Annual Report 2009

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SALLY TEXTILE MILLS LTD.

SALLY TEXTILE MILLS LTD.

Mission Statement

The Mission of Sally Textile Mills Limited is to be the finest Organization, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best.

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COMPANY INFORMATION

BOARD OF DIRECTORS

MIAN IQBAL SALAH-UD-DIN	(Chief Executive Officer)
MST. MUNIRA SALAH-UD-DIN	
MIAN YOUSAF SALAH-UD-DIN	
MIAN ASAD SALAH-UD-DIN	
MIAN SOHAIL SALAH-UD-DIN	
SHEIKH ABDUL SALAM	
MR. MUHAMMAD RAFIQ KHAN	

AUDIT COMMITTEE

SHEIKH ABDUL SALAM	Chairman
MST. MUNIRA SALAH-UD-DIN	Member
MIAN ASAD SALAH-UD-DIN	Member
SYED ABID RAZA ZAIDI	Secretary

CHIEF FINANCIAL OFFICER

MR. MEHBOOB USMAN

COMPANY SECRETARY

SYED ABID RAZA ZAIDI

AUDITORS

M/S RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

BANKERS

NATIONAL BANK OF PAKISTAN
MCB BANK LIMITED
ASKARI BANK LIMITED
MEEZAN BANK LIMITED

REGISTERED OFFICE

97 - SHADMAN, LAHORE-3

PHONES	:	37590124, 37577686
E-MAIL	:	sallytex@hotmail.com
FAX	:	(042) 37582101

MILLS

MUZAFFARGARH ROAD,
JAUHARABAD
Phones: Jauharabad : (0454) 720645, 720546, 720311

VISION AND MISSION STATEMENT

Vision

To achieve consistent superior performance in all respects, provide quality products to our valued customers and run the company purely on professional grounds.

Mission

Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time.

We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customers' satisfaction.

All of our commitments, actions and products must be recognized as an expression of quality.

We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system.

We continuously improve the performance of quality standards through practical participation of our employees at all levels.

Our mission is to meet national and international Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Sally Textile Mills Limited. We always place the company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 41st Annual General Meeting of the company will be held on Saturday 31st October, 2009 at 10:00 am at the **FOUR STARS HALL**, Queens Road, Lahore to transact the following business.

1- To confirm the minutes of Last Meeting held on 29-11-2008.

2- To receive and adopt the Annual Audited Accounts of the company along with the Directors and Auditors report for the year ended June 30, 2009.

3- To discuss and approve the contracts / agreements made during the year with suppliers and other parties.

4- To appoint the Auditors and fix their remuneration for the next financial year 2009-2010.

5- Any other matter with the permission of the chair.

By the order of the Board

Lahore: October 08, 2009

(SYED ABID RAZA ZAIDI)
Company Secretary

NOTES:

1. The shares transfer books of the company will remain closed for fifteen days from 30-10-2009 to 13-11-2009. (Both days Inclusive)
2. A member is entitled to attend and vote at the meeting, or may appoint a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before commencement of the meeting.
3. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of CNIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. The proxy shall produce his original CNIC / Passport at the time of the meeting.
6. Share holders whose shares are deposited with Central Depositary System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of meeting.
7. Shareholders are advised to notify change in their addresses, if any.

KEY OPERATING AND FINANCIAL DATA

	2009	2008	2007	2006	2005	2004	2003
			Rupees in million				
Sales	1181	1076	882	797	519	655	539
Gross Profit	70	111	57	76	46	52	41
Profit / (Loss) Before Tax	4	23	(8)	13	18	18	(2)
Tax	-	5	4	3	2	(22)	3
Profit / (Loss) After Tax	4	18	(12)	10	17	40	(4)
Non Current Assets	550	556	511	489	430	360	265
Current Assets	367	476	217	239	250	149	98
Total	**917**	**1032**	**728**	**728**	**680**	**509**	**363**
Share Capital & Accumulated Losses	(190)	(198)	(218)	(185)	(198)	(217)	(263)
Surplus on revaluation	87	91	93	70	73	105	112
Equity	(103)	(107)	(124)	(114)	(125)	(112)	(151)
Long Term Loans	244	236	271	222	258	286	242
Current Liabilities	776	903	582	620	547	335	272
Total	**917**	**1032**	**728**	**728**	**680**	**509**	**363**

Directors' Report

The Directors have the pleasure to present 41st Annual report of the Company together with audited accounts and auditors' report thereon for the year ended June 30,2009.

The year under review has faced unprecedented challenges. The current recession and economic activities has deteriorated trade and financial environment globally. The devaluation of rupees has been more than 30% during the year. Bank borrowing rates increased drastically and minimum wages of workers has also been increased by the government more than 35%. Prices of oil touched a level of $147/barrel and consequently the increased costs of electricity passing on to consumers which is badly effected their operations specially of wapda based industry because they have not only faced the high cost of electricity but also the severe impact of energy shortage on their production. Due to all above said reasons the business activities remained depressed during the whole year under review due to to the energy crises and exorbitant cost of production.

During the year the production and sale of yarn has increased by 5.10% and 9.65% respectively over the last year but cost of sale has increased drastically which is 15%. Other operating expenses, distribution cost ,administrative expenses and finance cost has also been increased over the last year due to very high inflation . However the Company has earned a net profit of Rs. 4.248 million after providing the imputed interest income on interest free loan provided by its directors.

Due to severe cash flow crunch faced by the company during the year the sponsoring directors has injected Rs. 80 million a fresh interest free loan to the Company to supports its cash flows.

The directors of the company are off the view that due to re-scheduling of long term loans as requested by the company to its Banker and also injection of fresh funds by the sponsoring director to the company during the year will mitigate the doubt about the company ability to continue as going concern as mentioned by the company's auditors in their audit report.

COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity. Company has maintained proper books of accounts.

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

International Accounting Standard , as applicable in Pakistan, have been followed in preparation of financial statements and non applicability , if any , has been adequately disclosed.

System of internal control is sound in design and has been effectively implemented and monitored.

During the year no trade in the shares of the company were carried out by the CFO, Company Secretary, Directors, their spouses and minor children.

