بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION 3

NOTICE OF ANNUAL GENERAL MEETING............................ 4

DIRECTORS' REPORT 5

FINANCIAL SUMMARY 7

STATEMENT OF COMPLIANCE WITH THE CODE
OF CORPORATE GOVERNANCE 8

REVIEW REPORT TO THE MEMBERS ON STATEMENT
OF COMPLIANCE WITH BEST PRACTICES OF CODE OF
CORPORATE GOVERNANCE 10

AUDITORS' REPORT 11

BALANCE SHEET 12

PROFIT AND LOSS ACCOUNT 14

CASH FLOW STATEMENT 15

STATEMENT OF CHANGES IN EQUITY 16

NOTES TO THE FINANCIAL STATEMENTS 17

PATTERN OF SHAREHOLDING 41

FORM OF PROXY ....

COMPANY INFORMATION

CHIEF EXECUTIVE	:	Ch. Muhammad Khurshid
DIRECTORS	:	Ch. Rahman Bakhsh Mrs. Salma Aziz Mr. Kamran Ilyas Mr. Azhar Khurshid Chaudhry Miss Kiran A. Chaudhry Mr. Muhammad Ali Chaudhry
CHIEF FINANCIAL OFFICER	:	Mr. Abid Murtaza
COMPANY SECRETARY	:	Mr. Abid Murtaza
AUDITORS	:	M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Lahore.
AUDIT COMMITTEE	:	Mr. Kamran Ilyas Chairman Mr. Azhar Khurshid Chaudhry Member Mrs. Salma Aziz Member
BANKERS	:	National Bank of Pakistan First National Bank Modaraba RBS (The Royal Bank of Scotland) Faysal Bank Limited Al Baraka Islamic Bank Orix Leasing Pakistan Limited Orix Investment Bank Pakistan Limited Bank Alfalah Limited The Bank of Punjab Bankislami Pakistan Limited
SHARE REGISTRAR	:	Corplink (Pvt.) Ltd.
LEGAL ADVISOR	:	Mr. Shaukat Haroon (Advocate)
REGISTERED OFFICE	:	314-Upper Mall, Lahore.
MILLS	:	1.5 Kilometer Habibabad, Chunian Road, Tehsil Chunian, District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Saturday October 31, 2009 at 12:00 p.m. at the Registered Office of the Company i.e. 314 Upper Mall, Lahore to transact the following business.

1. To confirm the minutes of the last Meeting.

2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2009 and reports of the Directors' and Auditors' thereon.

3. To appoint auditors and to fix their remuneration for the year ending June 30, 2010. The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.

4. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(ABID MURTAZA)
Company Secretary

Lahore: 9 October 2009.

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2009 to October 31, 2009 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. A proxy form duly signed and stamped must be deposited at the Registered Office of the Company not less then 48 hours before the time fixed for holding the meeting.

3. The account holders of CDC are requested to bring their original CNIC/ Passport for the purpose of identification at the meeting.

4. Shareholders are requested to immediately notify the Company, any changes in address.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the audited accounts for the financial year ended June 30, 2009 alongwith the Auditors' Report.

Performance Review

The year under consideration witnessed unprecedented global recession initiating a chain of events and seriously affecting demand as also loss of confidence. Anybody with money decided to keep it for bad times instead of investing. Fortunately, the industries in the third World, mainly engaged in the production and processing of raw materials, were less affected compared to the USA and Europe, where closures and bankruptcies threatened virtually every major financial institution and stock markets. Inspite of low demand and consequent effect on yarn rates, the company managed fairly well as indicated by the statistics given below. Sales crossed Rs.1.5 billion mark for the first time in the company's history and a gross profit of Rs.123 million was recorded as against Rs.40 million in the same period last year. Almost entire gross profit was swallowed by financial charges at Rs.112 million, since the markup rates in this year were kept by the State Bank of Pakistan at the highest level to fight inflation. Liquidity crunch, short crop in Pakistan and high cost of raw material were other factors.

The financial results, in summarized form, are given below:-

	2009	2008
	(Rupees in Million)	
Sales	1,542.141	1,302.115
Cost of Sales	1,419.120	1,261.697
Gross Profit	123.021	40.418
Administrative Expenses	15.303	15.923
Distribution Cost	7.990	5.455
	23.293	21.378
Operating Profit	99.728	19.040
Other Operating Expenses	5.882	3.158
	93.846	15.882
Other Operating Income	4.583	6.115
	98.429	21.997
Financial Cost	112.166	76.183
Loss before Taxation	(13.737)	(54.186)
Taxation	(1.310)	19.484
Loss after Taxation	(15.047)	(34.702)
Loss per share (Rupees)	(0.42)	(1.15)

Changes in Accounting Policies

There have been no changes in the accounting policies of the Company during the year.

Future Prospects

The Company expects to perform well during the next year (2009-10) in view of depreciation of Rupee and optimization of production. Absence of electric breakdowns and relatively less cost of gas will be other contributing factors. It is also likely that markup rates will be less in the next year on account of reducing inflation and revival of confidence in the recession hit parts of the world. We do hope that sufficient liquidity will be available in the market to ensure that good raw material is procured at the right time.

Corporate and Financial Reporting Framework

As required by the code of corporate governance, Directors are pleased to report that:

- 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.
- Proper books of accounts of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit. The process of review will continue and any weakness in control will be removed.
- There are no doubts about the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance as detailed in the listing regulations.
- Outstanding taxes and other Government levies are given in related note(s) to the audited accounts.
- During the last financial year, four (4) meetings of the Board of Directors were held.
- Key operations and financial data for last seven (7) years is annexed.
- No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, Executives, their spouses and minor children.

Pattern of Shareholding

A statement reflecting the pattern of shareholding is attached to the Annual report.

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Al Baraka Islamic Bank, Faysal Bank, Royal Bank of Scotland (RBS), First National Bank Modaraba, Orix Leasing Pakistan Limited, Orix Investment Bank Pakistan Limited, Bank Alfalah Limited, The Bank of Punjab, Bankislami Pakistan Limited, Trust Investment Bank Limited, Security Leasing Corporation Limited and other financial Institutions for their confidence in the Company and strong financial support. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders of the Company. The Directors would also like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

