Company Profile

BOARD OF DIRECTORS

CHAIRMAN :
MR. MOHAMMAD ABDULLAH

CHIEF EXECUTIVE :
MR. YOUSUF ABDULLAH

DIRECTOR :
MR. SHAHID ABDULLAH
MR. NADEEM ABDULLAH
MR. AMER ABDULLAH
MR. MOHAMMAD YOUNUS
MR. MOHAMMAD YAMIN

AUDIT COMMITTEE :

CHAIRMAN :
MR. AMER ABDULLAH

MEMBER :
MR. SHAHID ABDULLAH
MR. NADEEM ABDULLAH

CHIEF FINANCIAL OFFICER :
MR. NAVEED-UL-ISLAM

COMPANY SECRETARY :
MR. UMER RAHI

AUDITORS :
M. YOUSUF ADIL SALEEM &
COMPANY
CHARTERED ACCOUNTANTS

MANAGEMENT CONSULTANT :
M. YOUSUF ADIL SALEEM
& COMPANY
CHARTERED ACCOUNTANTS

TAX CONSULTANTS :
M. YOUSUF ADIL SALEEM
& COMPANY
CHARTERED ACCOUNTANTS

BANKERS :
HABIB BANK LIMITED
MCB BANK LIMITED
HABIB METROPLITAN BANK LIMITED

REGISTERED OFFICE :
312, COTTON EXCHANGE
BUILDING, I.I.CHUNDRIGAR
ROAD, KARACHI.

MILLS :
FEROZE WATWAN,
TEHSIL & DISTRICT SHEIKHUPURA

SHARE REGISTRARS :
HAMEED MAJEED ASSOCIATES
(PVT) LTD.,
5TH FLOOR, KARACHI CHAMBERS,
HASRAT MOHANI ROAD, KARACHI.

Mission

Our Mission is to be recognised as premier supplier to the markets we serve by providing quality yarns, fabrics and other textile products to satisfy the needs of our customers.

Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates.

We will continue our tradition of honesty, fairness and integrity in relationship with our customers, associates, shareholders, community and stakeholders.

Vision

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality.

Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business, our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognised as excellent citizen in the local and regional community through our financial and human resources support and our sensitivity to the environment.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 20th Annual General Meeting of **RELIANCE COTTON SPINNING MILLS LIMITED** will be held on Saturday the 31st day of October, 2009 at 05:15 p.m. at 212, Cotton Exchange Building, I.I.Chundrigar Road, Karachi to transact the following business:

1. To confirm the minutes of 19th Annual General Meeting.

2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended 30th June, 2009.

3. To approve the dividend as recommended by the Board of Directors.

4. To appoint auditors for the year ending 30th June, 2010 and fix their remuneration. The present auditors M. Yousuf Adil Saleem & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

5. To transact any other business with the permission of the Chair.

By order of the Board

(UMAR RAHI)
Secretary

Karachi.
Dated : 09th October, 2009

NOTE:

1. The share transfer books of the Company shall remain closed for entitlement of Dividend from 25th October, 2009 to 31st October, 2009 (both days inclusive). Transfers received in order, by the Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 24th October, 2009, will be considered in time for the payment of dividend.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order, to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

3. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account/Sub Account and particular of participants I.D. numbers and account numbers in CDS, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

4. Shareholders are requested to notify the Company of any change in their addresses.

Directors' Report

The Director's feel great pleasure in presenting 20th annual report with audited financial statements of the company for the year ended June 30, 2009.

OPERATING FINANCIAL RESULTS

In the year under review, your company has earned profit before tax Rs 164.967 million as compared to Rs 85.094 million of corresponding period, showing increase of 93.86 % which is inclusive of 85.25 % as share of profit of Associates.

Other salient features for the year's operational results are as follows:

- Gross Profit for the period stood at Rs 312.516 million comparing to corresponding period's profit of Rs 249.853 million resulting an increase of 25.08 %.
- Finance Costs for the period were Rs 109.112 million as against Rs 65.054 million of the corresponding period which is mainly due to higher mark-up rates prevailed during the year.
- The company earned after tax profit of Rs 143.869 million as compared to after tax profit of Rs 71.560 million registering 100% increase comparing last year.
- Earning per Share for the year Rs. 13.98 as against Rs 6.95 of the corresponding period under review.

APPROPRIATION OF PROFITS

Your directors are pleased to propose the following appropriations for the period under review:

	2009	2008
	(Rupees in '000')	
Net profit after Taxation	**143,869**	71,560
Un-appropriated profit brought forward	**261,697**	200,428
Profit available for appropriation:	**405,566**	271,988
Appropriations:		
Proposed Cash Dividend @ 15 % (2008: 10%)	**15,438**	10,292
Un-appropriated Profit Carried forward	**390,128**	261,696

DIVEDEND

The Board of Directors are pleased to recommend final cash dividend of 15 % i.e. Rs.1.50 (Rs. one and fifty paisas only) per share to be paid to the shareholders.

EARNING PER SHARE

The earning per share on June 30, 2009 was Rs. 13.98 as compared to Rs. 6.95 on June 30, 2008.

FUTURE OUTLOOK

Keeping in view, the positive signs of revival of global economy after recession, your management is endeavoring hard to explore other avenues in export markets as well as developing new products. Further, the reduction in mark-up rates and better $/Rs parity would also improve the profitability for the coming year. However, your management has the concerns about the estimation of lesser cotton crop and of energy crises.

Directors' Report

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirm that:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. The company has maintained proper books of account.

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

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further.

6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the financial statements.

7. There is no doubt about the company's ability to continue as a going concern.

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

9. The Board in compliance to the Code of Corporate Governance has established an Audit Committee and the following directors are its members:

Mr. Amer Abdullah	Chairman
Mr. Shahid Abdullah	Member
Mr. Nadeem Abdullah	Member

10. Operating and financial data and key ratios of six years are annexed.

11. The company operates an un-funded gratuity scheme for its employees and provision has been made in the financial statements accordingly.

12. Except as stated hereunder, no trades in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children:

Shares purchased during the year by Mr. Amer Abdullah	218
Shares purchased during the year by Mr. Shahid Abdullah	5,344

Specie Shares received by

Mr. Mohammad Abdullah	33,260
Mrs. Shamshad Begum	64,247
Mr. Shahid Abdullah	46,041
Mrs. Shireen Shahid	145,130
Mr. Nadeem Abdullah	122,223
Mrs. Noshaba Nadeem	64,428
Mr. Amer Abdullah	137,981
Mrs. Ambareen Amer	47,350
Mr. Yousuf Abdullah	166,097
Mrs. Usma Yousuf	25,403
Mr. Mohammad Younus	3,152
Mr. Mohammad Yamin	110
Mr. Naveed ul Islam	160

Directors' Report

13. During the year =6= meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Mohammad Abdullah	=6=
Mr. Shahid Abdullah	=5=
Mr. Nadeem Abdullah	=5=
Mr. Amer Abdullah	=6=
Mr. Yousuf Abdullah	=5=
Mr. Mohammad Younus	=4=
Mr. Mohammad Yamin	=6=

14. Code of Ethics and Business Practices has been developed and are communicated and acknowledged by each Director and employee of the company.

PATTERN OF SHAREHOLDING:

The pattern of share holding of the company as at June 30, 2009 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

AUDITORS:

The present Auditors, M. Yousuf Adil Saleem & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment for the year 2009-2010. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2010.

ACKNOWLEDGEMENTS:

The Management would like to place on record its appreciation for the support of the Board of Directors, Shareholders, Bankers, Suppliers and the dedication and hard work of the Staff and Workers.