The Statement showing the pattern of share holding is annexed

Operating and financial data of last seven years are annexed.

Earning per share for the year ended was Rs. 0.48 (2008 Rs. 2.00)

During the year five meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

Sr.no	Name	Attendance
1.	Mian Iqbal Salahuddin	5
2.	Mian Yousaf Salahuddin	5
3.	Mian Asad Salahuddin	5
4.	Mst. Munira Salahuddin	5
5.	Mian Sohail Salahuddin	5
6.	Sh. Abdul Salam	5
7.	Muhammad Rafique Khan	5

The retiring Auditors, M/s. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants has offered themselves for re-appointment. Therefore, the Directors on the recommendation of the audit committee purposed to appoint M/s. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountant as auditors for the year 2009-10

We would like to take this opportunity to express our appreciation to the management and employees of the company for their hard-work and dedication. We also express our gratitude to our valued customers.

For and on behalf of the Board

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer

Lahore: October 08, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

The Company has applied the principles contained in the code in the following manner:

1. The company encourages the representation of independent non-executive directors. At present there are three non-executive directors on the Board.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI.

4. No casual vacancy occurred on the Board during the year.

5. The business of the Company is conducted in accordance with the "Statement of Ethics and Business Practices" signed by all the directors and employees.

6. The business operations of the Company are carried out in accordance with the Company's vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. No specific orientation course was held during the year. However, the management continue to apprise and familiarize with changes in law to discharge their duties and responsibilities.

10. The CFO, Company Secretary and Head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board including their remuneration and terms and conditions of employment, as determined by CEO.

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 audit committee as formed by the Board is fully functional. The committee comprises three members, two of them are non-executive directors including the chairman of the committee.

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

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

18. There were no related party transactions falling within the ambit of the Sub-Regulation (Xiii) of the listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited Vide circular KSE / N-269 dated January 19, 2009, other than loan from associates.

19. The statutory auditors of the Company have confirmed that they have been 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.

20. 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.

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

For and on behalf of the Board

Lahore: October 08, 2009

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer

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 **SALLY TEXTILES MILLS LIMITED** ("the Company") to comply with the listing regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and the chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited, 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.

There were no related party transactions falling within the ambit of the Sub- Regulation (xiii) of the Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009, other than loan from associates.

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 for the year ended June 30, 2009, with the exception of the fact that no specific orientation courses were held during the year.

Date: October 08, 2009
Place: LAHORE

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SALLY TEXTILE 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) As referred to in Note 10.3 the Company is availing the relaxation allowed by the State Bank of Pakistan and has entered into negotiations with the bank for rescheduling of its loan liabilities. Based on the response received from the bank the management of the Company expects favourable outcome and as such has classified Rs. 83.5 million comprising of amounts falling due within 12 months and overdue installments as long term liabilities. This classification does not conform to the requirements of IAS-1 "Presentation of Financial Statements" and other acceptable accounting principles.

   Except for the effect of the classification as regard to matter described in paragraph (a) above, we report that:

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

c) 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;

d) 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

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

f) Without qualifying our opinion, we draw attention to note 2.3 to the financial statements, which states that as at June 30, 2009, the Company has accumulated losses of Rs. 278.3 million and the Company is also under debt burden comprising long term loans from the banks amounting to Rs. 83.5 million, impacting already deteriorated debt to equity ratio. The current liabilities as reported by the Company exceed currents assets by Rs. 408.17 million. The Company is facing difficulties as are being faced by the overall textile industry including power outages. These factors raise doubt that the Company will be able to continue as a going concern. Management's future expectations in this matter are also discussed in note 2.3 to the financial statements. The management also expects continued financial support of its associates, to meet any shortfall in liquid resources, through interest free loans and rescheduling of its long terms which is in process in accordance with the relaxation allowed by State Bank of Pakistan. No adjustment has been made in the annexed financial statements that might result from the outcome of uncertainty regarding the Company's ability to continue as a going concern.

Date: October 08, 2009
Place: LAHORE

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	7	87,750,000	87,750,000
Accumulated losses		(278,318,487)	(286,158,137)
		(190,568,487)	(198,408,137)
Surplus on revaluation of property, plant and equipment		87,574,205	91,165,788
Loan from associates - unsecured	9	119,897,678	120,000,000
Non-current liabilities			
Long term finances - secured	10	83,513,400	40,100,018
Employees retirement benefits	11	41,415,162	36,586,612
Long term payables	12	-	39,563,236
		124,928,562	116,249,866
Current liabilities		-	-
Current portion of non-current liabilities	13	49,453,827	123,294,060
Short term borrowings - secured	14	572,620,135	623,104,147
Trade and other payables	15	107,387,607	128,568,994
Mark-up accrued	16	46,168,018	27,421,632
Current taxation	17	-	658,859
		775,629,587	903,047,692
Contingencies and commitments	18	-	-
		917,461,545	1,032,055,209
ASSETS			
Non-current assets			
Property, plant and equipment	19	538,837,477	545,976,220
Capital work in progress	20	-	-
Long term deposits	21	10,528,914	10,490,814
Long term advances -secured	22	636,996	-
		550,003,387	556,467,034
Current assets			
Stores, spares and loose tools	23	15,121,893	13,920,346
Stock in trade	24	301,380,775	398,289,693
Trade receivables	25	20,161,218	25,744,379
Advances, prepayments and other receivables	26	25,932,689	24,773,187
Current taxation	17	2,696,764	-
Cash and bank balances	27	2,164,819	12,860,570
		367,458,158	475,588,175
		917,461,545	1,032,055,209

The annexed notes 1 to 45 form an integral part of these financial statements.

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer

MIAN YOUSAF SALAH-UD-DIN
Director

Lahore : October 08, 2009

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

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Sales - net	28	1,180,712,087	1,076,817,245
Cost of sales	29	1,111,358,948	965,293,270
Gross Profit		69,353,139	111,523,975
Other operating income	30	1,468,623	1,195,493
		70,821,762	112,719,468
Distribution cost	31	6,014,216	3,844,490
Administrative expenses	32	20,089,199	18,836,096
Other operating expenses	33	30,764,070	21,137,361
		56,867,485	43,817,947
Results from operating activities		13,954,277	68,901,521
Finance cost	34	9,706,210	45,941,852
Profit before taxation		4,248,067	22,959,669
Taxation	35	-	5,384,086
Profit after taxation		4,248,067	17,575,583
Earning per share - basic and diluted	36	0.48	2.00

The annexed notes 1 to 45 form an integral part of these financial statements.