Lahore: 09 October 2009

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

Financial Summary

		2009	2008	2007	2006	2005	2004	2003
BALANCE SHEET								
(Rs. in thousand)								
Paid up Share Capital		**360,000**	360,000	300,000	245,177	245,177	183,883	114,927
Unappropriated								
Profit/(Loss)		**(69,104)**	(61,475)	(34,962)	(5,715)	2,430	(50,811)	(226,071)
Revaluation Surplus		**89,422**	96,544	117,693	158,071	189,623	199,785	83,163
Total Equity & Revaluation								
surplus		**380,318**	395,067	382,729	397,533	437,230	332,857	(27,981)
Long Term Liabilities		**219,139**	243,794	145,520	186,600	246,564	53,653	300,001
Liabilities against assets subject								
to finance lease		**136,744**	164,481	157,132	128,312	50,227	–	–
Deferred Liabilities		**23,716**	26,662	46,331	42,363	22,035	45,582	14,944
Long Term Advances		**53**	65	46	66	53	152	125
Current Liabilities		**420,836**	339,082	308,427	293,206	236,325	137,526	72,012
		1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	359,101
Represented by:								
Fixed Assets		**821,228**	882,840	768,566	723,221	374,220	398,292	267,593
Capital work in progress		**–**	–	1,340	51,830	377,966	8,820	–
Other Assets		**3,682**	3,682	7,668	7,648	3,725	1,469	1,567
Current Assets		**355,896**	282,631	262,613	265,382	236,523	161,190	89,941
		1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	359,101
PROFIT AND LOSS								
Sales		**1,542,141**	1,302,115	1,198,893	973,118	601,077	821,098	714,391
Cost of Sales		**1,419,120**	1,261,697	1,152,020	920,847	541,298	779,401	697,087
Gross Profit		**123,021**	40,418	46,873	52,270	59,779	41,697	17,304
Operating Profit		**99,728**	19,039	31,558	38,348	37,990	30,850	6,510
(Loss) / Profit Before Taxation		**(13,737)**	(54,187)	(31,191)	(6,332)	21,444	182,546	(2,945)
/ Profit After Taxation		**(15,047)**	(34,702)	(39,675)	(15,313)	37,998	166,777	(6,832)
Earning / (Loss) per share		**(0.42)**	(1.15)	(1.54)	(0.59)	1.72	10.13	(0.59)
Dividend %		**–**	–	–	–	5.00	–	–
PERCENTAGE TO SALES								
Gross Profit	% age	**7.98**	3.10	3.91	5.37	9.95	5.08	2.42
Profit/(Loss)								
Before Taxation	% age	**(0.89)**	(4.17)	(2.60)	(0.65)	3.57	22.23	(0.41)
Net Profit(Loss)								
After Taxation	% age	**(0.98)**	(2.67)	(3.31)	(1.57)	6.32	20.31	(0.96)
Admin & Distribution Expenses	% age	**1.51**	1.33	1.28	1.63	3.74	1.76	2.17

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulation of Karachi Stock Exchange and Clause 49 (Chapter VIII) of the Listing Regulation of Lahore Stock Exchange 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. At present the Board includes four (4) independent non-executive directors.

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

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

4. The board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.

5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

6. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings along-with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

7. 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.

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

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

10. The Board has formed an audit committee comprising three members, of whom all are non-executive directors including the Chairman of the committee.

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

12. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.

13. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company.

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

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

For and on behalf of the Board

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

Lahore : 9 October 2009.

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 **RESHAM TEXTILE INDUSTRIES LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange respectively where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal 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 controls covers all the 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 Regulation No. 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions 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 audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS

LAHORE : 09 October 2009.

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

b) in our opinion:

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

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

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

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

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

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS

Naseem Akber

LAHORE : 09 October 2009.

BALANCE SHEET AS AT

	Note	2009 Rupees	2008 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
36,000,000 (2008: 36,000,000) ordinary shares of Rupees 10 each		360,000,000	360,000,000
Issued, subscribed and paid up share capital	5	360,000,000	360,000,000
Accumulated loss		(69,104,217)	(61,475,679)
Total equity		290,895,783	298,524,321
Surplus on revaluation of fixed assets	6	89,422,167	96,544,486
Non-current liabilities			
Long term financing	7	219,138,500	243,794,430
Liabilities against assets subject to finance lease	8	136,743,679	164,480,811
Long term deposits	9	53,438	65,438
Deferred liabilities	10	23,715,676	26,662,719
		379,651,293	435,003,398
Current liabilities			
Trade and other payables	11	48,287,200	115,687,157
Accrued mark-up on financing	12	59,205,646	19,194,357
Short term borrowings	13	242,658,885	152,862,180
Current portion of long term liabilities	14	70,684,669	51,337,995
		420,836,400	339,081,689
Total liabilities		800,487,693	774,085,087
TOTAL EQUITY AND LIABILITIES		1,180,805,643	1,169,153,894
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 42 form an integral part of these financial statements.

(Chief Executive Officer)

AS AT 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	16	821,227,511	882,840,320
Long term deposits		3,682,560	3,682,560
		824,910,071	886,522,880
Current assets			
Stores and spare parts	17	18,615,578	10,367,992
Stock in trade	18	288,971,420	226,321,693
Trade debts	19	23,659,303	9,873,063
Advances	20	898,918	3,777,761
Trade deposits and short term prepayments	21	2,070,473	2,049,980
Other receivables	22	7,122	5,995,405
Taxation - net		6,692,861	3,603,364
Tax refunds due from the Government	23	8,457,089	8,938,754
Cash and bank balances	24	5,622,808	3,950,639
		354,995,572	274,878,651
Assets held for sale	25	900,000	7,752,363
		355,895,572	282,631,014
TOTAL ASSETS		1,180,805,643	1,169,153,894

(Director)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
Sales	26	1,542,140,711	1,302,115,398
Cost of sales	27	1,419,120,092	1,261,697,364
Gross profit		123,020,619	40,418,034
Operating expenses:			
Distribution cost	28	7,990,104	5,455,361
Administrative expenses	29	15,302,685	15,922,999
		23,292,789	21,378,360
Operating profit		99,727,830	19,039,674
Other operating expenses	30	5,881,555	3,158,321
		93,846,275	15,881,353
Other operating income	31	4,582,846	6,115,020
		98,429,121	21,996,373
Finance cost	32	112,166,364	76,183,007
Loss before taxation		(13,737,243)	(54,186,634)
Taxation	33	(1,309,946)	19,484,418
Loss after taxation		(15,047,189)	(34,702,216)
Loss per share - basic and diluted	34	(0.42)	(1.15)

The annexed notes from 1 to 42 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	36,054,559	43,508,792
Finance cost paid		(72,155,075)	(73,244,161)
Income tax paid		(3,307,692)	(1,293,397)
Increase in long term deposits		-	(3,985,565)
Gratuity paid		(4,580,544)	(2,259,448)
Net cash used in operating activities		(43,988,752)	(37,273,779)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred on property, plant and equipment		(12,017,749)	(118,168,851)
Proceeds from sale of property, plant and equipment		1,961,269	10,205,000
Net cash used in investing activities		(10,056,480)	(107,963,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	60,000,000
(Repayment of) / proceeds from long term financing - net		(21,655,930)	92,193,930
Repayment of liabilities under finance lease-net		(11,390,457)	(57,582,452)
Increase in short term borrowings - net		88,775,788	49,595,646
Decrease / (increase) in long term deposits		(12,000)	19,200
Net cash from financing activities		55,717,401	144,226,324
Net increase / (decrease) in cash and cash equivalents		1,672,169	(1,011,306)
Cash and cash equivalents at the beginning of the year		3,950,639	4,961,945
Cash and cash equivalents at the end of the year	24	5,622,808	3,950,639

The annexed notes from 1 to 42 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

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

	Share capital	Accumulated loss	Total equity
	---- Rupees ----		
Balance as on 01 July 2007	300,000,000	(34,962,781)	265,037,219
Issuance of shares	60,000,000	-	60,000,000
Net loss for the year	-	(34,702,216)	(34,702,216)
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	8,189,318	8,189,318
Balance as on 30 June 2008	360,000,000	(61,475,679)	298,524,321
Net loss for the year	-	(15,047,189)	(15,047,189)
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	7,418,651	7,418,651
Balance as on 30 June 2009	360,000,000	(69,104,217)	290,895,783