For and on behalf of the Board of Directors

Yousuf Abdullah
Chief Executive Officer

Karachi
October 09, 2009

Six Year Growth at a Glance

	Rupees in million	2009	2008	2007	2006	2005 nine months	2004
Sales		1,544.923	1,252.956	1,312.895	1,065.793	714.258	811.815
Gross Profit		312.516	249.853	211.501	111.604	100.046	72.783
Profit Before Tax		164.967	85.094	75.210	36.182	59.453	44.285
Profit After Tax		143.869	71.560	65.739	27.304	48.129	34.757
Share Capital		102.920	102.920	102.920	102.920	102.920	102.920
Shareholder's Equity		635.409	504.908	448.787	394.517	378.900	344.001
Fixed Assets		470.702	493.470	495.141	521.868	464.715	355.426
Total Assets		1,480.032	1,202.107	1,054.141	1,056.313	1,078.145	787.528
DIVIDEND							
CASH	%	15.00	10.00	15.00	10.00	12.50	12.50
RATIOS:							
Profitability	%						
Gross Profit		20.23	19.94	16.11	10.47	14.01	8.97
Profit Before Tax		10.68	6.79	5.73	3.39	8.32	5.45
Profit After Tax		9.31	5.71	5.01	2.56	6.74	4.28
Return To Shareholders							
R.O.E-Before Tax		25.96	16.85	16.76	9.17	15.69	12.87
R.O.E-After Tax		22.64	14.17	14.65	6.92	12.70	10.10
EPS	Rupees	13.98	6.95	6.39	2.65	4.67	3.38
Activity	Times						
Sales To Total Assets		1.04	1.042	1.245	1.009	0.65	1.03
Sales To Fixed Assets		3.28	2.539	2.660	2.04	1.54	2.28
Liquidity / Leverage							
Current Ratio		1.09	1.04	1.08	1.10	1.05	1.39
Debt Equity Ratio		0.01	0.16	0.15	0.29	0.22	0.26
Total Liabilities To Equity		1.33	1.38	1.35	1.68	1.85	1.29
Break Up Value of Shares	Rupees	61.74	49.06	43.61	38.34	36.81	33.42

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 RELIANCE COTTON SPINNING MILLS LIMITED ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges in Pakistan where the Company is listed.

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

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

Further, Sub-Regulation (xiii) 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 arm's length price or not.

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

M. Yosuf Adil Saleem & Co.
Chartered Accountants

Lahore :
Dated : October 09, 2009

Hafiz Mohammad Yousaf
(Engagement Partner)

Statement of Compliance

with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of the 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 representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive Directors.

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

3. The Directors have declared that 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 a NBFI. None of the Directors is a member of a stock exchange.

4. During the year no casual vacancies occurred in the Board of Directors.

5. The Board have developed and adopted a 'Statement of Ethics and Business Practice', which has been signed by all the directors and employees of the company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.

7. All the power of 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. No remuneration is being paid to CEO or other directors.

8. The meetings of the Board, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and Board met at least once in every Quarter. Written notice of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. In compliance with the requirements of Listing Regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited, the related party transactions have been placed before the audit committee and approved by the Board of Directors.

10. There was no new appointment of CFO/Company Secretary during the year.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of three members, Majority of the members are non executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been prepared in the light of the Code of Corporate Governance 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 given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Statement of Compliance
with the code of corporate governance

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.

For and on behalf of the Board

Karachi
Dated: 09th October, 2009

YOUSUF ABDULLAH
CHIEF EXECUTIVE OFFICER

Auditor's Report
to the members

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

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

M. Yosuf Adil Saleem & Co.
Chartered Accountants

Lahore :
Dated : October 09, 2009

Hafiz Mohammad Yousaf
(Engagement Partner)

Balance Sheet

as at June 30, 2009

	Note	2009	2008
		..........Rupees..........	
NON-CURRENT ASSETS			-
Property, plant and equipment	4	**470,702,298**	493,470,244
Long term investments	5	**117,828,748**	-
Long term loan	6	**560,000**	860,000
Long term deposits	7	**2,448,480**	366,380
		591,539,526	494,696,624
CURRENT ASSETS			
Stores, spare parts and loose tools	8	**18,194,063**	14,546,594
Stock-in-trade	9	**594,491,320**	481,263,664
Trade debts	10	**240,620,008**	176,479,924
Loans and advances	11	**2,441,002**	2,195,440
Deposits and short term prepayments	12	**23,809**	232,217
Other receivables	13	**3,345,411**	3,026,468
Advance income tax	14	**1,378,423**	2,178,626
Tax refunds due from the Government	15	**19,151,726**	13,936,922
Cash and bank balances	16	**8,846,476**	13,550,920
		888,492,238	707,410,775
		1,480,031,764	1,202,107,399
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2008: 12,000,000) ordinary shares of Rs.10 each		**120,000,000**	120,000,000
Issued, subscribed and paid up capital	17	**102,920,000**	102,920,000
General reserves		**130,000,000**	130,000,000
Un-appropriated profit		**402,489,147**	271,988,674
		635,409,147	504,908,674
NON-CURRENT LIABILITIES			
Deferred liabilities			
- employee benefits - unfunded	19.1	**19,702,495**	13,846,225
- deferred tax liability	19.2	**6,636,166**	-
CURRENT LIABILITIES			
Trade and other payables	20	**81,569,418**	54,231,720
Mark-up accrued on loans	21	**26,151,286**	16,906,813
Short term borrowings	22	**704,443,252**	532,213,967
Current portion of long term financing	18	**6,120,000**	80,000,000
		818,283,956	683,352,500
CONTINGENCIES AND COMMITMENTS	23		
		1,480,031,764	1,202,107,399

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi :	**YOUSUF ABDULLAH**	**SHAHID ABDULLAH**
Dated : October 09, 2009	***Chief Executive Officer***	***Director***

Profit and Loss Account

for the year ended June 30,2009

	Note	2009	2008
		..........Rupees..........	
Sales - net	24	**1,544,922,778**	1,286,862,387
Cost of sales	25	**1,232,407,093**	1,037,009,262
Gross profit		**312,515,685**	249,853,125
Other operating income	26	**3,638,310**	7,855,235
		316,153,995	257,708,360
Distribution cost	27	**84,823,377**	85,922,969
Administrative expenses	28	**22,379,909**	16,667,358
Other operating expenses	29	**7,416,520**	4,969,658
Finance cost	30	**109,112,169**	65,054,434
		223,731,975	172,614,419
		92,422,020	85,093,941
Share of profit of associates		**72,544,523**	-
Profit before taxation		**164,966,543**	85,093,941
Provision for taxation	31	**21,097,645**	13,534,255
Profit for the year		**143,868,898**	71,559,686
Earnings per share - basic and diluted	32	**13.98**	6.95

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi :	**YOUSUF ABDULLAH**	**SHAHID ABDULLAH**
Dated : October 09, 2009	***Chief Executive Officer***	***Director***

Cash Flow Statement

for the year ended June 30,2009

	Note	2009	2008
		.... Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**164,966,543**	85,093,941
Adjustments for:			
Depreciation of property, plant and equipment		**46,298,635**	48,351,852
Provision for employee benefits		**8,367,645**	6,652,323
Gain on disposal of property, plant and equipment		**(117,541)**	(687,319)
Finance cost		**109,112,169**	65,054,434
Share of profit of associates		**(72,544,523)**	-
		256,082,928	204,465,231
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(3,647,469)**	5,825,233
Stock-in-trade		**(113,227,656)**	(166,629,105)
Trade debts		**(64,140,084)**	21,885,251
Loans and advances		**(245,562)**	(1,329,129)
Deposits and short term prepayments		**208,408**	(20,944)
Other receivables		**(318,943)**	(678,509)
Increase in current liabilities			
Trade and other payables		**27,333,554**	4,296,336
		(154,037,752)	(136,650,867)
Cash generated from operations		**102,045,176**	67,814,364
Dividends paid		**(10,287,856)**	(15,429,491)
Employee benefits paid		**(2,511,375)**	(2,865,218)
Finance cost paid		**(99,867,696)**	(60,525,524)
Sales tax (paid) / refunded		**(2,418,116)**	137,406
Income taxes paid		**(16,457,964)**	(15,835,516)
		(131,543,007)	(94,518,343)
Net cash used in operating activities		**(29,497,831)**	(26,703,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(23,807,036)**	(50,525,546)
Proceeds from disposal of property, plant and equipment		**393,888**	4,532,000
Long term investments		**(48,360,650)**	-
Long term loan		**300,000**	300,000
Long term deposits		**(2,082,100)**	(6,500)
Net cash used in investing activities		**(73,555,898)**	(45,700,046)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(73,880,000)**	(80,000,000)
Increase in short term borrowings		**172,229,285**	159,223,886
Net cash from financing activities		**98,349,285**	79,223,886
Net (decrease) / increase in cash and cash equivalents		**(4,704,444)**	6,819,861
Cash and cash equivalents at beginning of year		**13,550,920**	6,731,059
Cash and cash equivalents at end of year	16	**8,846,476**	13,550,920

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi :	**YOUSUF ABDULLAH**	**SHAHID ABDULLAH**
Dated : October 09, 2009	***Chief Executive Officer***	***Director***

Statement of Changes in Equity

for the year ended June 30, 2009

	Share capital	General reserves	Un-appropriated profit	Total
	Rupees			
Balance as at June 30, 2007	102,920,000	130,000,000	215,866,988	448,786,988
Final dividend for the year ended June 30, 2007 @ Rs. 1.50 per share	-	-	(15,438,000)	(15,438,000)
Profit for the year ended June 30, 2008	-	-	71,559,686	71,559,686
Balance as at June 30, 2008	102,920,000	130,000,000	271,988,674	504,908,674
Final dividend for the year ended June 30, 2008 @ Re. 1.00 per share	**-**	**-**	**(10,292,000)**	**(10,292,000)**
Share in associates' unrealized loss on available for sale investments - net	**-**	**-**	**(3,076,425)**	**(3,076,425)**
Profit for the year ended June 30, 2009	**-**	**-**	**143,868,898**	**143,868,898**
Balance as at June 30, 2009	**102,920,000**	**130,000,000**	**402,489,147**	**635,409,147**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi :
Dated : October 09, 2009

YOUSUF ABDULLAH
Chief Executive Officer

SHAHID ABDULLAH
Director

Notes to the Financial Statements

for the year ended June 30, 2009

1 **LEGAL STATUS AND OPERATIONS**

1.1 Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The principal activity of the Company is manufacturing and sale of yarn. The mill is located at District Sheikhupura in the Province of Punjab.