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer

MIAN YOUSAF SALAH-UD-DIN
Director

Lahore : October 08, 2009

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	154,638,975	(126,311,605)
Finance cost paid		(44,062,146)	(32,421,678)
Taxes paid		(3,355,623)	(5,241,263)
Employees retirement benefits paid		(4,103,894)	(2,358,985)
Paid to Workers' Profit Participation Fund		(16,068)	(858,546)
Net cash flow from / (used in) operating activities		103,101,244	(167,192,077)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(22,101,819)	(72,423,510)
Proceeds from disposal of property, plant and equipment		460,000	359,000
Net cash used in investing activities		(21,641,819)	(72,064,510)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(38,789,463)	(15,644,737)
Net (decrease) / increase in short term borrowings		(80,690,592)	195,684,940
Loan from associates obtained		27,324,879	59,945,486
Net cash (used in) / flow from financing activities		(92,155,176)	239,985,689
Net (decrease) / increase in cash and cash equivalents		(10,695,751)	729,102
Cash and cash equivalents at the beginning of the year		12,860,570	12,131,468
Cash and cash equivalents at the end of the year	38	2,164,819	12,860,570

The annexed notes 1 to 45 form an integral part of these financial statements.

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer
Lahore : October 08, 2009

MIAN YOUSAF SALAH-UD-DIN
Director

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

	Share capital *Rupees*	Accumulated losses *Rupees*	Total equity *Rupees*	Surplus on revaluation property, plant and equipment *Rupees*
As at July 01, 2007	87,750,000	(306,132,481)	(218,382,481)	93,564,549
Net profit for the year	-	17,575,583	17,575,583	-
Incremental depreciation transferred to accumulated losses	-	2,398,761	2,398,761	(2,398,761)
As at June 30, 2008	87,750,000	(286,158,137)	(198,408,137)	91,165,788
Net profit for the year	-	4,248,067	4,248,067	-
Incremental depreciation transferred to accumulated losses	-	3,591,583	3,591,583	(3,591,583)
As at June 30, 2009	87,750,000	(278,318,487)	(190,568,487)	87,574,205

The annexed notes 1 to 45 form an integral part of these financial statements.

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer
Lahore : October 08, 2009

MIAN YOUSAF SALAH-UD-DIN
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1 REPORTING ENTITY

Sally Textile Mills Limited ("the Company") was incorporated in Pakistan on June 11, 1969 as a Public Limited Company under the repealed Companies Act 1913 (now the Companies Ordinance 1984). The registered office of the Company is situated at 97 - Shadman, Lahore. The Company is currently listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is manufacture and sale of yarn. The mill is located at Jauharabad, District Sargodha in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for property, plant and equipment at revalued amount, certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Appropriateness of the "Going Concern" assumption

As at June 30, 2009, the Company has accumulated losses of Rs. 278.32 million and the Company is also under debt burden, inrespect of long term finances from the banks amounting to Rs. 83.5 million which has further deteriorated its debt to equity ratio. Current liabilities of the Company exceed currents assets by Rs. 408.17 million. The Company is also facing difficulties as are being faced by the overall textile industry including power outage. These factors raise doubt that the Company will be able to continue as a going concern.

The management of the Company, in order to continue as going concern, is continuously taking major steps in rationalizing its expenses and plans major restructuring including balancing, modernization and expansion of the project. Further, the Company will have continued financial support of its associates, to meet any shortfall in liquid resources, through interest free loans. The management expects to convert into a profitable trends over next few years.

The Company also expects to avail any relaxation facilitated by the Government of Pakistan and the State Bank of Pakistan relating to the finances from banks and financial institutions and other facilitations.

These financial statements have been prepared on basis of assumptions based on the management's plans and expected future profitable trend. However, no adjustment has been made in these financial statements that might result from the outcome of uncertainty regarding the Company's ability to continue as a going concern.

2.4 Judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.4.2 Recoverable amount of assets / cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.3 Employees retirement benefits

The present value of defined benefit obligation is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

2.4.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land, building and plant and machinery. Freehold land is measured at revalued amount whereas building and plant and machinery are measured at revalued amount less accumulated depreciation.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.1.2 Depreciation

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 19 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

3.1.3 De-recognition

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

3.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving weighted average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items identified as slow moving or obsolete the carrying amount is written down to nil.

3.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	First in First Out ("FIFO")
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Packing Material	Weighted average cost
Waste	Net realizable value ("NRV")
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads 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.

3.5 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.6 Employee benefits

3.6.1 Short term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

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

3.6.2 Post employment 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. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

The amount recognized in the balance sheet represents the present value of defined benefit obligation less fair value of plan assets as adjusted for unrecognized actuarial gains and losses.

Actuarial gains and losses are recognized in profit or loss for the period in which these arise.

Details of scheme are referred to in note 11 to the financial statements.

3.7 Surplus / deficit on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is transferred, net of deferred tax, if any, to accumulated profits or losses every year.

3.8 Financial instruments

3.8.1 Classification

The Company classifies each of its financial assets and liabilities into one of the categories provided under International Accounting Standard - 39 Financial Instruments, Recognition and Measurement. The classifications depend on the purpose for which the financial assets and liabilities are acquired or incurred. Management of the Company determines the classification of its financial assets and liabilities at initial recognition. As at the reporting date, all financial assets and financial liabilities of the Company are classified as "Loans and Receivables" and "Financial Liabilities at Amortized Cost" respectively. The Company does not hold financial assets and liabilities in any of the other categories as at the reporting date.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The Company's loans and receivables comprise advances, deposits, trade and other receivables, and cash and cash equivalents.

Financial liabilities at amortized cost

All non-derivative financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The Company's financial liabilities at amortized cost comprise trade and other payables, and borrowings.

3.8.2 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

3.8.3 Measurement

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

3.8.4 De-recognition

A financial liability is de-recognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Gains or losses arising on de-recognition are recognized in profit or loss.