The annexed notes from 1 to 42 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

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

1. THE COMPANY AND ITS OPERATIONS

Resham Textile Industries Limited (the Company) is a public limited company incorporated in Pakistan on 06 June 1990 under the Companies Ordinance, 1984 and quoted on the Lahore and Karachi stock exchanges. The registered office of the Company is situated at 314- Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

2. STATEMENT OF COMPLIANCE

2.1 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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Revised)	1-Jan-2009
IAS 23	Borrowings Costs (Revised)	1-Jan-2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	1-Jul-2009
IAS 32	Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	1-Jan-2009
IAS 32	Financial Instruments: Presentation (Amendments)	1-Jan-2009
IAS 39	Financial Instruments : Recognition and measurement - Amendments regarding Eligible Hedge items	1-Jul-2009
IFRS 2	Share-based Payment (Amendments)	1-Jan-2009
IFRS 2	Share- based payment - Amendments regarding Vesting Conditions and Cancellations	1-Jan-2009
IFRS 3	Business Combinations (Revised)	1-Jul-2009
IFRS 8	Operating segments	1-Jan-2009
IFRIC 15	Agreements for the Construction of Real Estate	1-Jan-2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1-Oct-2008
IFRIC 17	Distributions of Non-cash Assets to owners	1-Jul-2009
IFRIC 18	Transfers of Assets from Customers	1-Jul-2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS 1.The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvements project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value, certain fixed assets measured at revalued amounts and financial instruments carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgments

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

- Employee benefits (Note 4.6);
- Taxation (Note 4.9);
- Useful lives and residual value of the assets (Note 4.11)

4.2 Surplus on revaluation of fixed assets

This represents the surplus arising on the revaluation of operating fixed assets of the Company. Revaluation surplus is credited to the "surplus on revaluation of fixed assets" except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss and in which case the increase is recognized in profit and loss account. An annual transfer from the surplus on revaluation of fixed assets (net of deferred tax) to un-appropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

i) to the extent actually realized on disposal of the assets which are revalued;
ii) to the extent of incremental depreciation arising out of revaluation of fixed assets; or
iii) setting-off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company.

4.3 Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the received less directly attributable transaction costs. After initial recognition, long term interest-bearing loans and borrowings are measured at amortized cost using the effective interest method while short term borrowings are measured at fair value. Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.4 Liabilities against assets subject to finance lease

Leases, where the Company has substantially all the risks and rewards of ownership of assets, are classified as finance leases. At inception, finance leases are recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in Note 8. The liabilities are classified as current and non-current depending upon the timing of the payment. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

4.5 Ijarah assets

The Company recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

4.6 Employee Benefits

The Company operates an unfunded gratuity scheme for its permanent employees. The latest valuation was carried out as at 30 June 2008 using the projected unit credit method. Actuarial gains and losses on defined benefit plans are recognized on the basis corridor approach as per IAS 19. The future contribution rates of this plan include allowances for deficit and surplus. Following significant assumptions are used for valuation of this scheme:

- Expected rate of increase in salary level is 11 % (2008: 11 %) per annum.
- Discount rate of 12% (2008: 12%) per annum.

Actuarial gains / losses in excess of corridor limit as of the balance sheet date are recognized over the remaining service lives of employees.

4.7 Provisions

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

4.8 Dividend

Dividend is recognized as a liability in the period in which it is declared.

4.9 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any, expected to apply to the profit for the year, if enacted or minimum tax at the rate of 0.5 percent of the turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to / credited in the profit and loss account except in case of items credited or charged to equity in which case it is included in equity.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

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 liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.11 Property, plant and equipment

4.11.1 Operating fixed assets and depreciation

a) Cost

Operating fixed assets except land, building and plant & machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of such assets when that cost is incurred if the recognition criteria are met. Capital work-in-progress is stated at cost. Building and plant & machinery are stated at revalued amount less accumulated depreciation, while land is stated at revalued amount.

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

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

b) Depreciation

Depreciation is charged to profit and loss account on reducing balance method to write off the cost of operating fixed assets over their expected useful lives at the rates mentioned in Note 16.

Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

c) **Derecognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit and loss account in the year the asset is derecognized.

4.11.2 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets. Assets so acquired are depreciated over their expected useful lives at the rates mentioned in Note 16. Depreciation of leased assets is charged to current year's profit and loss account.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.12 Stores and spare parts

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving items.

4.13 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	-	First in first out (FIFO)
Raw material in transit	-	Invoice value plus other charges paid thereon
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 signifies cost including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make such sale.

4.14 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 Financial instruments

Financial instruments comprise long term deposits, trade debts, loans and advances, cash and bank balances, long term financings, short term borrowings and trade and other payables.

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

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

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

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

4.17 Impairment

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

4.18 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The following specific criteria must be met before revenue is recognized:

a) Sale of goods
Revenue from sales is recognized on dispatch of goods to customers. Export goods are considered dispatched when shipped on board.

b) Interest income
Profit on bank deposits is recognized using effective interest method.

4.19 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. All other borrowing costs are charged to profit and loss account whenever incurred.

4.20 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

4.21 Related party transactions

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. Parties are said to be related if they are able to influence the operating and financial decision of the company and vice versa.

4.22 Off-setting of financial instruments

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

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009 (Number of shares)	2008 (Number of shares)		Note	2009 Rupees	2008 Rupees
36,000,000	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash		360,000,000	300,000,000
-	6,000,000	Issued during the year		-	60,000,000
36,000,000	36,000,000	Closing balance		360,000,000	360,000,000

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	2009 Rupees	2008 Rupees
Surplus on revaluation of fixed assets as at July 01	135,720,528	155,068,808
Surplus on revalued assets sold	(2,449,851)	(7,183,566)
Surplus relating to incremental depreciation charge on related assets - transferred to unappropriated profit	(10,755,240)	(12,164,714)
Surplus on revaluation of fixed assets as at June 30	122,515,437	135,720,528
Less: Related deferred tax liability on:		
- Balance as at July 01	(39,176,042)	(37,376,118)
- Decrease / (increase) due to change in proportionate local sales	1,986,168	(8,122,890)
- Fixed assets disposed off during the year	760,015	2,347,570
- Incremental depreciation charged during the year	3,336,589	3,975,396
	(33,093,270)	(39,176,042)
	89,422,167	96,544,486

This represent surplus resulting from revaluation of land, building and plant & machinery carried out on 30 September 1997 and 30 September 2004 by independent valuers. The revaluation carried out on 30 September 2004 was done by M/s. Asif Associates (Pvt.) Limited on the basis of "depreciated replacement value" resulting in an increase by Rupees 146,236,123 in the value of said fixed assets.