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

2 **STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES**

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 **ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS-7) - FINANCIAL INSTRUMENTS: DISCLOSURE**

IFRS 7 - Financial Instruments: Disclosures requires extensive disclosures about the significance of financial instruments for the company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously included in IAS 32 - Financial Instruments : Presentation. The company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the company's financial statements.

2.3 **NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

	Effective from
IAS - 1 Presentation of financial statements (as revised)	January 1, 2009
IAS - 23 Borrowing cost (as revised)	January 1, 2009
IAS - 32 (amendments) - Financial instruments: Presentation and consequential amendments to IAS-1 Presentation of financial statements	January 1, 2009
Amendments to IAS-27 Consolidated and separate financial statements	January 1, 2009
IFRS - 2 Share based payment January 1, 2009	
IFRS - 3 Business combinations	January 1, 2009
IFRS - 4 Insurance contracts	January 1, 2009
IFRS - 8 Operating segments	January 1, 2009
IFRIC - 15 Agreements for the construction of real estate	January 1, 2009
IFRIC - 16 Hedge of net investment in a foreign operation	October 1, 2008
IFRIC - 17 Distribution of non-cash assets to owners	July 1, 2009
IFRIC - 18 Transfer of assets from customers	July 1, 2009
Amendments to IAS-39 Financial instruments: Recognition and measurement	January 1, 2009
Amendments to IFRS-7 Improving disclosures about financial instruments	January 1, 2009
Amendments to IAS-39 and IFRIC-9: Embedded derivatives	January 1, 2009
Amendments to IFRS-2 Share based payment	January 1, 2010

Notes to the Financial Statements

for the year ended June 30,2009

The management believes that these accounting standards and interpretations do not have any material impact on the present transactions of the Company. The Company would comply with these standards, interpretations and amendments when applicable.

2.4 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

The following interpretations to existing standards have been published and are mandatory for the Company's accounting year beginning on July 01, 2008 but is not relevant for the Company's operations:

IFRIC 12 - Service Concession Agreements	January 01, 2008

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development ?nancing, operation and maintenance of infrastructure for public sector services. Since the Company is not involved in public sector services, the implementation of this interpretation does not affect its financial statements.

IFRIC 13 - Customer Loyalty Programs	July 01, 2008

IFRIC 13 clari?es that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The adoption of this interpretation has led to a change in the timing of recognition of revenue at the time of making sale. Implementation of this interpretation does not affect its financial statements.

2.5 SIGNIFICANT ESTIMATES

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Employee benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Contributions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Taxation

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred taxes as explained in relevant note to these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention modified by:

- financial instruments at fair value
- recognition of certain employee benefits at present value
- investments in associates at equity method

Notes to the Financial Statements

for the year ended June 30, 2009

THE PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE SET OUT BELOW:

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land, capital work-in-progress and stores held for capital expenditure are stated at cost less impairment loss, if any. Cost includes borrowing cost as referred in accounting policy for borrowing cost.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method over estimated useful life at the rates specified in relevant note to these financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Gains or losses on disposal of assets, if any, are included in the profit and loss account.

Capital work-in-progress is stated at cost accumulated upto the balance sheet date. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.3 INVESTMENTS IN ASSOCIATES

Associates are entities over which the Company has significant influence, but not control. Investment in associate is accounted for using equity method of accounting. Under the equity method, the investment in associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of profit or loss of the associate after the date of acquisition. The Company's share of the profit or loss of the associate is recognized in the Company's profit or loss account. The carrying amount of the investment in associate is reduced by the amount of distributions received from the associate. The carrying amount is also adjusted by the amount of changes in the Company's proportionate interest in the associate arising from changes in associate's equity that is recognized directly in equity of the Company.

The carrying amount of investment is tested for impairment by comprising its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognized in profit or loss. When impairment losses subsequently reverse, the carrying amounts of the investment is increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.4 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at the cost determined on a moving average cost less allowances for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon up to the balance sheet date.

3.5 STOCK-IN-TRADE

These are valued at the lower of average cost and net realizable value. Cost is computed applying the following bases:

Raw material	
- at mills	- weighted average cost.
- in transit	- cost accumulated upto the balance sheet date.
Work-in-process	- average manufacturing cost.
Finished goods	- average manufacturing cost.
Waste	- net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes cost of direct material, direct labour and a proportion of manufacturing overheads based on normal capacity.

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

3.6 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized for that asset. Reversal of impairment loss is recognized as income.

3.7 FINANCIAL INSTRUMENTS

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

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.8 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

3.9 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

3.11 TRADE AND OTHER PAYABLES

Liability for trade and other payables are measured at the fair value of the consideration to be paid in the future for goods and services received.

3.12 FINANCIAL INSTRUMENTS - HEDGE ARRANGEMENTS

In certain cases, the Company uses forward foreign exchange contracts (cash flow hedge arrangements) to hedge its risk associated primarily with foreign currency fluctuations.

These contracts (except those having immaterial financial impact) are included in the balance sheet at fair value and any resultant unrealized gain or loss is recognized in the statement of changes in equity, on realization of same is transferred to profit and loss account. The fair value of forward foreign exchange contracts are included in "Other receivables" in case of favorable contracts and "Trade and other payables" in case of unfavorable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward foreign exchange rates with similar maturity profiles.

3.13 EMPLOYEE BENEFITS

Defined benefit plan

The Company operates un-funded gratuity scheme for all its employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income.

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

Notes to the Financial Statements

for the year ended June 30,2009

The most recent valuation was carried out as at June 30, 2009 using the "Projected Unit Credit Method". Actuarial gains / losses are recognized in accordance with the limits set-out by IAS - 19 ("Employee Benefits").

Cumulative net unrecognized actuarial gains and losses at the end of previous period which exceeds 10% of the present value of the Company's gratuity is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in relevant note to the financial statements.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.14 PROVISIONS

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

3.15 BORROWINGS

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any.

3.16 REVENUE RECOGNITION

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

Revenue from local sales is recognized when goods are dispatched to customers, export sales are recognized on shipment of goods.

Export rebate is recognized on accrual basis at the time of making the export sales.

Dividend income from investment is recognized when the Company's right to receive dividend is established.

3.17 BORROWING COSTS

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

All other borrowing costs are recognized in profit or loss account for the year.

3.18 TAXATION

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of one half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" and "Technical Release 30" of the Institute of Chartered Accountants of Pakistan.

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

Notes to the Financial Statements
for the year ended June 30, 2009

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

3.19 FOREIGN CURRENCIES

Transactions in currencies other than Pakistani rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the year.

3.20 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 approved by the Company's shareholders.