3.8.5 Off-setting

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

3.8.6 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.9 Borrowings

Borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.10 Trade and other payables

Trade creditors and other payables that meet the definition of financial liabilities are initially recognized at cost, being fair value at the date the liability is incurred. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss. Advances from customers, payables created as a result of statutory requirements such as income taxes, constructive obligations and other non-financial liabilities are carried at cost.

3.11 Trade and other receivables

Trade and other receivables that meet the definition of financial assets are initially recognized at cost, being fair value at the date the asset is acquired. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, less accumulated impairment losses, with interest recognized in profit or loss. Advances to suppliers, receivables created as a result of statutory requirements such as income taxes and other non-financial assets are carried at cost.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks. Cash and cash equivalents are carried at amortized cost.

3.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

3.14 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 asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

3.15 Taxation

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

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all net taxable temporary differences. A deferred tax asset is recognized for net deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extant that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.16 Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.17 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

3.18 Impairment

3.18.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.18.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.19 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.20 Transactions and balances with related parties

Transactions between the Company and its related parties are limited to borrowings from the directors and their relatives and key management personel. Accounting methods adopted for each of these transactions are as follows:

3.20.1 Borrowings

Thses are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.20.1 Compensation of key management personnel

The cost of short term and post employment benefits to key management personnel and resulting balances outstanding at reporting date are accounted for in accordance with the accounting policy of the Company for employee benefits.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

IFRS 8 - Operating Segments

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after January 01, 2009. However, being irrelevant to the Company's operations, it is not expected to have any impact on the Company's financial statements.

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after January 01, 2009, however this would not constitute a change in accounting policy since the Company's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard.

IAS 1 - Presentation of Financial Statements (Revised 2007)

The revised standard introduces the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after January 01, 2009. Subject to removal of inconsistencies between provisions of Companies Ordinance, 1984 (including rules and regulations made thereunder) and IAS 1, the standard will have impact on the presentation of Company's financial statements for the year ending June 30, 2010.

Amendments to IAS 32 - Financial Instruments: *Presentation* and IAS 1 - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after January 01, 2009 with retrospective application required. However these are not expected to have any impact on the Company's financial statements.

Amendments to IFRS 2 - Share Based Payments regarding vesting conditions and cancellations

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after January 01, 2009 with retrospective application. No impact is expected on the financial statements of the Company.

IFRIC 13 ***Customer Loyalty Programmes***

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after January 01, 2009. However, being irrelevant to the Company's operations, it is not expected to have any impact on the Company's financial statements.

5 ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Company has adopted IFRS 7 - Financial Instruments, *Disclosures* for the first time as at the reporting date. The adoption of this standard has had impact on the financial statements of the Company to the extent of disclosures only. The disclosures under the standard have been presented with complete comparative information.

IAS 29 - Financial Reporting in Hyperinflationary Economies has been notified by the Securities and Exchange Commission of Pakistan under Section 234(3) of the Companies Ordinance, 1984, but the standard would not have any impact on the Company's financial statements in view of the fact that the primary economic environment in which the Company operates is not hyperinflationary.

6 DETERMINATION OF FAIR VALUES

A number of Company's accounting policies require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values of various assets and liabilities is determined as follows:

6.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future net cash inflows, discounted at the market rate of interest at the reporting date.

6.2 Trade and other payables

The fair value of trade and other payables is estimated as the present value of future net cash outflows, discounted at the market rate of interest at the reporting date.

6.3 Borrowings

The fair value of borrowings is determined using effective interest method.

		Note	June 30, 2009 Rupees	June 30, 2008 Rupees
7	**SHARE CAPITAL**			
	Authorized share capital			
	20,000,000 (2008: 20,000,000) ordinary shares of Rs. 10 each.		200,000,000	200,000,000
	Issued, subscribed and paid-up capital			
	Ordinary shares of Rs. 10 each			
	8,775,000 (2008: 8,775,000) ordinary shares of Rs. 10 each		87,750,000	87,750,000
			87,750,000	87,750,000
8	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	As at beginning of the year		91,165,788	93,564,549
	Incremental depreciation transferred to accumulated losses		(3,591,583)	(2,398,761)
	As at end of the year		87,574,205	91,165,788
9	**LOAN FROM ASSOCIATES- UNSECURED**			
	Loan from Directors	9.1	188,416,094	161,091,215
	Current maturity presented under current liabilities	13	(15,416,094)	(41,091,215)
			173,000,000	120,000,000
	Imputed interest income on interest free loan		(53,102,322)	-
			119,897,678	120,000,000

9.1 This loan has been obtained from sponsors of the Company and their relatives. This loan is interest free and not repayable before June 30, 2012 and is subject to extension thereafter at the discretion of the lenders. Previously no repayment tenor was identified other than confirmation that the lenders will not demand repayment within twelve months from the reporting date. Based on the minimum tenor of three years after which the repayment may fall due the loan has been carried at amortized cost which has been computed by using discount rate of 13% per annum.

10 LONG TERM FINANCES -SECURED

These represent long term finances utilized under mark-up arrangements from banking companies.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Demand Finance -I	10.1	9,767,000	38,187,000
Demand Finance -II	10.1	55,770,262	60,139,725
Demand Finance -III	10.2	17,976,138	23,976,138
		83,513,400	122,302,863
Current maturity presented under current liabilities	13		
Over due amount		-	(17,277,845)
Current maturity		-	(64,925,000)
		-	(82,202,845)
		83,513,400	40,100,018

10.1 Demand Finance - I ("DF - I") was obtained from National Bank of Pakistan for purchase of plant and machinery and has been rescheduled twice upto June 30, 2009. Under the first rescheduling, the mark-up overdue on DF-I was freezed and converted to Demand Finance - II ("DF - II"). Under rescheduling in July 2007, whereby liabilities under Demand Finance - I and II were fixed at Rs. 41.667 million and Rs. 63.556 million respectively as per cut-off date March 31, 2007.