7. LONG TERM FINANCING

	Note	2009 Rupees	2008 Rupees
From banking companies:			
- Secured			
National Bank of Pakistan	(7.1)	141,057,500	141,057,500
Orix Investment Bank Pakistan Limited	(7.2)	30,000,000	30,000,000
Faysal Bank Limited	(7.3)	70,538,000	70,538,000
		241,595,500	241,595,500
From related parties :			
- Unsecured			
Loan from directors	(7.4)	-	21,655,930
		241,595,500	263,251,430
Less: Current portion taken as current liability	(14)	22,457,000	19,457,000
		219,138,500	243,794,430

7.1 This loan is obtained to undertake Balancing, Modernization and Replacement (BMR) and expansion of the production facilities against the sanctioned limit of Rupees 152 million (2008: Rupees 152 million). The loan is repayable in five years, in quarterly installments starting from 01 October 2009. The rate of mark-up is 6 months KIBOR plus 2.5% with floor of 5.5% per annum and no cap (2008: 6 months KIBOR plus 2.5% with floor of 5.5% per annum and no cap). The loan is secured by way of first exclusive charge on entire fixed assets of the Company including land, building, plant & machinery and personal guarantees of all directors of the Company.

7.2 The facility is obtained for expansion of production facilities against the sanctioned limit of Rupees 30 Million (2008: Rupees 30 Million). The loan is repayable in five years, including three grace years, in 12 quarterly installments starting from 20 September 2009. The rate of mark-up is 6 month KIBOR plus 3% with no floor and no cap (2008: 6 month KIBOR plus 3% with no floor and no cap). For first three months the security of the loans was ranking hypothecation charge over all the present and future fixed assets (excluding land and building) inclusive of 25% margin, which is to be maintained at all times. The ranking hypothecation charge over fixed assets was upgraded to first pari passu charge with in 90 days from the date of disbursement. The loan is further secured by demand promissory note amounting to Rupees 49.592 million duly signed by directors of the Company.

7.3 The facility is obtained for purchase of gas generators against the sanctioned limit of Rupees 70.538 Million (2008: Rupees 70.538 Million). The loan is repayable in five years, including two grace years, in 8 equal half yearly principal installments starting from 26 October 2010. The rate of mark-up is 7 % per annum (5% State Bank of Pakistan rate plus 2 % Faysal bank spread). The security of the loans was ranking fixed assets of the company amounting Rupees 92 Million and first pari passu charge on current asset amounting to Rupees 134 Million. The loan is further secured by personal guarantee of the directors.

7.4 This represents unsecured loan from directors of the Company. The rate of interest was 6 month KIBOR plus 2% with no floor and no cap (2008: 6 month KIBOR plus 2% with no floor and no cap).

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2009 Rupees	2008 Rupees
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		85,696,767	55,800,751
Later than one year and not later than five year		175,287,677	196,792,556
Due after five years		-	1,403,694
		260,984,444	253,997,001
Less: Future financial charges		(76,013,096)	(57,635,195)
Net lease obligation	(8.1)	184,971,348	196,361,806
Less: Current portion taken as current liability	(14)	(48,227,669)	(31,880,995)
		136,743,679	164,480,811

8.1 Break up of net lease obligation

Within one year	48,227,669	31,880,995
Within two to five years	136,743,679	163,124,781
Due after five years	-	1,356,030
	184,971,348	196,361,806

8.2 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 6 month KIBOR plus 2.50% to 4.00% (2008: 6 month KIBOR plus 2.50% to 4.00%) per annum. The lease liability and interest charge are repriced after every three and six months. The balance rentals are payable in quarterly installments and in case of default of any payment, an additional charge at the rate of 1 to 2 percent per annum shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

9. LONG TERM DEPOSITS

These represent deposits taken from employees against future sale of vehicles.

10. DEFERRED LIABILITIES

Deferred taxation	(10.1)	19,704,835	21,359,267
Post employment benefits- unfunded	(10.2)	4,010,841	5,303,452
		23,715,676	26,662,719

10.1 Deferred taxation	Note	2009 Rupees	2008 Rupees
Taxable timing differences			
Surplus on revaluation of fixed assets		33,093,269	39,176,041
Accelerated tax depreciation		83,526,410	86,874,316
Assets subject to finance lease		71,514,955	83,834,624
		188,134,634	209,884,981
Deductible timing differences			
Unapproved gratuity		(1,244,280)	(1,733,154)
Liabilities against assets subject to finance lease		(57,383,511)	(64,170,514)
Unused tax losses		(109,802,008)	(122,622,046)
		(168,429,799)	(188,525,714)
		19,704,835	21,359,267

10.2 Post employment benefits- unfunded

These are composed of:			
Present value of defined benefit obligation		4,381,066	5,673,677
Unrecognized actuarial losses		(370,225)	(370,225)
Liability recognized in the balance sheet		4,010,841	5,303,452

10.3 Movement in net liability

Liability at the beginning of the year		5,303,452	4,714,637
Charge for the year		3,287,933	2,848,263
		8,591,385	7,562,900
Paid during the year		(4,580,544)	(2,259,448)
Liability at the end of the year		4,010,841	5,303,452

10.4 Charge for the year

Current service cost		2,607,092	2,413,475
Interest cost		680,841	434,788
Charge for the year		3,287,933	2,848,263

10.5 The charge for the year has been allocated as follows:

Cost of sales	(27)	2,729,422	2,364,437
Distribution cost	(28)	185,230	222,560
Administrative expenses	(29)	373,281	261,266
		3,287,933	2,848,263

11. TRADE AND OTHER PAYABLES

Creditors		14,340,880	80,975,181
Morabaha finance	(11.1)	10,000,000	10,000,100
Accrued liabilities		20,063,415	17,053,052
Advances from customers	(11.2)	1,774,285	6,014,180
Security deposits		849,665	166,410
Unclaimed Workers' Profit Participation Fund		783,523	783,523
Unclaimed dividend		320,055	320,055
Others		155,377	374,656
		48,287,200	115,687,157

11.1 This facility has been obtained against sanctioned limit of Rupees 10 million (2008: Rupees 10 million) to finance working capital requirements of the Company for purchase of raw material and is renewable quarterly. The rate of mark up is KIBOR plus 3.25% per annum(2008: KIBOR plus 2.5% per annum). This is secured against first pari passu charge on all current assets of the Company amounting to Rs.134 million and personal guarantees of all the directors except employee directors of the Company.

11.2 These represent advances against sale of yarn and carry no mark-up.

		Note	2009 Rupees	2008 Rupees
12.	**ACCRUED MARK-UP ON FINANCING**			
	Long term finances	(12.1)	18,470,617	4,559,139
	Short term borrowings & morabaha finance		12,446,137	6,956,958
	Lease rental payable		28,288,892	7,678,260
			59,205,646	19,194,357

12.1 These include an amount of Rs. 2,274,596 (2008: Rs. 64,797) payable to directors of the Company.

13. SHORT TERM BORROWINGS

	Note	2009 Rupees	2008 Rupees
From financial institutions:			
Secured:			
Cash finance	(13.1)	237,380,180	152,862,180
Unsecured:			
Bank overdrawn	(13.2)	5,278,705	-
		242,658,885	152,862,180

13.1 These facilities have been obtained against aggregate sanctioned limit of Rupees 725 million (2008: Rupees 725 million) to finance working capital requirements of the Company for purchase of raw material. The rates of mark up range between KIBOR plus 2% to KIBOR plus 4.25% per annum(2008: KIBOR plus 2% to KIBOR plus 3% per annum). These are secured against pledge of cotton bales, yarn bags, first pari passu charge on all current assets of the Company and personal guarantee of the directors of the Company.

13.2 This overdrawn balance is due to issuance of cheques near the balance sheet date. However, bank statement shows a favourable balance amounting to Rs. 4,304,658.

14. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2009 Rupees	2008 Rupees
Long term financing	(7)	22,457,000	19,457,000
Liabilities against assets subject to finance lease	(8)	48,227,669	31,880,995
		70,684,669	51,337,995

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Claim of damages lodged by a creditor amounting to Rupees 987,298 (2008: Rupees 987,298) against violation of contract has not been acknowledged by the Company. The Company has also filed a counter suit for the recovery of claims, compensation and damages amounting to Rupees 3,721,012 (2008: Rupees 3,721,012) for violation of contracts. Therefore, no provision in this respect is made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.
- The assessment for the assessment years 2000-2001, 2001-2002 and 2002-2003 were finalized under section 62 of the repealed ordinance (Income Tax Ordinance, 1979). However, the department has filed appeal against the orders before the Income Tax Appellate Tribunal (ITAT), which is pending adjudication. Therefore, no provision in this respect is made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.
- The bank guarantees aggregating to Rupees 39,868,000 (2008: Rupees 39,568,000) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rupees 1,467,615 (2008: Rupees 1,467,615) have been deposited with the respective banks.

Commitments:

- **Ijarah commitments**

  The Company has entered into ijarah arrangement for plant & machinery with an Islamic Bank. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

  Future Ijarah payments due under these arrangements, as at 30 June are as follows:

	2009 Rupees	2008 Rupees
Within one year	10,584,479	8,889,805
After one year but not more than five years	34,399,558	33,660,425
	44,984,037	42,550,230

16. PROPERTY, PLANT AND EQUIPMENT - tangible

PARTICULARS	2009 BALANCE AS AT 01 JULY 2008			RECONCILIATION				BALANCE AS AT 30 JUNE 2009			RATE (%)
	Cost/ revalued amount	Accumulated depreciation	Net book value	Additions	DELETIONS (Cost / revalued amount) / Accumulated Depreciation	HELD FOR DISPOSAL (Cost / revalued amount) / Accumulated Depreciation	Depreciation charge for the year	Cost / revalued amount	Accumulated depreciation	Net book value	
	R U P E E S										
Owned assets											
Free hold land	21,870,300	-	21,870,300	-	-	-	-	21,870,300	-	21,870,300	
Building											
-Factory	162,526,903	42,850,347	119,676,556	721,657	-	-	11,973,673	163,248,560	54,824,020	108,424,540	10
-Residential	33,517,992	5,262,816	28,255,176	-	-	-	1,412,760	33,517,992	6,675,576	26,842,416	5
Plant and machinery	513,835,994	86,071,565	427,764,429	7,104,065	-	(2,083,333) 547,929	30,541,209	518,856,726	116,064,845	402,791,881	10
Electric installations	26,184,172	5,900,136	20,284,036	590,240	-	-	1,506,590	26,774,412	7,406,726	19,367,686	10
Mills equipment	4,635,794	2,029,242	2,606,552	966,857	-	-	216,111	5,602,651	2,245,353	3,357,298	10
Office equipment	2,173,237	1,197,759	975,478	125,900	-	-	103,638	2,299,137	1,301,397	997,740	10
Furniture and fixtures	753,543	543,874	209,669	78,650	-	-	19,705	832,193	563,579	268,614	10
Vehicles	8,325,575	3,689,849	4,635,726	2,827,735	-	-	705,860	11,153,310	4,395,709	6,757,601	20
Arms and ammunition	43,620	15,213	28,407	-	-	-	1,944	43,620	17,157	26,463	10
	773,867,130	147,560,801	626,306,329	12,415,104	-	(2,083,333) 547,929	46,481,490	784,198,901	193,494,362	590,704,539	
Assets subject to finance lease											
- Plant and machinery	293,749,434	58,677,430	235,072,004	-	-	-	23,507,196	293,749,434	82,184,626	211,564,808	10
- Electric Installation	21,241,646	177,014	21,064,632	-	-	-	2,106,468	21,241,646	2,283,482	18,958,164	10
- Vehicles	913,043	515,688	397,355	-	(913,043) 515,688	-	-	-	-	-	20
	315,904,123	59,370,132	256,533,991	-	(913,043) 515,688	- -	25,613,664	314,991,080	84,468,108	230,522,972	
	1,089,771,253	206,930,933	882,840,320	12,415,104	(913,043) 515,688	(2,083,333) 547,929	72,095,154	1,099,189,981	277,962,470	821,227,511	

PARTICULARS	2008 BALANCE AS AT 01 JULY 2007 Cost/ revalued amount	Accumulated depreciation	Net book value	RECONCILIATION Additions	DELETIONS (Cost / revalued amount) / Accumulated Depreciation	HELD FOR DISPOSAL (Cost / revalued amount) / Accumulated Depreciation	Depreciation charge for the year	BALANCE AS AT 30 JUNE 2008 Cost / revalued amount	Accumulated depreciation	Net book value	RATE (%)
	RUPEES										
Owned assets											
Free hold land	21,870,300	-	21,870,300	-	-	-	-	21,870,300	-	21,870,300	
Building											
-Factory	150,612,551	30,766,445	119,846,106	11,914,352	-	-	12,083,902	162,526,903	42,850,347	119,676,556	10
-Residential	33,517,992	3,775,704	29,742,288	-	-	-	1,487,112	33,517,992	5,262,816	28,255,176	5
Plant and machinery	393,086,874	60,110,810	332,976,064	120,749,120	-	-	25,960,755	513,835,994	86,071,565	427,764,429	10
Electric installations	14,873,584	5,131,141	9,742,443	11,310,588	-	-	768,995	26,184,172	5,900,136	20,284,036	10
Mills equipment	4,230,119	1,852,821	2,377,298	405,675	-	-	176,421	4,635,794	2,029,242	2,606,552	10
Office equipment	2,103,182	1,094,730	1,008,452	70,055	-	-	103,029	2,173,237	1,197,759	975,478	10
Furniture and fixtures	753,543	527,782	225,761	-	-	-	16,092	753,543	543,874	209,669	10
Vehicles	8,937,795	3,339,082	5,598,713	106,580	(718,800)	-	623,553	8,325,575	3,689,849	4,635,726	20
					272,786	-					
Arms and ammunition	43,620	13,041	30,579	-	-	-	2,172	43,620	15,213	28,407	10
	630,029,560	106,611,556	523,418,004	144,556,370	(718,800)	-	41,222,031	773,867,130	147,560,801	626,306,329	
					272,786	-					
Assets subject to finance lease											
- Vehicles	913,043	416,352	496,691	-	-	-	99,336	913,043	515,688	397,355	20
- Plant and machinery	278,350,362	33,698,994	244,651,368	15,399,072	-	-	24,978,436	293,749,434	58,677,430	235,072,004	10
- Electric Installation	-	-	-	21,241,646	-	-	177,014	21,241,646	177,014	21,064,632	10
	279,263,405	34,115,346	245,148,059	36,640,718	-	-	25,254,786	315,904,123	59,370,132	256,533,991	
	909,292,965	140,726,902	768,566,063	181,197,088	(718,800)	-	66,476,817	1,089,771,253	206,930,933	882,840,320	
					272,786	-					

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

	Note	2009 Rupees	2008 Rupees
Cost of sales	(27)	71,264,007	65,731,971
Administrative expenses	(29)	831,147	744,846
		72,095,154	66,476,817