3.21 RELATED PARTY TRANSACTIONS

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

Notes to the Financial Statements

for the year ended June 30, 2009

4 PROPERTY, PLANT AND EQUIPMENT

4.1 PROPERTY, PLANT AND EQUIPMENT - AT JUNE 30, 2009

	Cost				
Particulars	As at July 01, 2008	Additions	Transfer	Disposal	As at June 30, 2009
	Rupees				
Operating assets					
Freehold land	10,806,424	-	-	-	10,806,424
Building on freehold land:					
Residential	60,986,000	-	18,862,247	-	79,848,247
Factory	114,564,737	-	-	-	114,564,737
Plant and machinery	744,042,985	5,091,281	-	-	749,134,266
Furniture and fittings	1,345,627	-	-	-	1,345,627
Vehicles	11,916,926	-	1,438,110	478,440	12,876,596
Office equipment	2,462,167	90,000	-	-	2,552,167
Electric installation	21,121,318	-	-	-	21,121,318
Electric equipment	195,500	-	-	-	195,500
	967,441,684	5,181,281	20,300,357	478,440	992,444,882
Capital work-in-progress					
Building - civil work	6,292,844	12,632,295	(18,862,247)	-	62,892
Plant and machinery	2,275,000	5,207,350	-	-	7,482,350
Vehicles	652,000	786,110	(1,438,110)	-	-
	9,219,844	18,625,755	(20,300,357)	-	7,545,242
2009	**976,661,528**	**23,807,036**	-	**478,440**	**999,990,124**

	2009	2008
	Rupees	
4.1.1 Depreciation charge for the year has been allocated to cost of sales:	46,298,635	48,351,852

Notes to the Financial Statements

for the year ended June 30, 2009

Depreciation				Book value	
As at July 01, 2008	Charge for the year	Disposals	As at June 30, 2009	As at June 30, 2009	Annual depreciation Rate %
Rupees					
-	-	-	-	10,806,424	-
12,481,585	2,830,539	-	15,312,124	64,536,123	5
63,680,925	5,088,381	-	68,769,306	45,795,431	10
387,182,235	35,774,828	-	422,957,063	326,177,203	10
633,698	71,193	-	704,891	640,736	10
4,938,531	1,574,977	202,093	6,311,415	6,565,181	20
1,169,595	137,507	-	1,307,102	1,245,065	10
12,946,744	817,457	-	13,764,201	7,357,117	10
157,971	3,753	-	161,724	33,776	10
483,191,284	46,298,635	202,093	529,287,826	463,157,056	
-	-	-	-	62,892	
-	-	-	-	7,482,350	
-	-	-	-	-	
-	-	-	-	7,545,242	
483,191,284	**46,298,635**	**202,093**	**529,287,826**	**470,702,298**	

4.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
	Rupees						
Motor vehicle	478,440	202,093	276,347	393,888	117,541	Insurance claim	Adamjee Insurance Company
2009	478,440	202,093	276,347	393,888	117,541		
2008	5,516,710	1,672,029	3,844,681	4,532,000	687,319		

Notes to the Financial Statements

for the year ended June 30, 2009

4.3 PROPERTY, PLANT AND EQUIPMENT- AT JUNE 30, 2008

Particulars	As at July 01, 2007	Additions	Transfer	Disposals	As at June 30, 2008
	.... Cost				
	Rupees				
Operating assets					
Freehold land	10,806,424	-	-	-	10,806,424
Building on freehold land:					
Residential	33,420,340	27,390,660	175,000	-	60,986,000
Factory	105,743,998	8,820,739	-	-	114,564,737
Plant and machinery	741,885,357	6,428,001	-	4,270,373	744,042,985
Furniture and fixture	1,345,627	-	-	-	1,345,627
Vehicles	11,449,824	-	1,713,439	1,246,337	11,916,926
Office equipment	2,350,167	112,000	-	-	2,462,167
Electric installation	17,513,611	3,607,707	-	-	21,121,318
Electric equipment	195,500	-	-	-	195,500
	924,710,848	46,359,107	1,888,439	5,516,710	967,441,684
Capital work-in-progress					
Building - civil work	6,467,844	-	(175,000)	-	6,292,844
Plant and machinery	-	2,275,000	-	-	2,275,000
Vehicles	474,000	1,891,439	(1,713,439)	-	652,000
	6,941,844	4,166,439	(1,888,439)	-	9,219,844
2008	931,652,692	50,525,546	-	5,516,710	976,661,528

Notes to the Financial Statements
for the year ended June 30, 2009

.... Depreciation				Book value	Annual depreciation Rate %
As at July 01, 2007	Charge for the year	On disposals	As at June 30, 2008	As at June 30, 2008	
Rupees					
-	-	-	-	10,806,424	-
10,720,800	1,760,785	-	12,481,585	48,504,415	5
58,876,368	4,804,557		63,680,925	50,883,812	10
348,696,703	39,320,924	835,392	387,182,235	356,860,750	10
554,595	79,103		633,698	711,929	10
4,069,012	1,706,156	836,637	4,938,531	6,978,395	20
1,034,272	135,323		1,169,595	1,292,572	10
12,405,910	540,834		12,946,744	8,174,574	10
153,801	4,170		157,971	37,529	10
436,511,461	48,351,852	1,672,029	483,191,284	484,250,400	
-	-	-	-	6,292,844	
-	-	-	-	2,275,000	
-	-	-	-	652,000	
-	-	-	-	9,219,844	
436,511,461	48,351,852	1,672,029	483,191,284	493,470,244	

Notes to the Financial Statements
for the year ended June 30, 2009

		Note	2009	2008
5	**LONG TERM INVESTMENTS**		------------ Rupees ------------	
	Investments in associates - at equity method:			
	Quoted:			
	Sapphire Fibres Limited	5.2	85,070,433	-
	Sapphire Textile Mills Limited	5.3	13,320,792	-
	Un quoted:			
	Sapphire Finishing Mills Limited	5.4	19,437,523	-
			117,828,748	-

5.1 The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.

5.2 Investment in Sapphire Fibres Limited - Quoted

	2009	2008
237,700 (2008: Nil) ordinary shares of Rs. 10 each - cost	29,601,020	-
Add: Share of post acquisition profit	61,594,369	-
Less: Dividend received at fair value	(178,076)	-
Less: Share in unrealized loss on available for sale investments	(5,946,880)	-
	85,070,433	-

The financial year of Sapphire Fibres Limited ends on June 30. The latest audited consolidated financial results of Sapphire Fibres Limited as of June 30, 2009 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Fibres Limited is set out below:

	2009	2008
Total assets	10,174,863,153	-
Total liabilities	4,975,508,133	-
Net assets	5,199,355,020	-
Sales-net	7,452,429,595	-
Profit for the year	393,640,785	-
Company's share of profit for the year	61,594,369	-
Market value per share	85	-
Percentage of ownership	1.36%	-

5.3 Investment in Sapphire Textile Mills Limited - Quoted

	2009	2008
43,156 (2008: Nil) ordinary shares of Rs. 10 each - cost	2,428,546	-
Add: Share of post acquisition profit	8,021,791	-
Add: Share in unrealized gain on available for sale investments	2,870,455	
	13,320,792	-

The financial year of Sapphire Textile Mills Limited ends on June 30. The latest audited financial results of Sapphire Textile Mills Limited as of June 30, 2009 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Textile Mills Limited is set out below:

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009	2008
		------------- Rupees -------------	
Total assets		10,193,122,930	-
Total liabilities		5,731,933,300	-
Net assets		4,461,189,630	-
Sales-net		11,831,655,204	-
Profit for the year		181,174,858	-
Company's share of profit for the year		8,021,791	-
Market value per share		69	-
Percentage of ownership		0.22%	-

5.4 Investment in Sapphire Finishing Mills Limited - Unquoted

1,556,000 (2008: Nil) ordinary shares of Rs. 10 each - cost	16,509,160	-
Add: Share of post acquisition profit	2,928,363	-
	19,437,523	-

The financial year of Sapphire Finishing Mills Limited ends on June 30. Financial results of Sapphire Finishing Mills Limited as of June 30, 2009 are used for the purpose of application of equity method, which are based on the un-audited management accounts. Summarized financial information of Sapphire Finishing Mills Limited is set out below:

Total assets	2,688,924,060	-
Total liabilities	1,531,016,635	-
Net assets	1,157,907,425	-
Sales-net	4,730,179,494	-
Profit for the year	173,027,786	-
Company's share of profit for the year	2,928,363	-
Breakup value per share	13	-
Percentage of ownership	1.70%	-

6 LONG TERM LOAN

	Note	2009	2008
Long term loan to employee - secured, considered good		860,000	1,160,000
Less: current portion	11	300,000	300,000
		560,000	860,000

6.1 This represents interest free loan to an executive employee for purchase of residential plot and secured against post employment benefits. This loan is payable in sixty one monthly installments and will be adjusted against salary of the employee. The maximum balance outstanding at the end of any month during the year was Rs. 1.135 million (2008: 1.440 million).