As per the revised schedule, the Company is required to pay Rs. 125,000 per day on quarterly basis, out of which, Rs. 25,000 will go towards mark-up on DF - I and the balance will be utilized towards adjustment of DF-II. Mark-on DF-I is payable at three months KIBOR plus 2%, subject to a floor of 6% (2008: three months KIBOR plus 2%, subject to a floor of 6%) per annum. Where mark-up accrued on DF-I for any quarter exceeds Rs. 25,000 per day the unadjusted amount of mark-up will be clubbed with the outstanding balance of DF-II.

Repayment of principal of DF-I has commenced from April 01, 2008, from whereon the Company is required to pay Rs. 145,000 per day on quarterly basis. 80% of the payment will go towards repayment of principal of DF-I and the balance will go towards adjustment of DF-II until the DF-I is fully repaid, where after, the entire payment will go towards adjustment of DF-II until fully settled.

Demand Finance I and II are secured over all present and future property, plant and equipment comprising land, building, plant and machinery of the Company, hypothecation charge over stocks of raw material, work in process, finished goods, stores, spares and loose tools and counter guarantee by the Directors of the Company.

As at the reporting date, a sum of Rs. nil (2008: Rs. 17,277,845) was overdue in respect of these finances.

10.2 Demand Finance - III has been obtained from National Bank of Pakistan for import of machinery and BMR and is secured over property, plant and equipment, comprising land, building, plant and machinery of the Company amounting to Rs. 450 million and personal guarantees of sponsor Directors. Mark-up is payable at three months KIBOR plus 2%, subject to a floor of 6% (2008: three months KIBOR plus 2%, subject to a floor of 6%) per annum. The finance is repayable in ten equal half yearly installments, with first installment due from September 2005 after expiry of grace period of eighteen months from the date of disbursement.

10.3 The Company also expects to avail any relaxation facilitated by the Government of Pakistan and State Bank of Pakistan relating to the finances from banks and financial institutions and other facilitations. The Company is already in the process of negotiating of rescheduling of these finances with the lender with positive response from the bank. The negotiations are not yet finalised however, the management expects a favourable result with a grace period of upto eighteen months. Accordingly the entire amount outstanding has been classified as non-current.

10.4 For details of restriction on title, and assets pledged as security against borrowings, refer to note 42 to the financial statements.

	Note	June 30, 2009 *Rupees*	June 30, 2008 *Rupees*
11 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation	*11.1*	41,415,162	36,586,612
Unrecognized actuarial gains		-	-
		41,415,162	36,586,612

11.1 Movement in present value of defined benefit obligation is as follows:

	Note	June 30, 2009	June 30, 2008
As at beginning of the year		36,586,612	30,694,749
Charged to profit or loss for the year	*11.2*	8,932,444	8,250,848
Benefits paid during the year		(4,103,894)	(2,358,985)
As at end of the year		41,415,162	36,586,612

The most recent actuarial valuation was carried out as at June 30, 2008 using the following assumptions:

Discount rate	13.5%
Expected rates of increase in salary	11.5%
Expected average remaining working lives of employees	11 years

	Note	June 30, 2009 *Rupees*	June 30, 2008 *Rupees*
11.2 Salaries, wages and other benefits include the following in respect of employees retirement benefits:			
Current service cost		6,322,154	7,040,868
Interest cost		2,610,290	2,189,932
Actuarial losses recognized during the year		-	(979,952)
		8,932,444	8,250,848

11.3 Historical information

	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Present value of defined benefit obligation *(Rupees)*	41,415,162	36,586,612	30,694,749	-	-
Actuarial adjustment arising during the year (%)	-	2.7%	-	-	-

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.

12 LONG TERM PAYABLES

	Note	June 30, 2009	June 30, 2008
Long term payables		34,027,750	39,563,236
Current maturity presented in current liabilities	13	(34,027,750)	-
		-	39,563,236

These are payable to the cotton ginners on account of cotton purchased during the year ended June 30, 2007 and are payable in the year ending June 30, 2010. The balance carries mark-up at Rs. 27 per mound per month.

13 CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	June 30, 2009	June 30, 2008
Loan from associates	9	15,416,094	41,091,215
Long term finances	10	-	82,202,845
Long term payables	12	34,027,750	-
		49,443,844	123,294,060

14 SHORT TERM BORROWINGS - SECURED

These represent short term finances utilized under mark-up arrangements from banking companies.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Local currency			
Cash finance	14.1	224,904,851	271,762,511
Finance against import merchandise	14.1	209,168,656	167,541,646
		434,073,507	439,304,157
Foreign currency			
Finance against import merchandise	14.2	138,546,628	183,799,990
		572,620,135	623,104,147

14.1 These facilities have been obtained from National Bank of Pakistan for working capital requirements and are secured by pledge of stock of cotton bales, cotton yarn and synthetic / polyester fiber yarn, charge over current assets and property, plant and equipment of the Company, and personal guarantees of Directors of the Company. The facility carries mark-up at three months KIBOR plus 2% subject to a floor of 6 % (2008: three months KIBOR plus 1.75% with floor of up to 6%) per annum.

14.2 This facility has been obtained from National Bank of Pakistan for import of raw material and is secured by pledge of stock of cotton bales, cotton yarn and synthetic / polyester fiber yarn, charge over current assets and property, plant and equipment of the Company, and personal guarantees of Directors of the Company. The facility carries mark-up at LIBOR plus 2% (2008: LIBOR plus 1.5%) per annum.

14.3 The aggregate available short term borrowing facilities amounts to Rs. 788 million (2008: Rs. 682.6 million) out of which Rs. 215.38 million (2008: Rs. 58.9 million) remained unavailed as at the reporting date.

14.4 For details of restriction on title, and assets pledged as security against borrowings, refer to note 42 to the financial statements.