16.2 Had there been no revaluation, the related figures of land, building and plant and machinery at 30 June 2009 would have been as follows:

PARTICULARS	BALANCE AS AT 30 JUNE 2009			BALANCE AS AT 30 JUNE 2008		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rupees					
Free hold land	6,028,479	-	6,028,479	6,028,479	-	6,028,479
Building						
-Factory	128,702,352	57,635,420	71,066,932	127,980,695	50,952,593	77,028,102
-Residential	11,001,164	2,727,502	8,273,662	11,001,164	2,292,046	8,709,118
Plant and Machinery	670,000,783	335,635,070	334,365,713	802,370,158	370,623,489	431,746,669
	815,732,778	395,997,992	419,734,786	947,380,496	423,868,128	523,512,368

16.3 Detail of the assets disposed off during the year having net book value exceeding Rupees 50,000 is as follows:

Description	Cost/ revalued amount	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	Rupees					
Held for disposal						
Plant and Machinery						
Scutchers	17,840,800	11,347,974	6,492,826	1,961,269	Negotiation	Zain International, Lahore and Ahmad Cotton Industries, Okara

		Note	2009 Rupees	2008 Rupees
17.	**STORES AND SPARE PARTS**			
	Stores		1,285,238	812,592
	Spares parts		17,301,230	9,555,400
	Stores in transit		29,110	-
			18,615,578	10,367,992
18.	**STOCK IN TRADE**			
	Raw material		265,961,614	201,969,278
	Work in process		10,389,966	10,620,189
	Finished goods		11,094,734	12,705,812
	Packing material		772,213	871,381
	Waste		752,893	155,033
			288,971,420	226,321,693

19. TRADE DEBTS - considered good

These represent unsecured trade debts against the local sales.

		Note	2009 Rupees	2008 Rupees
20.	**ADVANCES - considered good**			
	Advances to suppliers		317,477	3,436,382
	Advances against salary		581,441	341,379
			898,918	3,777,761
21.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Bank guarantee margin		1,467,615	1,467,615
	Prepayments		491,528	471,035
	Letter of credit margin		111,330	111,330
			2,070,473	2,049,980
22.	**OTHER RECEIVABLES**			
	Letters of credit		-	5,862,220
	Others		7,122	133,185
			7,122	5,995,405
23.	**TAX REFUNDS DUE FROM THE GOVERNMENT**			
	Duty draw back receivable		-	491,543
	Sales tax refundable		8,457,089	8,422,211
	Excise duty refundable		-	25,000
			8,457,089	8,938,754
24.	**CASH AND BANK BALANCES**			
	Cash in hand		22,889	158,466
	Balance with banks on:			
	- Current accounts		5,599,919	2,043,438
	- Deposit accounts	(24.1)	-	1,748,735
			5,599,919	3,792,173
			5,622,808	3,950,639

24.1 It carries profit at the rate ranging from 4.75% to 5% (2008: 3.5% to 4.75%) per annum.

25. ASSETS HELD FOR SALE

	Note	2009 Rupees	2008 Rupees
Book value of assets	(25.1)	2,794,940	7,752,363
Less: Impairment loss		(1,894,940)	-
		900,000	7,752,363

25.1 The company intends to dispose off such asset through negotiation within next one year.

26. SALES - net

	Note	2009 Rupees	2008 Rupees
Local		1,495,975,079	1,264,164,197
Export		21,819,474	5,056,965
Waste		24,346,158	32,894,236
		1,542,140,711	1,302,115,398

27. COST OF SALES

	Note	2009 Rupees	2008 Rupees
Raw material consumed		1,086,537,043	954,903,836
Salaries, wages and benefits	(10.5)	85,433,107	79,557,981
Fuel and power		111,839,355	119,958,358
Packing material consumed		21,438,053	15,949,399
Stores and spares consumed		23,488,541	14,339,108
Ijarah rentals		9,252,906	9,235,040
Insurance		2,988,876	2,542,211
Repairs and maintenance		4,831,185	974,153
Depreciation	(16.1)	71,264,007	65,731,971
Others		1,330,248	1,632,065
		1,418,403,321	1,264,824,122
Add: Opening work in process		10,620,189	8,248,720
Less: Closing work in process		(10,389,966)	(10,620,189)
		230,223	(2,371,469)
Cost of goods manufactured		1,418,633,544	1,262,452,653
Add: Opening finished goods		12,860,845	12,105,556
Less: Closing finished goods		(12,374,297)	(12,860,845)
		486,548	(755,289)
Cost of sales		1,419,120,092	1,261,697,364

28. DISTRIBUTION COST

	Note	2009 Rupees	2008 Rupees
Salaries and other benefits	(10.5)	1,454,497	1,165,783
Commission on sales		5,444,297	4,096,091
Freight and forwarding		946,675	148,660
Export development surcharge		54,972	12,334
Other expenses		89,663	32,493
		7,990,104	5,455,361

		Note	2009 Rupees	2008 Rupees
29.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		3,719,200	3,572,000
	Salaries and other benefits	(10.5)	4,544,061	3,817,860
	Electricity, gas and water		319,320	312,393
	Postage, telephone and telex		838,132	886,410
	Rent, rates and taxes		449,447	3,277,153
	Insurance		247,398	479,795
	Advertisement		105,752	41,615
	Traveling and conveyance		81,452	71,689
	Auditors' remuneration	(29.1)	475,000	240,000
	Legal and professional		546,432	96,000
	Fee and subscription		825,815	458,765
	Printing and stationery		186,960	204,749
	Entertainment		376,259	284,957
	Charity and donations		-	2,500
	Books and periodicals		41,150	43,150
	Bad debts		119,624	138,166
	Repairs and maintenance		285,404	186,194
	Vehicle running and maintenance		970,934	892,058
	Depreciation	(16.1)	831,147	744,846
	Others		339,198	172,699
			15,302,685	15,922,999

29.1	**Auditors' remuneration**			
	Statutory audit		375,000	210,000
	Half yearly review		50,000	-
	Other certifications		25,000	-
	Out of pocket expenses		25,000	30,000
			475,000	240,000

30.	**OTHER OPERATING EXPENSES**			
	Net loss on disposal of property, plant and equipment		2,081,706	-
	Advances and other receivables written off		883,992	-
	Impairment loss on assets held for sale		1,894,940	-
	Exchange loss		1,020,917	3,158,321
			5,881,555	3,158,321

31. OTHER OPERATING INCOME	Note	2009 Rupees	2008 Rupees
Income from financial assets	(31.1)	805,925	142,427
Income from assets other than financial assets	(31.2)	3,776,921	5,972,593
		4,582,846	6,115,020

31.1 Income from financial assets:

Return on bank deposits	295,519	142,427
Creditors written back	510,406	-
	805,925	142,427

31.2 Income from assets other than financial assets:

Net gain on disposal of property, plant and equipment	-	5,214,708
Sale of scrap	3,776,921	757,885
	3,776,921	5,972,593

32. FINANCE COST

Interest/ mark-up on:		
Finance lease liabilities	34,908,566	24,473,523
Long term financing	34,019,408	21,993,165
Short term borrowings & morabaha finance	41,302,486	27,942,197
	110,230,460	74,408,885
Bank charges and commission	1,935,904	1,774,122
	112,166,364	76,183,007

33. TAXATION

Charge for the year			
Current	(33.1)	218,195	6,548,504
Deferred	(33.2)	1,091,751	(26,032,922)
		1,309,946	(19,484,418)

33.1 This represents final tax on export sales under Section 169 of Income Tax Ordinance, 2001. No other provision for the current tax is required keeping in view the taxable losses. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful in view of presumptive taxation.