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	2009	2008
7	**LONG TERM DEPOSITS**		------------ Rupees	------------
	Balance at beginning of year		**366,380**	359,880
	Add: deposit made during the year		**2,082,100**	6,500
	Balance at end of year		**2,448,480**	366,380

7.1 These include interest free refundable deposits given to various Government Agencies and suppliers of services.

		Note	2009	2008
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**8,410,510**	8,583,762
	Spare parts	8.1	**9,757,630**	5,934,815
	Loose tools		**25,923**	28,017
			18,194,063	14,546,594

8.1 These include spare parts in transit amounting to Rs. 2,367,294 (2008: Rs. 1,825,151).

		Note	2009	2008
9	**STOCK-IN-TRADE**			
	Raw material	9.1	**464,852,425**	314,008,148
	Work-in-process		**24,061,495**	26,732,518
	Finished goods			
	Manufactured yarn		**100,747,088**	124,702,219
	Purchased yarn		**-**	15,521,534
			100,747,088	140,223,753
	Waste		**4,830,312**	299,245
			594,491,320	481,263,664

9.1 These include raw material in transit amounting to Rs. 37,664,729 (2008: Rs. 44,910,361).

		Note	2009	2008
10	**TRADE DEBTS**			
	Considered good:			
	Foreign			
	Secured	10.1	**170,251,579**	97,803,402
	Unsecured		**-**	9,065,053
			170,251,579	106,868,455
	Local - unsecured			
	Associated companies	10.2	**26,623,311**	27,142,587
	Others		**43,745,118**	42,468,882
			70,368,429	69,611,469
			240,620,008	176,479,924

10.1 These are secured through letters of credit.

10.2 Trade debts arose in the normal course of business include amount due from following associated companies:

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009	2008
		------------ Rupees ------------	
Sapphire Textile Mills Limited		**507,953**	1,080,427
Sapphire Fibres Limited		**17,958,134**	17,854,092
Diamond Fabrics Limited		**8,157,224**	8,208,068
		26,623,311	27,142,587

11 LOANS AND ADVANCES

	Note	2009	2008
Current portion of long term loans	6	**300,000**	300,000
Advances - considered good			
Staff - secured	11.1	**551,600**	466,000
Suppliers - unsecured		**1,537,455**	1,429,440
Letters of credit		**51,947**	-
		2,441,002	2,195,440

11.1 These are interest free advances and secured against employee retirement benefits and will be adjusted against salaries of the employees.

12 DEPOSITS AND SHORT TERM PREPAYMENTS

		2009	2008
Bank guarantee margin		**23,809**	173,809
Prepaid insurance		**-**	58,408
		23,809	232,217

13 OTHER RECEIVABLES

		2009	2008
Export rebate receivable		**3,202,817**	2,882,868
Sundry receivables		**142,594**	143,600
		3,345,411	3,026,468

14 ADVANCE INCOME TAX

	Note	2009	2008
Balance as at beginning of year		**2,178,626**	1,678,046
Paid during the year		**16,457,965**	15,835,515
		18,636,591	17,513,561
Transferred to income tax refundable		**(2,178,626)**	(1,678,046)
Provision for taxation - current	31	**(15,079,542)**	(13,656,889)
Balance as at end of year		**1,378,423**	2,178,626

15 TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2009	2008
Sales tax refundable	15.1	**11,379,847**	8,961,731
Income tax refundable		**7,771,879**	4,975,191
		19,151,726	13,936,922

15.1 These represent accumulated difference of input tax on purchases and output tax payable.

Notes to the Financial Statements
for the year ended June 30, 2009

		Note	2009	2008
16	**CASH AND BANK BALANCES**		------------ Rupees	------------
	Cash-in-hand		3,531,696	224,000
	Cash at banks on current accounts		5,314,780	13,326,920
			8,846,476	13,550,920

		2009	2008
17	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	10,292,000 (2008: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash.	102,920,000	102,920,000

17.1 There was no movement in share capital during the year.

17.2 The Company has only one class of ordinary shares which carry no right to fixed income. The holder of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to Company's residual assets.

17.3 The Company has no reserved shares for issue under option and sales contracts.

17.4 Following shares are held by associates of the Company as at the balance sheet date:

	Number of ordinary shares of Rs. 10 each	
	2009	2008
Reliance Textiles Limited	1,094,715	1,090,000
Diamond Fabrics Limited	1,662,000	1,662,000
Neelum Textile Mills Limited	365,515	267,000
Sapphire Textile Mills Limited	319,756	995,000
Sapphire Fibres Limited	238,348	1,538,900
Sapphire Agencies (Private) Limited	1,818,061	1,266,000
Amer Cotton Mills (Private) Limited	1,584,800	1,685,300
Galaxy Agencies (Private) Limited	108,217	-
Sapphire Power Generation Limited	20,539	-
Nadeem Enterprises (Private) Limited	87,104	-
Crystal Enterprises (Private) Limited	27,696	-
Salman Ismail (SMC Private) Limited	1,500	-
Yousuf Agencies (Private) Limited	3,223	-
	7,331,474	8,504,200

		Note	2009	2008
18	**LONG TERM FINANCING**		------------ Rupees	------------
	From banking companies - secured			
	Term finance - II	18.1	-	67,760,000
	Term finance - III	18.2	6,120,000	12,240,000
			6,120,000	80,000,000
	Less: current portion		6,120,000	80,000,000
			-	-

18.1 This term finance facility was for approved limit of Rs. 200 million and obtained from Hong Kong and Shanghai Banking Corporation Limited to finance imported plant and machinery. During the year ended June 30, 2007, under the LTF-EOP Scheme of State Bank of Pakistan, Hong Kong and Shanghai Banking Corporation Limited transferred Rs. 30.60 million to the facility created under the LTF-EOP facility of State Bank of Pakistan. The facility carried mark-up at the rate of three month average KIBOR plus 1.00 % per annum, payable on quarterly basis. During the year the effective rate ranged from 11.13% to 16.51% (2008: 10.58% to 11.13%) per annum. It was secured against exclusive charge of Rs. 250 million on plant and machinery of the Company. The balance amount of facility has been repaid fully during the year.

18.2 This facility has been created under the LTF-EOP Scheme of State Bank of Pakistan from the existing facility of Rs. 200 million of Hong Kong and Shanghai Banking Corporation Limited. The facility carries mark-up at the rate of 6.00% (2008: 6.00%) per annum, payable on quarterly basis. It is secured against exclusive charge of Rs. 250 million on plant and machinery of the Company. Previously the facility was repayable in five equal semi annual installments commencing from June, 2007 to June 2009. However, State Bank of Pakistan deferred repayment of principal outstanding in respect of LTF-EOP scheme for one year from January 01, 2009 to December 31, 2009. Current maturity of this facility have been calculated accordingly.

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

Maturity	Effective rate of interest	Note	2009	2008
			------------- Rupees	-------------
6 months or less	Ranging from 6.00% to 16.51% per annum		-	40,000,000
6 - 12 months			**6,120,000**	40,000,000
			6,120,000	80,000,000

18.4 The carrying amount under long term financing is same as fair value.

19 DEFERRED LIABILITIES

	2009	2008
19.1 EMPLOYEE BENEFITS - UNFUNDED	**19,702,495**	13,846,225

Employee benefits

The most recent valuation was carried out as at June 30, 2009 using the "Projected unit Credit Method". Actuarial gains / losses are recognized in accordance with the limits set-out by IAS - 19 ("Employee Benefits"). The results of the actuarial valuation are as follows:

Movement in net liability recognized in the balance sheet

	2009	2008
At the beginning of year	**13,846,225**	10,059,120
Add: Cost for the year	**8,367,645**	6,652,323
Less: payments during the year	**(2,511,375)**	(2,865,218)
At the end of year	**19,702,495**	13,846,225

Balance sheet reconciliation as at balance sheet date

	2009	2008
Present value of obligations	**22,016,690**	16,264,563
Less: unrecognized actuarial losses	**(2,314,195)**	(2,418,338)
Liability recognized in the balance sheet	**19,702,495**	13,846,225

Notes to the Financial Statements
for the year ended June 30, 2009

Charge for the year	Note	2009	2008
		------------- Rupees -------------	
Current service cost		**6,259,321**	5,371,133
Interest cost		**1,949,588**	1,181,884
Actuarial loss charged		**158,736**	99,306
Expense recognized in the profit and loss account		**8,367,645**	6,652,323

Principal actuarial assumptions:

Projected Unit Credit Method, based on the following significant assumptions, is used for valuation of gratuity:

	2009	2008
Discount rate - per annum	**12%**	12%
Expected rate of growth per annum in future salaries	**11%**	11%
Average expected remaining working life time of employees	**5 years**	5 years

History of present value of deferred employee benefits

	Experience adjustment arising on plan liabilities losses	Present value of defined obligations at the end of the year
	.... Rupees	
Year ended June 30, 2005	**513,521**	7,502,315
Year ended June 30, 2006	**497,386**	10,029,679
Year ended June 30, 2007	**65,634**	11,818,838
Year ended June 30, 2008	**739,926**	16,264,563
Year ended June 30, 2009	**55,000**	22,016,690

19.2 DEFERRED TAX LIABILITY

Deferred tax liability on share of profit of associates	**6,636,166**	-

20 TRADE AND OTHER PAYABLES	Note	2009	2008
		------------- Rupees -------------	
Creditors	20.1	**7,950,321**	5,040,070
Advances from customers		**986,824**	1,087,192
Bills payable		**17,395,164**	5,338,524
Accrued liabilities	20.2	**34,542,814**	29,188,292
Workers' profit participation fund	20.3	**4,963,589**	4,486,897
Workers' welfare fund		**2,088,550**	202,386
Infrastructure fee		**13,435,354**	8,709,701
Unclaimed dividend		**142,802**	138,658
Others		**64,000**	40,000
		81,569,418	54,231,720

20.1 Creditors include Rs. 1,291,761 (2008: Rs.1,304,683) payable to associated companies in ordinary course of business.