15 TRADE AND OTHER PAYABLES

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Trade creditors		62,622,492	71,379,399
Accrued liabilities		18,616,542	23,900,372
Advances from customers		17,924,291	27,089,013
Workers' Profit Participation Fund	15.1	2,756,950	2,219,820
Workers' Welfare Fund		86,695	-
Unclaimed dividend		124,430	124,430
Other payables		5,256,207	3,855,960
		107,387,607	128,568,994

15.1 Workers' Profit Participation Fund ("WPPF")

	June 30, 2009 Rupees	June 30, 2008 Rupees
As at beginning of the year	2,219,820	762,642
Interest on funds utilized by the Company	325,053	111,972
Charged to profit or loss	228,145	2,203,752
Paid during the year	(16,068)	(858,546)
As at end of the year	2,756,950	2,219,820

15.2 Interest on WPPF is charged at 14.75% (2008: 11.5%).

	June 30, 2009 Rupees	June 30, 2008 Rupees
16 MARK-UP ACCRUED		
Mark-up accrued on borrowings		
Long term finances	1,055,142	905,288
Short term borrowings	33,365,711	19,274,497
Mark-up accrued on long term payables	11,747,165	7,241,847
	46,168,018	27,421,632

17 CURRENT TAXATION

Provision for taxation	1,021	5,384,086
Advance income tax	(2,697,785)	(4,725,227)
Current tax (asset) / liability	(2,696,764)	658,859

18 CONTINGENCIES AND COMMITMENTS

Contingencies

There are no known contingencies as at the reporting date.

Commitments

Irrevocable letters of credit for import of:		
machinery	1,207,305	4,756,950
raw materials	31,702,220	102,064,356
	32,909,525	106,821,306

Commitments under operating leases		
Not later than one year	691,200	691,200
Later than one year	-	691,200
	691,200	1,382,400

19 PROPERTY, PLANT AND EQUIPMENT

	Year ended June 30, 2009										
	Cost						Depreciation				Net book
	As at July 01, 2008 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2009 Rupees	Rate	As at July 01, 2008 Rupees	Adjustment Rupees	For the year Rupees	As at June 30, 2009 Rupees	value as at June 30, 2009 Rupees
Assets owned by the Company											
Freehold land	19,479,000	-	-	-	19,479,000	-	-	-	-	-	19,479,000
Buildings on freehold land	124,991,962	968,481	-	115,335	126,075,778	5%	42,582,023	-	4,134,265	46,716,288	79,359,490
Plant and machinery	651,335,425	-	-	18,165,508	669,500,933	5%	256,711,687	-	20,009,942	276,721,629	392,779,304
Electric installations	43,152,749	850,105	-	-	44,002,854	5%	11,464,826	-	1,617,222	13,082,048	30,920,806
Tools and equipments	1,533,647	3,000	-	-	1,536,647	10%	810,973	-	72,542	883,515	653,132
Labouratory equipments	3,848,276	-	-	-	3,848,276	10%	2,249,674	-	159,860	2,409,534	1,438,742
Fire fighting equipments	343,461	-	-	-	343,461	10%	72,195	-	27,127	99,322	244,139
Office equipments	2,487,155	177,900	-	-	2,665,055	10%	1,481,791	-	109,956	1,591,747	1,073,308
Furniture and fixtures	5,248,129	198,590	-	-	5,446,719	10%	3,413,123	-	192,623	3,605,746	1,840,973
Arms and ammunition	338,289	66,000	-	-	404,289	10%	240,401	-	14,189	254,590	149,699
Vehicles	19,362,430	1,556,900	(587,540)	-	20,331,790	20%	7,117,610	(133,175)	2,448,471	9,432,906	10,898,884
	872,120,523	3,820,976	(587,540)	18,280,843	893,634,802		326,144,303	(133,175)	28,786,197	354,797,325	538,837,477

	Year ended June 30, 2008										
	Cost						Depreciation				Net book
	As at July 01, 2007 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2008 Rupees	Rate	As at July 01, 2007 Rupees	Adjustment Rupees	For the year Rupees	As at June 30, 2008 Rupees	value as at June 30, 2008 Rupees
Assets owned by the Company											
Freehold land	19,479,000	-	-	-	19,479,000	-	-	-	-	-	19,479,000
Buildings on freehold land	111,343,426	-	-	13,648,536	124,991,962	5%	38,903,140	-	3,678,883	42,582,023	82,409,939
Plant and machinery	607,443,118	2,900,000	-	40,992,307	651,335,425	5%	238,046,909		18,664,778	256,711,687	394,623,738
Electric installations	27,767,154	15,385,595	-	-	43,152,749	5%	10,278,728	-	1,186,098	11,464,826	31,687,923
Tools and equipments	933,097	600,550	-		1,533,647	10%	780,691	-	30,282	810,973	722,674
Labouratory equipments	2,448,276	1,400,000	-	-	3,848,276	10%	2,201,680	-	47,994	2,249,674	1,598,602
Fire fighting equipments	103,461	240,000	-	-	343,461	10%	66,499	-	5,696	72,195	271,266
Office equipments	2,427,855	59,300	-	-	2,487,155	10%	1,371,701	-	110,090	1,481,791	1,005,364
Furniture and fixtures	5,034,269	213,860	-	-	5,248,129	10%	3,225,504	-	187,619	3,413,123	1,835,006
Arms and ammunition	338,289	-	-	-	338,289	10%	229,524	-	10,877	240,401	97,888
Vehicles	14,604,852	5,217,548	(459,970)	-	19,362,430	20%	4,770,397	(113,171)	2,460,384	7,117,610	12,244,820
	791,922,797	26,016,853	(459,970)	54,640,843	872,120,523		299,874,773	(113,171)	26,382,701	326,144,303	545,976,220

19.1 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of buyer
	Year ended June 30, 2009						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Huyandai LEA - 2210	587,540	133,175	454,365	460,000	5,635	Insurance claim	EFU General Insurance Company - Faisalabad

Particulars	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of buyer
	Year ended June 30, 2008						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Suzuki Mehran LEB 3474	405,200	86,444	318,756	317,000	(1,756)	Negotiation	Muhammad Mqsood, Lahore
Honda Motercycle LZL 1952	54,770	26,727	28,043	42,000	13,957	Negotiation	Abdul Razzaq, Lahore
	459,970	113,171	346,799	359,000	12,201		

19.2 Transfers represent transfers from capital work in progress on the related assets becoming available for use. See note 20.

