumulated (Loss)/Profit & Reserve	(226,840)	(230,386)	(219,924)	230,984	(262,645)	(151,144)
Equity	173,160	169,614	180,076	630,984	(80,965)	30,536
Long Term Loans & Leases	493,966	513,637	552,602	450,949	475,887	332,447
Deferred Liability	21,017	18,687	16,502	11,328	9,773	11,606
	688,143	701,938	749,180	1,093,261	404,695	374,589

YOUSAF WEAVING MILLS LIMITED
PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

CATEGORIES OF SHARES HOLDERS	NUMBER OF SHARES HOLDERS	NUMBER OF SHARES HELD	%
1. INDIVIDUALS	468	35,643,145	89.11
2. INVESTMENT COMPANIES	4	96,600	0.24
3. INSURANCE COMPANIES	3	153,443	0.38
4. JOINT STOCK COMPANIES	23	1,639,519	4.10
5. FINANCIAL INSTITUTIONS	10	2,451,593	6.13
6. MODARABA COMPANIES	4	4,200	0.01
7. FOREIGN COMPANIES	2	11,500	0.03
TOTAL	**514**	**40,000,000**	**100**

Detail of Pattern of Shareholding as per Requirements of Code of Corporate Governance

Associated Companies Undertakings & Related Parties		
i Naveed Industries (Pvt.) Limited		75,000
NIT / ICP		
i National Bank of Pakistan - Trustee Wing		2,436,811
ii Investment Corporation of Pakistan		93,100
Directors, Chief Executive, their Spouse and Minor Children		
i Khawaja Mohammad Jawed	16,388,000	
ii Khawaja Mohammad Jahangir	2,064,000	
iii Khawaja Mohammad Tanveer	2,580,000	
iv Khawaja Mohammad Kaleem	5,047,100	
v Khawaja Mohammad Nadeem	3,654,400	
vi Khawaja Mohammad Naveed	2,211,820	
vii Mr. Danish Tanveer	13,000	
viii Mrs. Kausar Tasneem W/o Kh. M. Jawed	400	
ix Mrs. Rubina Khanum W/o Kh. M. Jahangir	5,000	
		31,963,720
Executives		-
Public Sector Companies & Corporations		
i State Life Insurance Corporation		153,047
ii National Development Finance Corporation		1,100
Banks, Development Finance Institutions and Non Banking Finance Institutions, Insurance Companies, Madaraba & Mutual Funds		21,778
General Public		3,679,425
Joint Stock Companies		1,639,519
Foreign Companies		11,500
Others		-
		40,000,000

Shareholders holding 10% and above Voting Interests

Khawaja Mohammad Jawed	16,388,000
Khawaja Mohammad Kaleem	5,047,100

THE COMPANIES ORDINANCE, 1984 FORM-34
(Section 236(1) and 464)

01. Incorporation Number: 0017352
02. Name of Company: YOUSAF WEAVING MILLS LIMITED
03. Pattern of shareholding held by the shareholders as at: 30-06-2009
04.

NUMBER OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
42	1	-	100	3943
146	101	-	500	58798
92	501	-	1000	90500
145	1001	-	5000	410282
32	5001	-	10000	253300
11	10001	-	15000	162399
7	15001	-	20000	129800
6	20001	-	25000	71211
4	25001	-	30000	112000
2	30001	-	35000	66500
3	35001	-	40000	117000
1	45001	-	50000	45200
1	55001	-	60000	55500
1	70001	-	75000	75000
2	85001	-	90000	174000
1	90001	-	95000	184200
1	130001	-	135000	132500
2	135001	-	140000	138000
2	140001	-	145000	283000
1	150001	-	155000	153047
1	185001	-	190000	190000
1	220001	-	225000	225000
1	1185001	-	1190000	1188621
1	1220001	-	1225000	1224379
1	1350001	-	1355000	1352000
1	1485001	-	1490000	1486500
1	2060001	-	2065000	2064000
1	2210001	-	2215000	2211820
1	2575001	-	2580000	2580000
1	3460001	-	3465000	3464400
1	5045001	-	5050000	5047100
1	16245000	-	16250000	16250000
514				40,000,000

PROXY FORM

The Corporate Secretary
Yousaf Weaving Mills Limited
Kashana-e-Yousaf, Khawaja Street,
Chakwal.

Folio No. /CDC A/C No.	
Shares held	

I/We ______________________________ of ______________

being a member (s) of **YOUSAF WEAVING MILLS LIMITED** hereby appoint

Mr./Mrs./Miss ______________________________ of ______________

(being member(s) of Company) as my/our Proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 31, 2009 at 11:00 a.m. at premises of Kohinoor Spinning Mills Limited, Unit No. 1, Pindi Road, Aminabad, Chakwal and at every adjournment thereof.

Signed this ______________ day ______________ of 2009.

1. Witness: ______________
   Signature: ______________
   Name: ______________
   Address: ______________

AFFIX REVENUE STAMP

2. Witness: ______________
   Signature: ______________
   Name: ______________
   Address: ______________

Signature: ______________

(Signature appended above should agree with the specimen signatures registered with the Company.)

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed on the instrument.
3. CDC shareholders are requested to bring with them their Computerized National Identity Cards alongwith the participants' ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
4. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or notarially certified copy thereof, should be deposited at the Company's office not later than 48 hours before the time of holding the meeting.