33.2 Deferred tax expense relates to origination and reversal of following temporary differences :

Tax depreciation allowance	(3,347,906)	38,186,236
Leased assets	(12,319,669)	18,023,513
Unapproved gratuity	488,874	(467,488)
Unused tax losses	12,820,038	(67,381,167)
Finance lease arrangements	6,787,003	(10,418,620)
Deferred tax on incremental depreciation	(3,336,589)	(3,975,396)
	1,091,751	(26,032,922)

34. LOSS PER SHARE - BASIC AND DILUTED

		2009	2008
Net loss for the year	Rupees	(15,047,189)	(34,702,216)
Weighted average number of shares	No.	36,000,000	30,131,507
Basic loss per share	Rupees	(0.42)	(1.15)

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 the basic earnings per share, when exercised.

35. CASH GENERATED FROM OPERATIONS

	Note	2009 Rupees	2008 Rupees
Loss before taxation		(13,737,243)	(54,186,634)
Adjustment for non-cash charges and other items:			
Depreciation		72,095,154	66,476,817
Loss/(gain) on disposal of property, plant and equipment		2,081,706	(5,214,708)
Provision for gratuity		3,287,933	2,848,263
Trade debts written off		119,624	138,166
Advances and other receivables written off		883,992	-
Exchange loss		1,020,917	3,158,321
Impairment loss on assets held for sale		1,894,940	-
Finance cost		112,166,364	79,341,328
		193,550,630	146,748,187
Profit before working capital changes		179,813,387	92,561,553
Effect on cash flow due to working capital changes			
(Increase)/ decrease in current assets			
Stores and spare parts		(8,247,586)	(3,253,156)
Stock in trade		(62,649,727)	(39,817,669)
Trade debts		(13,905,864)	15,853,395
Loans and advances		2,611,304	(1,126,449)
Trade deposits and short term prepayments		(20,493)	(408,635)
Tax refunds due from the Government		481,665	(4,403,457)
Other receivables		5,371,830	(4,994,370)
Decrease in current liabilities			
Trade and other payables		(67,399,957)	(10,902,420)
		(143,758,828)	(49,052,761)
		36,054,559	43,508,792

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	610,133	1,854,667	1,883,555	554,667	1,826,667	1,018,362
Utilities	61,013	185,467	188,356	55,466	182,666	101,851
House rent	244,053	741,867	753,422	221,867	730,667	407,336
	915,199	2,782,001	2,825,333	832,000	2,740,000	1,527,549
Number of persons	1	2	4	1	2	2

36.1 In addition, the Chief Executive, two directors and four executives have been provided with the Company maintained cars.

36.2 No fee is paid to the Chief Executive or any director of the Company for attending the meetings.

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors of the Company and key management personnel . There are no transaction with related parties except those in accordance with the terms of their employment.

Relationship with the Company	Nature of transaction	2009 Rupees	2008 Rupees
Directors	Long term loan acquired	-	21,655,930
	Long term loan repaid	21,655,930	-
	Short term loan repaid	-	11,500,000
	Interest on loans	2,274,596	64,797
Directors and key management personnel	Such transactions have been disclosed in Note 36		

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for company's operations. The company has trade debts, short term loans and advances, other receivables and cash and short term bank deposits that arrive directly from its operations. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no significant transaction in foreign currency therefore, it is not exposed to currency risk.

ii) Other price risk

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

iii) Interest rate risk

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

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

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

	2009	2008
Fixed rate instruments	**Rupees**	**Rupees**
Financial liabilities		
Long term financing	70,538,000	70,538,000
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	-	1,748,735
Financial liabilities		
Long term financing	171,057,500	171,057,500
Liabilities against assets subject to finance lease	184,971,348	196,361,806
Short term borrowings	237,380,180	152,862,180

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes Interest Rate	Effects on Profit Before Tax
Bank balances - deposit accounts			
	2009	+0.25	-
		-0.25	-
	2008	+1.25	21,859
		-1.25	(21,859)
Long term financing			
	2009	+1.50	(2,565,863)
		-1.50	2,565,863
	2008	+4.50	(7,697,588)
		-4.50	7,697,588
Liabilities against assets subject to finance lease			
	2009	+1.00	(1,849,713)
		-1.00	1,849,713
	2008	+4.00	(7,854,472)
		-4.00	7,854,472
Short term borrowings			
	2009	-1.00	(2,373,802)
		+1.00	2,373,802
	2008	+4.00	(6,114,487)
		-4.00	6,114,487

b) Credit risk

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

	2009 Rupees	2008 Rupees
Trade debts	23,659,303	9,873,063
Advances	581,441	341,379
Other receivables	7,122	5,995,405
Bank balances	5,599,919	3,792,173
	29,847,785	20,002,020

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

Banks	Rating: Short Term	Long Term	Agency	2009 Rupees	2008 Rupees
MCB Bank Limited	A1+	AA+	PACRA	48,814	35,305
National Bank of Pakistan	A-1+	AAA	JCR - VIS	318,551	70,951
Askari Bank Limited	A1+	AA	PACRA	13,629	33,240
Habib Metropolitan Bank Ltd	A1+	AA+	PACRA	1,569,995	-
The Royal Bank of Scotland	A1+	AA	PACRA	1,062,214	1,757,421
The Bank of Punjab	A1+	AA-	PACRA	71,806	179,522
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	31,206	31,261
Al Baraka Islamic Bank	A1	A-	PACRA	42,811	9,767
Bank Alfalah Limited	A1+	AA	PACRA	436,382	7,603
Citibank	A-1	A+	PACRA	14,415	15,078
Faysal Bank Limited	A1+	AA	PACRA	1,369,380	156,132
Habib Bank Limited	A-1+	AA+	JCR - VIS	610,717	1,485,893
Bankislami Pakistan Limited	A2	A-	PACRA	10,000	10,000
				5,599,920	3,792,173

Trade debts

Credit risk related to trade receivables is managed by established policies, procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

The age of trade receivables at balance sheet date was:	2009 Rupees	2008 Rupees
Not past due	-	-
Past due 0 - 180 days	23,615,999	9,682,395
Past due 180 - 365 days	36,269	11,035
1 - 2 years	7,035	106,000
More than 2 years	-	73,633
	23,659,303	9,873,063

At 30 June 2009 company has 10 customers that owed the company more than Rs. 1.00 million each and accounted for approximately 80 % of all receivables owing. There are 3 customers with balance greater than Rs. 2.0 million accounted for over 43% of total amount receivables.