19.3 The depreciation charge for the year has been allocated as follows:

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Cost of sales	29	26,020,958	23,613,731
Administrative expenses	32	2,765,239	2,768,970
		28,786,197	26,382,701

19.4 Last revaluation of property, plant and equipment was carried out by Iqbal Nanjee and Company as at September 30, 2003 and was incorporated in the financial statements for the year ended September 30, 2003. The revalued amounts were determined on following basis:

Revalued item	Basis of revaluation
Freehold Land	Local market value
Building	Current replacement value
Plant and Machinery	Present depreciated replacement value

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	Year ended June 30, 2009		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	144,868	-	144,868
Building	88,255,864	26,832,143	61,423,721
Plant and machinery	558,025,780	219,371,907	338,653,873

	Year ended June 30, 2008		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	144,868	-	144,868
Building	87,172,048	23,641,865	63,530,183
Plant and machinery	539,860,272	202,210,672	337,649,600

20 CAPITAL WORK IN PROGRESS

	Year ended June 30, 2009			
	As at July 01, 2008 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30, 2009 *Rupees*
Building	-	115,335	(115,335)	-
Plant and machinery	-	18,165,508	(18,165,508)	-
	-	18,280,843	(18,280,843)	-

	Year ended June 30, 2008			
	As at July 01, 2007 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30, 2008 *Rupees*
Building	2,143,682	11,504,854	(13,648,536)	-
Plant and machinery	6,090,504	34,901,803	(40,992,307)	-
	8,234,186	46,406,657	(54,640,843)	-

21 LONG TERM DEPOSITS

These include security deposits placed with banks, utility companies, the Central Depository Company and owners of rented office premises.

22 LONG TERM ADVANCES -SECURED	*Note*	June 30, 2009 *Rupees*	June 30, 2008 *Rupees*
Due from employees	*22.1*	1,412,283	1,245,263
Current portion shown under current assets		(775,287)	(1,245,263)
		636,996	-

22.1 These are interest free loans advanced to employees against future salaries and retirement benefits as per terms of employment.

23 STORES, SPARES AND LOOSE TOOLS

Stores	2,555,489	4,626,693
Spares and loose tools	12,566,404	9,293,653
	15,121,893	13,920,346

23.1 Stores, spares and loose tools are generally held for internal use only.

23.2 No item of stores, spares and loose tools is pledged as security as at the reporting date.

23.3 It is impracticable to distinguish spares and loose tools each from the other.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
24 STOCK IN TRADE			
Raw material		238,081,422	359,072,025
Work in process		22,621,549	20,166,482
Finished goods	24.1	40,677,804	19,051,186
		301,380,775	398,289,693

24.1 No item of stock with the exception of waste, is carried at net realizable value as at reporting date.

24.2 Stock in trade valued at Rs. 201,686,995 (2008: Rs. 246,247,147) is pledged with banks as security as at the reporting date.

24.3 For detail of pledge stock refer to note 42 to the financial statements.

25 TRADE RECEIVABLES

Local - unsecured, considered good		16,918,447	22,893,479
Foreign - secured	25.1	3,242,771	2,850,900
		20,161,218	25,744,379

25.1 These are secured against letters of credit.

26 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers - unsecured, considered good		5,759,243	6,743,512
Advances to employees - secured	22	775,287	1,245,263
Advance against expenses		72,898	140,882
Letters of credit		116,301	505,649
Prepayments		1,740,136	855,091
Sales tax refundable	26.1	6,509,606	6,006,082
Others receivables - unsecured, considered good		10,959,218	9,276,708
		25,932,689	24,773,187

26.1 This represents excess of input tax on purchases over sales tax payable.

27 CASH AND BANK BALANCES

Cash in hand		131,696	189,167
Cash at banks:			
Current account		1,993,685	12,637,909
Saving account	27.1	39,438	33,494
		2,164,819	12,860,570

27.1 Effective markup rate in respect of saving accounts ranges from 5% to 6% (2008: 4% to 5%) per annum.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
28 SALES - NET			
Yarn sales			
Local		1,120,512,903	1,024,408,990
Export		26,265,284	11,157,169
		1,146,778,187	1,035,566,159
Waste sales		35,599,019	43,511,445
		1,182,377,206	1,079,077,604
Commission and brokerage		(1,665,119)	(2,260,359)
		1,180,712,087	1,076,817,245
29 COST OF SALES			
Raw material consumed	29.1	783,428,670	650,980,680
Stores, spares and loose tools consumed		46,923,999	44,471,108
Salaries, wages and benefits	29.2	111,355,316	102,673,878
Fuel, power and water charges		162,134,983	146,329,870
Insurance		1,865,592	1,630,557
Vehicle running and maintenance		1,162,042	1,156,103
Repair and maintenance		24,320	39,535
Depreciation	19.3	26,020,958	23,613,731
Others		2,524,753	2,408,459
		1,135,440,633	973,303,921
Work in process			
Opening stock		20,166,482	19,866,019
Closing stock		(22,621,549)	(20,166,482)
		(2,455,067)	(300,463)
Cost of goods manufactured		1,132,985,566	973,003,458
Finished goods			
Opening stock		19,051,186	11,340,998
Closing stock		(40,677,804)	(19,051,186)
		(21,626,618)	(7,710,188)
		1,111,358,948	965,293,270

29.1 Raw material consumed

	June 30, 2009 Rupees	June 30, 2008 Rupees
As at beginning of the year	359,072,025	95,096,020
Purchased during the year	721,109,502	954,579,912
	1,080,181,527	1,049,675,932
Sale of raw material	(58,671,435)	(39,623,227)
As at end of the year	(238,081,422)	(359,072,025)
Consumed during the year	783,428,670	650,980,680

29.2 These include charge in respect of employees retirement benefits amounting to Rs. 7,714,747 (2008: Rs. 7,495,097).

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
30 OTHER OPERATING INCOME			
Income from non-financial instruments			
Gain on disposal of property, plant and equipment		5,635	12,201
Scrap sales		1,446,562	1,177,661
		1,452,197	1,189,862
Income from financial instruments			
Mark-up income from bank deposits		16,426	5,631
		1,468,623	1,195,493
31 DISTRIBUTION COST			
Salaries, wages and benefits	31.1	770,274	623,069
Inland transportation		3,583,777	2,645,455
Ocean freight and forwarding		1,208,674	204,209
Traveling and maintenance		136,607	74,608
Communication		89,240	55,940
Insurance		24,100	139,919
Vehicles maintenance		170,304	22,658
Others		31,240	78,632
		6,014,216	3,844,490

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 26,274 (2008: Rs. 43,569).