20.2 Accrued liabilities includes Rs.4,557,194 (2008: 3,401,947) payable to associated company.

		Note	2009	2008
20.3	**Workers' profit participation fund**		------------ Rupees ------------	
	Balance as at beginning of year		**4,486,897**	3,960,785
	Interest on funds utilized in the Company's business	20.4	**234,364**	160,168
	Allocation for the year	29	**4,963,589**	4,486,897
			5,197,953	4,647,065
			9,684,850	8,607,850
	Paid to fund during the year		**(4,721,261)**	(4,120,953)
	Balance as at end of year		**4,963,589**	4,486,897

20.4 Interest on workers' profit participation fund has been provided at the rate of 15.50 % (2008: 12.11%) per annum.

21 MARK-UP ACCRUED ON LOANS

	2009	2008
Mark-up accrued on:		
Long term financing	**1,162,915**	2,984,878
Short term borrowings	**24,988,371**	13,921,935
	26,151,286	16,906,813

22 SHORT TERM BORROWINGS

	2009	2008
From banking companies-secured		
Running finance	**502,821,355**	435,759,286
Cash finance	**94,390,655**	46,454,681
Export finance	**107,231,242**	50,000,000
	704,443,252	532,213,967

22.1 The aggregate unavailed short term borrowings facilities amounting to Rs. 1,171 million (2008: Rs. 1,248 million).

22.2 These facilities have been obtained from various commercial banks for working capital requirements, under mark-up arrangements against aggregate sanctioned limit of Rs. 1,875 million (2008: Rs. 1,780 million). These facilities carry mark-up at the rates ranging from 4.24% to 18% (2008: 4.96% to 15.13%) per annum on daily product basis payable quarterly. The aggregate short term borrowings facilities are secured against hypothecation charge amounting to Rs. 2,130 million (2008: Rs.1,847 million) on current assets of the Company. These facilities are expiring on various dates by April 30, 2010.

22.3 Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,070 million (2008: Rs.960 million) of which facilities amounting to Rs. 1,014 million (2008: Rs.895 million) were un-utilized at the year end. These facilities are secured against lien on shipping documents, current assets and cash margins. These facilities are expiring on various dates by April 30, 2010.

	Note	2009	2008
		------------ Rupees ------------	
23 CONTINGENCIES AND COMMITMENTS			
CONTINGENCIES			
Guarantees have been issued by banks in favour of Government departments on behalf of the Company in the normal course of business.		**27,025,800**	13,816,100
The Company has issued post dated cheques in favour of Collector of Sales Tax and Federal Excise.		**31,663,094**	57,030,940
		58,688,894	70,847,040

For contingencies relating to income tax matters, please refer to note 31.3 to the financial statements.

	2009	2008
COMMITMENTS		
Commitments for:		
Irrevocable letters of credit for:		
Stores and spares	**-**	7,801,603
Raw materials	**56,494,836**	51,638,697
Rentals due under operating lease agreement in respect of godown:		
Payable within one year	**-**	423,500
	56,494,836	59,863,800

24 SALES - NET

	2009			2008		
	Export	Local	Total	Export	Local	Total
	Rupees					
Yarn	1,043,096,816	293,232,799	**1,336,329,615**	887,325,071	184,031,898	1,071,356,969
Yarn (under SPO)	185,402,528	-	**185,402,528**	181,133,740	-	181,133,740
Waste	7,733,066	11,807,723	**19,540,789**	-	25,762,499	25,762,499
	1,236,232,410	305,040,522	**1,541,272,932**	1,068,458,811	209,794,397	1,278,253,208
Processing fee	-	1,428,805	**1,428,805**	-	1,494,662	1,494,662
Export rebate	2,221,041	-	**2,221,041**	7,114,517	-	7,114,517
	1,238,453,451	306,469,327	**1,544,922,778**	1,075,573,328	211,289,059	1,286,862,387

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	2009	2008
25	**COST OF SALES**		------------ Rupees	------------
	Raw material consumed	25.1	**860,405,437**	789,589,739
	Packing material consumed		**21,661,772**	19,800,810
	Store and spare parts consumed		**28,716,244**	32,075,727
	Salaries, wages and benefits	25.2	**96,499,938**	81,949,400
	Fuel and power		**98,181,550**	84,514,181
	Insurance		**5,164,383**	4,581,142
	Repair and maintenance		**2,344,743**	2,302,656
	Doubling charges		**7,125,756**	-
	Other manufacturing overheads		**5,307,591**	5,313,424
	Depreciation	4.1.1	**46,298,635**	48,351,852
			1,171,706,049	1,068,478,931
	Work-in-process			
	At beginning of year		**26,732,518**	10,002,680
	At end of year		**(24,061,495)**	(26,732,518)
			2,671,023	(16,729,838)
	Cost of goods manufactured		**1,174,377,072**	1,051,749,093
	Finished goods			
	At beginning of year		**140,522,998**	58,953,832
	Yarn purchased		**23,084,423**	66,829,335
	At end of year		**(105,577,400)**	(140,522,998)
			58,030,021	(14,739,831)
	Cost of goods sold		**1,232,407,093**	1,037,009,262
25.1	**Raw material consumed**			
	At beginning of year		**269,097,787**	216,065,423
	Purchases - net		**1,018,071,149**	842,157,075
			1,287,168,936	1,058,222,498
	Less: Closing stock		**(427,187,696)**	(269,097,787)
			859,981,240	789,124,711
	Add: Cotton cess		**424,197**	465,028
	At end of year		**860,405,437**	789,589,739

25.2 Salaries, wages and benefits include Rs. 6,086,680 (2008: Rs. 4,722,390) in respect of employee benefits - gratuity.

		Note	2009	2008
26	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Foreign exchange gain		**2,384,598**	5,842,031
	Income from assets other than financial assets			
	Gain on disposal of property plant and equipment	4.2	**117,541**	687,319
	Scrap sales - net off sales tax	26.1	**1,136,171**	1,325,885
			3,638,310	7,855,235

26.1 Scrap sales inclusive of sales tax amounts to Rs. 1,331,338 (2008: Rs. 1,464,223).

		Note	2009	2008
27	**DISTRIBUTION COST**	**Note**	------------ Rupees	------------
	Local			
	Salaries, allowances and benefits		**4,219,954**	3,128,338
	Postage and telephone		**302,627**	226,835
	Traveling, conveyance and entertainment		**1,469,586**	870,942
	Printing, stationery and others		**569,122**	674,827
	Commission		**586,999**	431,285
	Freight handling and octroi		**43,860**	133,300
	Export			
	Export development surcharge		**2,463,237**	2,272,375
	Commission		**30,835,166**	33,474,630
	Freight handling and octroi		**44,059,835**	44,597,820
	Insurance charges		**272,991**	112,617
			84,823,377	85,922,969
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and benefits	28.1	**14,784,943**	11,390,301
	Postage and telephone		**571,738**	383,268
	Fees and subscription		**1,053,117**	142,370
	Printing and stationery		**253,218**	218,427
	Traveling and conveyance		**249,988**	80,486
	Repair and maintenance		**886,930**	79,063
	Legal and professional charges		**856,504**	852,122
	Advertisement		**118,250**	626,000
	Entertainment		**378,483**	328,489
	Others		**1,701,239**	1,432,936
	Donation	28.2	**1,400,000**	1,025,000
	Utility charges		**125,499**	108,896
			22,379,909	16,667,358

28.1 Salaries, allowances and benefits include Rs. 2,280,965 (2008: Rs. 1,929,933)in respect of employee benefits.

28.2 No director or his spouse has any interest in the donee.

		Note	2009	2008
29	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	29.1	**566,767**	325,656
	Workers' profit participation fund	20.3	**4,963,589**	4,486,897
	Workers' welfare fund	29.2	**1,886,164**	157,105
			7,416,520	4,969,658
29.1	**Auditors' remuneration**			
	Annual audit		**375,000**	175,000
	Half-yearly review		**100,000**	70,000
	Compliance report on Code of Corporate Governance		**50,000**	50,000
	Out-of-pocket expenses		**41,767**	30,656
			566,767	325,656

29.2 Provision for worker's welfare fund has been recognized under section 4(1) of Workers' Welfare Fund Ordinance, 1971.