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

c) **Liquidity risk**

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2009			Rupees		
Long term financing	241,595,500	335,143,060	63,636,660	271,506,400	-
Liabilities against assets subject to finance lease	184,971,348	260,984,444	85,696,767	175,287,677	-
Trade and other payables	48,287,200	48,287,200	48,287,200	-	-
Short term borrowings	237,380,180	256,370,594	256,370,594	-	-
	712,234,228	900,785,298	453,991,221	446,794,077	-

30 June 2008	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	----------	----------	Rupees	----------	----------
Long term financing	263,251,430	369,402,824	34,259,764	285,159,288	49,983,772
Liabilities against assets subject to finance lease	196,361,806	253,997,001	55,800,751	196,792,556	1,403,694
Trade and other payables	115,687,157	115,687,157	115,687,157	-	-
Short term borrowings	152,862,180	165,091,154	165,091,154	-	-
	728,162,573	904,178,136	370,838,826	481,951,844	51,387,466

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

38.2 Fair values of financial assets and liabilities

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

38.3 Financial instruments by categories

As at 30 June 2009	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	Total
	----------	----------	Rupees	----------	----------
Assets as per balance sheet					
Long term deposits	-	3,682,560	-	-	3,682,560
Trade debts	-	23,659,303	-	-	23,659,303
Short term advances	-	898,918	-	-	898,918
Trade deposits	-	1,578,945	-	-	1,578,945
Other receivables	-	7,122	-	-	7,122
Cash and bank balances	5,622,808	-	-	-	5,622,808
	5,622,808	29,826,848	-	-	35,449,656

Liabilities as per balance sheet	Financial liabilities at amortized cost
	Rupees
Long term financing	241,595,500
Trade and other payables	48,287,200
Accrued mark-up on financing	59,205,646
Short term borrowings	237,380,180
	586,468,526

As at 30 June 2008	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	Total
Assets as per balance sheet					
Long term deposits	-	3,682,560	-	-	3,682,560
Trade debts	-	9,873,063	-	-	9,873,063
Short term advances	-	3,777,761	-	-	3,777,761
Trade deposits	-	1,578,945	-	-	1,578,945
Other receivables	-	5,995,405	-	-	5,995,405
Cash and bank balances	3,950,639	-	-	-	3,950,639
	3,950,639	24,907,734	-	-	28,858,373

Liabilities as per balance sheet	Financial liabilities at amortized cost
	Rupees
Long term financing	263,251,430
Trade and other payables	115,687,157
Accrued mark-up on financing	19,194,357
Short term borrowings	152,862,180
	550,995,124

38.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion), liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 7, 8 and Note 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at year ended 30 June 2009 and 30 June 2008 is as follows:	Note	2009 Rupees	2008 Rupees
Debt	7, 8,13	663,947,028	612,475,416
Equity		380,317,950	395,068,807
Total capital employed		1,044,264,978	1,007,544,223
Gearing ratio		63.58%	60.79%

39. PLANT CAPACITY AND ACTUAL PRODUCTION

		2009	2008
Spindles installed/ worked	No.	38,448	38,448
Production at normal capacity in 20/S count based on 3 shifts per day	Kgs	14,102,609	14,102,609
Actual production converted to 20/S count based on 3 shifts per day	Kgs	12,974,321	12,437,813

39.1 Reason for Low Production

Under utilization of available capacity is due to normal maintenance down time and change over in production mix.

40. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 9 October 2009.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison, however no significant reclassification has been made except for the commission on sales which is now classified as distribution cost, while previously it was appearing in sales.

42. GENERAL

Figures have been rounded off to the nearest rupee.

(Chief Executive Officer) **(Director)**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009

	----- Shareholding -----		
No. of Shareholders	**From**	**To**	**Total Shares Held**
2	1	100	26
38	101	500	18667
4	501	1000	3334
14	1001	5000	32807
1	5001	10000	6300
1	15001	20000	19300
1	25001	30000	29100
3	30001	35000	100500
2	35001	40000	72000
2	40001	45000	89450
1	65001	70000	66000
3	70001	75000	214800
4	85001	90000	346000
2	140001	145000	284400
1	145001	150000	150000
1	165001	170000	168350
1	210001	215000	212405
1	215001	220000	218795
1	250001	255000	254711
1	465001	470000	465175
1	485001	490000	487100
1	735001	740000	738350
1	750001	755000	751998
1	795001	800000	798800
1	815001	820000	820000
1	875001	880000	876400
1	1010001	1015000	1010600
1	1150001	1155000	1150765
1	1210001	1215000	1213896
1	1245001	1250000	1248129
1	2015001	2020000	2015420
1	2200001	2205000	2204040
1	2265001	2270000	2269560
1	3045001	3050000	3045023
1	3295001	3300000	3299913
1	4175001	4180000	4178465
1	7135001	7140000	7139421
101			36000000

Categories of Shareholders	Number	Shares Held	% age
Individuals	85	15,785,425	43.8484
Chief Executive Officer, Director, their Spouse and Minor Children	12	18,906,475	52.5180
Bank, DFIs, NBFI, etc.	1	876,400	2.4344
National Bank of Pakistan (NIT)	2	431,200	1.1978
Public Sector Companies and Corporation	1	500	0.004
Total	101	36,000,000	100.000

CATEGORIES OF SHAREHOLDRES REQUIRED UNDER C.C.G.
AS AT JUNE 30, 2009

Category No.	Categories of Share Holders	Number of Shares Held	Number of Share Holders	Percentage
1.	**Individuals**	15,785,425	85	43.8484
2.	**Chief Executive Officer, Directors, their Spouses and Minor Children**	18,906,475	12	52.5180
	Ch. Mohammad Khurshid	2,204,040		6.1223
	Ch. Muhammad Khurshid (CDC)	2,015,420		5.5984
	Ch. Rehman Bakhsh	3,299,913		9.1664
	Ms. Kiran A. Chaudhry	2,269,560		6.3043
	Ms. Kiran A. Chaudhry (CDC)	820,000		2.2778
	Mr. Muhammad Ali Chaudhry	168,350		0.4676
	Mrs. Salma Aziz	1,010,600		2.8072
	Mrs. Salma Aziz (CDC)	1,248,129		3.4670
	Mr. Azhar Khurshid Ch.	751,998		2.0889
	Mr. Kamran Ilyas	4,178,465		11.6068
	Mrs. Razia Sultana Begum	141,200		0.3922
	Mrs. Razia Sultana Begum (CDC)	798,800		2.2189
3.	**National Bank of Pakistan (NIT)**	431,200	2	1.1978
4.	**Banks, DFIs, NBFIs, etc.**	876,400	1	2.4344
5.	**Public Sector Companies & Corporation**	500	1	0.0014
	Total	**36,000,000**	**101**	**100.0000**
	Others above 10% Share Holding	15,537,346	3	43.1593

FORM OF PROXY

Folio No.______________________

No. of Shares Held______________

The Company Secretary,
Resham Textile Industries Limited,
314-Upper Mall,
Lahore.

I/We ____

of ____ (full address)

Being a member of RESHAM TEXTILE INDUSTRIES LIMITED hereby appoint

____
(Name)

of ____ (full address)

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 20th Annual General Meeting of Share Holders of the Company to be held on Saturday, 31st October 2009 at 12.00 p.m. and at any adjournment thereof.

Signed this_________________________________ day of ______________________ 2009.

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

In the presence of witness :

Revenue Stamp

Name___________________________________

Signature________________________________

Address____

IMPORTANT :

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Head Office at least 48 hours before the time of holding the meeting.

2. The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its Common Seal should be affixed to the instruments.