Notes to the Financial Statements
for the year ended June 30, 2009

		Note	2009	2008
30	**FINANCE COST**	**Note**	------------- Rupees -------------	
	Mark-up on:			
	Long term financing		5,489,127	11,883,391
	Short term borrowings		95,803,735	43,353,644
	Interest on workers' profit participation fund		234,364	160,168
	Bank charges and commission		7,584,943	9,657,231
			109,112,169	65,054,434
31	**PROVISION FOR TAXATION**			
	Provision for income tax	31.1	14,461,479	13,534,255
	Deferred taxation	31.4	6,636,166	-
			21,097,645	13,534,255
31.1	**Provision for income tax**			
	At beginning of year		13,534,255	16,365,765
	Provision / (reversal) made during the year:			
	Current year	14	15,079,542	13,656,889
	Prior period		(618,063)	(122,634)
			14,461,479	13,534,255
			27,995,734	29,900,020
	Less: Adjustments made during the year against completed assessment		(13,534,255)	(16,365,765)
	At end of year		14,461,479	13,534,255

31.2 The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, provision for income tax is made accordingly. Assessments for the tax year 2008 is deemed to have been finalized under section 120 of the Income Tax Ordinance 2001.

31.3 There is a dispute between the Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. For these years there are two set of appeals on two different angles.

First one is on refusal of the tax department to pass refund order under section 170(4) as claimed by the Company as a result of application of aforementioned difference in tax rates. Appeals on this matter at Commissioner of Income Tax-Appeals were decided against tax department. However both the Company and tax department are in appeals before the Income Tax Appellate Tribunal.

The second angle is against the recently passed Order under section 122(5A) of the Ordinance for the same years whereby the tax department has framed amendment of assessment disallowing the eligibility of tax rate adopted by the Company in the tax returns filed. Company's appeals are filed and pending before the Commissioner Appeals.

Appeals are pending for hearing therefore, no corresponding adjustments have been incorporated in these financial statements.

31.4 Deferred tax provision has been recognized only in respect of share of profit of associates considering that timing differences in respect of other relevant items will not have any tax impact in foreseeable future, as the income of the Company is being assessed under the final tax regime and the management is confident that the Company will continue to be taxed under final tax regime in foreseeable future.

32 **EARNINGS PER SHARE - basic and diluted**

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

	2009	2008
Earnings		
Profit after taxation for the year **(Rupees)**	**143,868,898**	71,559,686
Number of shares		
Number of shares outstanding	**10,292,000**	10,292,000
Earnings per share - Basic (Rupees)	**13.98**	6.95

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on earnings per share when exercised.

	2009	2008
	Rupees	
33 **REMUNERATION TO EXECUTIVES**		
Managerial remuneration	**8,446,015**	7,422,522
House rent allowance	**2,965,679**	2,600,701
Utilities	**265,938**	432,738
Conveyance	**14,400**	14,400
Medical expenses	**83,080**	75,427
Others	**514,000**	408,000
	12,289,112	10,953,788
Number of persons	**7**	7

33.1 The executives are also provided with cars maintained by the Company.

33.2 No remuneration or meeting fee was paid to the directors and chief executive officer of the Company.

Notes to the Financial Statements
for the year ended June 30,2009

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 33 to these financial statements. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2009	2008
		------------ Rupees	------------
Associated companies			
	Sales:		
	Yarn / raw material / stores, spare parts	**291,514,263**	317,616,039
	Machinery	-	4,000,000
	Purchase:		
	Yarn / raw material / stores, spare parts	**18,094,753**	21,507,031
	Shares	**16,509,160**	-
	Electricity	**54,887,380**	50,527,668
	Services:		
	Rendered	**1,412,918**	1,494,662
	Obtained	**4,117,328**	383,615
	Dividend:		
	Paid	**8,504,200**	11,597,550
	Received (at fair value)	**178,076**	-
	Shared expenses paid	**1,718,918**	1,438,621
	Running finance facility - net	-	2,356,000
	Mark up on running finance facility	-	1,782,829
Compensation of key management personnel	Remuneration and other benefits	**12,289,112**	10,953,788
	Post employment benefits	-	5,265,408
Employee benefits plan	Payments during the year	**2,511,375**	2,865,218

34.1 All transactions with related parties have been carried out on commercial terms and conditions.

Notes to the Financial Statements

for the year ended June 30,2009

35 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

35.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts the following major types of transactions with counterparties:

Trade debts

Trade debts are essentially due from local and foreign customers against supply of yarn and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Bank and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a satisfactory credit rating. Given these satisfactory credit ratings, management does not expect any counterparty to fail to meet its obligations.

35.1.1 Exposure to credit risk

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

	Note	2009	2008
		----------- Rupees	-----------
Long term loan		**860,000**	1,160,000
Long term deposits		**2,448,480**	366,380
Trade debts		**70,368,429**	69,611,469
Loans and advances		**851,600**	766,000
Other receivables		**142,594**	143,600
Deposits		**23,809**	173,809
Bank balances		**5,314,780**	13,326,920
		80,009,692	85,548,178

Geographically there is no concentration of credit risk.

An analysis of the age of trade debts that are past due as of the reporting date but not impaired is as follows:

	2009	2008
Not past due	**2,561,178**	586,904
Past due		
Upto 1 month	**29,442,107**	25,579,093
1 month to 6 months	**13,402,415**	14,244,735
Over 6 months	**24,962,729**	29,200,737
	70,368,429	**69,611,469**

There is no single significant customer in the trade debts of the Company.

Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

35.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

35.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing and short term borrowing agreements based on the earliest date on which the Company can be required to pay.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	2009				
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	Two years or above
	Rupees				
Non-derivative Financial liabilities					
Long term financing	6,120,000	6,487,200	185,109	6,302,091	-
Trade and other payable	60,095,101	60,095,101	60,095,101	-	-
Accrued mark up and interest	26,151,286	26,151,286	26,151,286	-	-
Deferred employee benefit	19,702,495	29,804,531	3,725,566	5,960,906	20,118,059
Short term borrowings	704,443,252	775,081,299	399,313,657	375,767,642	-
	816,512,134	**897,619,417**	**489,470,719**	**388,030,639**	**20,118,059**

	2008				
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	Two years or above
	Rupees				
Non-derivative Financial liabilities					
Long term financing	80,000,000	87,971,808	45,342,684	42,629,124	-
Trade and other payable	39,745,544	39,745,544	39,745,544	-	-
Accrued mark up and interest	16,906,813	16,906,813	16,906,813	-	-
Deferred employee benefit	13,846,225	17,500,914	2,275,119	3,500,183	11,725,612
Short term borrowings	532,213,967	584,623,737	301,046,830	283,576,907	-
	682,712,549	746,748,816	405,316,990	329,706,214	11,725,612

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

35.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2009		2008	
	USD	EURO	USD	EURO
Trade debts	1,713,925	273,058	1,443,291	81,285
Short term borrowings	(703,951)	-	-	-
	1,009,974	273,058	1,443,291	81,285

Commitments outstanding at year end amounted to Rs. 56.49 million (2008: Rs. 59.44 million) relating to letter of credits for import of stores, spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2009	2008	2009	2008
	---- Rupees ----		------------- Rupees -------------	
USD 1	78.82	62.61	81.2	68.1
EURO 1	107.89	93.06	114.68	107.49

Sensitivity analysis

A 5 percent strengthening of the Pak Rupee against the USD & EURO at June 30, 2009 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2008.

	2009	2008
	------------- Rupees -------------	
Decrease in profit and loss account	**5,478,262**	5,343,407

A 5 percent weakening of the Pak Rupee against the USD & EURO at June 30, 2009 would have had the equal but opposite effect on profit or loss by the amounts shown above, on the basis that all other variables remain constant.

35.4 **Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

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

	2009	2008	2009	2008
	.... %		------------- Rupees -------------	
Fixed rate instruments				
Financial liabilities				
Long term financing	**6.0%**	6.0%	**6,120,000**	12,240,000
			6,120,000	12,240,000

Fair value sensitivity analysis for fixed rate instruments

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

	2009	2008	2009	2008
	.... %		------------- Rupees -------------	
Floating rate instruments				
Financial liabilities				
Short term borrowings	**4.24% to 18.0%**	4.96% to 15.13%	**704,443,252**	532,213,967
Long term financing	**11.13% to 16.51%**	10.58% to 11.13%	**6,120,000**	80,000,000
			710,563,252	612,213,967

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

Notes to the Financial Statements
for the year ended June 30, 2009

	Increase / (Decrease) in basis points %	Effect on profit before tax Rupees
2009		
Short term borrowings	**1.00%**	**4,141,341**
Long term financing		**492,899**
		4,634,240
2008		
Short term borrowings	1.00%	4,317,956
Long term financing		1,380,564
		5,698,520

35.5 Equity Price Risk Management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments

35.6 Determination of fair values

Fair value of financial instruments

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

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

36 PLANT CAPACITY AND ACTUAL PRODUCTION	**2009**	**2008**
Production Capacity		
Total number of spindles installed	**26,976**	26,976
Number of MVS units installed (in equivalent number of spindles)	**920**	920
Installed capacity after conversion into 20's count (Lbs)	**21,894,873**	21,894,873
Actual production		
Number of spindles / MVS worked	**26,965**	26,942
Number of shifts per day	**3**	3
Total days worked	**364**	364
Actual production of yarn after conversion into 20's count (Lbs)	**21,031,586**	23,321,033

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted. Difference of actual production with installed capacity is in normal course of business.

Notes to the Financial Statements
for the year ended June 30,2009

37 CAPITAL DISCLOSURE

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

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

38 DIVIDEND

In respect of current year, the board of directors proposed to pay cash dividend of Rs.15,438,000 @ Re. 1.5 per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on October 09, 2009.

40 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-arranged and re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-arrangements and re-classification are as follows:

From **Profit and loss account**	**To**	**Reason**	**Rupees**
Commission and discount export-Sales	Commission-Distribution cost export	For better presentation	33,474,630
Commission and discount local-Sales	Commission-Distribution cost local	For better presentation	431,285

41 GENERAL

Figures have been rounded off to the nearest Rupee.

Karachi :
Dated : October 09, 2009

YOUSUF ABDULLAH
Chief Executive Officer

SHAHID ABDULLAH
Director

Pattern of Shareholding

as at June 30,2009

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
160	1	100	5,154
65	101	500	26,935
28	501	1000	25,227
24	1001	5000	65,783
10	5001	10000	76,581
3	10001	15000	39,000
4	15001	20000	66,224
1	20001	25000	20,539
4	25001	30000	108,932
2	30001	35000	64,542
1	45001	50000	45,927
2	60001	65000	128,298
2	65001	70000	138,988
1	70001	75000	72,350
1	85001	90000	87,104
1	105001	110000	108,217
1	130001	135000	134,890
1	220001	225000	224,428
1	235001	240000	238,348
1	275001	280000	275,699
1	300001	305000	302,630
1	310001	315000	310,697
1	315001	320000	319,756
1	365001	370000	365,515
1	415001	420000	415,022
1	465001	470000	465,638
1	565001	570000	566,700
1	825001	830000	829,200
1	830001	835000	832,800
1	880001	885000	884,035
1	930001	935000	934,026
1	1015001	1020000	1,018,100
1	1090001	1095000	1,094,715
326		**Total**	**10,292,000**

Pattern of Shareholding

as at June 30,2009

CATEGORY OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, CEO, Spouses and Minor Children	1,565,984	15.2155
Associated Companies, Undertaking Related Parties	7,331,474	71.2347
NIT & ICP	880,660	8.5567
Banks, DFI & NBFI	3,600	0.0350
Insurance Companies	-	-
Modaraba Companies and Mutual Funds	6,064	0.0589
Individuals Local	396,515	3.8527
Joint Stock Companies	107,699	1.0464
Provident Fund Trust	4	0.0000
	10,292,000	**100.0000**

Pattern of Shareholding

as at June 30,2009

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Reliance Textiles Limited	1,094,715
Diamond Fabrics Limited	829,200
Neelum Textile Mills Limited.	365,515
Diamond Fabrics Limited	832,800
Sapphire Textile Mills Limited.	319,756
Sapphire Fibres Limited	238,348
Sapphire Agencies (Pvt) Ltd.	934,026
Amer Cotton Mills (Private) Limited	566,700
Galaxy Agencies (Private) Limited	108,217
Sapphire Power Generation Limited	20,539
Nadeem Enterprises (Private) Limited	87,104
Crystal Enterprises (Private) Limited	27,696
Salman Ismail (SMC-Private) Limited	1,500
Yousuf Agencies (Private) Limited	3,223
Sapphire Agencies (Pvt) Ltd.	884,035
Amer Cotton Mills (Private) Limited	1,018,100

B) NIT & ICP

National Bank of Pakistan Trustee Department	465,638
NBP Trustee -NI(U)T (LOC) Fund	415,022

C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

DIRECTORS & THEIR SPOUSES

Mr. Mohammad Abdullah.	45,927
Mr. Shahid Abdullah.	64,051
Mr. Nadeem Abdullah.	134,890
Mr. Mohammad Younus	3,652
Mr. Mohammad Yamin.	500
Mr. Amer Abdullah.	275,699
Mrs. Ambareen Amer	72,350
Mrs. Shireen Shahid.	302,630
Mrs. Noshaba Nadeem.	224,428
Mrs. Shamshad Begum	64,247
Mr. Mohammad Yamin.	110
Mrs. Shamshad Begum	12,500
Mrs. Ambareen Amer	8,000
Mrs. Shireen Shahid.	16,400

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Yousuf Abdullah.	310,697
Mrs. Usma Yousuf	25,403
Mr. Yousuf Abdullah.	4,500

Pattern of Shareholding
as at June 30,2009

D) **BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**

Bankers Equity Limited	3,500
National Development Finance Corporation	100

MODARABA COMPANIES

First Punjab Modaraba	500
Trust Modaraba	100

MUTUAL FUNDS

Pakistan Premier Fund Limited	5,464

E) **SHAREHOLDERS HOLDING 10% OR MORE**

Diamond Fabrics Limited	1,662,000
Reliance Textiles Limited	1,094,715
Amer Cotton Mills (Private) Limited	1,584,800
Sapphire Agencies (Private) Limited	1,818,061

F) **TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.**

Shares purchased during the year by Mr. Amer Abdullah	218
Shares purchased during the year by Mr. Shahid Abdullah	5,344
Specie Shares received by	
Mr. Mohammad Abdullah	33,260
Mrs. Shamshad Begum	64,247
Mr. Shahid Abdullah	46,041
Mrs. Shireen Shahid	145,130
Mr. Nadeem Abdullah	122,223
Mrs. Noshaba Nadeem	64,428
Mr. Amer Abdullah	137,981
Mrs. Ambareen Amer	47,350
Mr. Yousuf Abdullah	166,097
Mrs. Usma Yousuf	25,403
Mr. Mohammad Younus	3,152
Mr. Mohammad Yamin	110
Mr. Naveed-ul-Islam	160

Form of Proxy

I/WE____

Of____

a member(s) of **RELIANCE COTTON SPINNING MILLS LIMITED** and a holder of_______________

ordinary shares, do hereby appoint_______________________________

of____

or failing him_______________________________________

of ____

a member of **RELIANCE COTTON SPINNING MILLS LIMITED**, vide Registered Folio No._______________

as my/ our proxy to act on my/ our behalf at the 20th Annual General Meeting of the company to be held on Saturday, 31st October, 2009 at 05:15 p.m. at 212, Cotton Exchange Building, I.I. Chundriger Road, Karachi and or at any adjournment thereof.

Affix
Five Rupee
Revenue
Stamp

Signed this____________________day of October, 2009

Signature______________________________

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

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp worth Rs. 5/-
2. In the case of Bank or Company, the proxy form must be executed under its common seal and signed by its authorized person.
3. Power of attorney and other authority (if any) under which this proxy form is signed then a notarially certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :

    i). The proxy from shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

    ii). Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

    iii). The proxy shall produce his original CNIC or original passport at the time of meeting.