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration		3,541,154	3,509,929
Salaries, wages and benefits	32.1	6,667,768	5,494,762
Traveling, conveyance and entertainment		684,597	576,857
Printing and stationery		369,112	265,745
Electricity and gas		495,717	1,186,709
Communication		822,319	945,351
Vehicles running and maintenance		1,620,343	1,599,119
Advertisement		136,000	46,820
Legal and professional		170,000	245,000
Auditors' remuneration	32.2	505,000	250,000
Fee and subscription		841,517	466,216
Insurance		603,206	647,083
Repair and maintenance		185,627	221,634
Depreciation	19.3	2,765,239	2,768,970
Rent, rates and utilities		681,600	611,901
		20,089,199	18,836,096

32.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,191,423 (2008: Rs. 712,182).

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
32.2 Auditors' remuneration			
Annual statutory audit		375,000	200,000
Half yearly review		75,000	-
Review report on code of corporate governance		45,000	35,000
Out of pocket expenses		10,000	15,000
		505,000	250,000

33 OTHER OPERATING EXPENSES

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Workers' Profit Participation Fund		228,145	2,203,752
Workers' Welfare		86,695	-
Donations	33.1	242,650	22,000
Exchange loss		30,206,580	18,911,609
		30,764,070	21,137,361

33.1 None of the Directors or their spouses had any interest in respect of the donations made by the Company.

34 FINANCE COST

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Mark-up on:			
Long term finances		5,859,254	7,993,705
Long term payables		4,505,318	5,111,273
Short term borrowings		51,655,788	32,342,135
Workers' Profit Participation Fund		325,053	111,972
		62,345,413	45,559,085
Bank charges and commission		463,119	382,767
Less: imputed interest income on interest free loan		(53,102,322)	-
		9,706,210	45,941,852

35 TAXATION

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Current:			
for the year	35.1	-	5,384,086
for prior years		-	-
		-	5,384,086
Deferred	35.3	-	-
		-	5,384,086

35.1 No provision for current tax has been made due to taxable losses for the current period and availability of accumulated tax losses from the previous periods. The provision for previous year was made in accordance with section 113 "Minimum Tax on income of certain persons" of the Ordinance.

35.2 Assessments for upto the tax year 2008 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

35.3 Provision for deferred taxation has not been made in these financial statements as the Company has deferred tax asset at the reporting date, which does not meet the criteria for recognition due to non-availability of expected future taxable profits. No adjustment have been made for deferred taxation relation to surplus on revaluation of property, plant and equipment. The potential deferred tax asset as at the reporting date amounts to Rs. 55.32 million (2008: Rs. 50 million).

36 EARNINGS PER SHARE - BASIC AND DILUTED

		June 30, 2009	June 30, 2008
Profit attributable to ordinary shareholders	*Rupees*	4,248,067	17,575,583
Weighted average number of ordinary shares outstanding during the year	*No.*	8,775,000	8,775,000
Earnings per share	*Rupees*	0.48	2.00

There is no dilutive effect on basic earnings per share of the Company.

37 CASH GENERATED FROM OPERATIONS

	June 30, 2009	June 30, 2008
Profit before tax	4,248,067	22,959,669
Adjustments for non-cash items		
Finance cost	62,818,515	45,936,221
Gain on sale of property, plant and equipment	(5,635)	(12,201)
Provision for Workers' Profit Participation Fund	228,145	2,203,752
Provision for Workers' Welfare Fund	86,695	-
Exchange loss	30,206,580	18,911,609
Depreciation	28,786,197	26,382,701
Imputed interest income on interest free loan	(53,102,322)	-
Provision for employees retirement benefits	8,932,444	8,250,848
	77,950,619	101,672,930
Operating profit before changes in working capital	82,198,686	124,632,599
Changes in working capital		
Increase in stores, spares and loose tools	(1,201,547)	(3,860,543)
Decrease / (increase) in stock in trade	96,908,918	(271,986,656)
Decrease in trade receivables	5,583,161	5,335,251
(Increase) / decrease in advances, prepayments and other receivables	(1,159,502)	12,523,730
(Increase) / decrease in long term deposits	(38,100)	49,000
(Increase) / decrease in long term advances	(636,996)	101,990
Decrease in long term payables	(5,535,486)	-
(Decrease) / increase in trade and other payables	(21,480,159)	6,893,024
Cash generated from / (used in) operations	154,638,975	(126,311,605)

38 CASH AND CASH EQUIVALENTS	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Cash and bank balances	27	2,164,819	12,860,570

39 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial risk management is carried out under risk policies established and approved by the Board of Directors. The management administers all aspects of risk management involving currency and interest rate risk, and cash management, in accordance with the risk policy.

The Company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the Company and the manner in which each of these risks are managed is as follows:

39.1 Credit risk

Credit risk is the risk of financial loss to the Company, if a counterparty to a financial instrument fails to meet its contractual obligations.

39.1.1 Maximum credit exposure

The maximum exposure to credit risk as at the reporting date is as follows:

Loans and receivables:		
Long term deposits	10,528,914	10,490,814
Trade receivables	20,161,218	25,744,379
Other receivables	10,959,218	9,276,708
Cash at banks	2,164,819	12,860,570
	43,814,169	58,372,471

39.1.2 Concentration of credit risk

Maximum exposure to credit risk by type of counter party as at the reporting date is:

Customers	20,161,218	25,744,379
Banking companies and financial institutions	2,164,819	12,860,570
Utility companies	10,528,914	10,490,814
Suppliers	10,959,218	9,276,708
	43,814,169	58,372,471

39.1.3 Credit quality

Credit quality of counter parties is assessed based on historical default rates and where available, individual credit ratings. Credit quality of each component of loans and receivables is as follows:

Customers

The Company is exposed to credit risk in respect of its trade receivables. The analysis of age of trade receivables is presented below:

	June 30, 2009 Rupees	June 30, 2008 Rupees
Not past due	20,161,218	25,744,379
Past due	-	-
	20,161,218	25,744,379

Credit quality of customers is assessed based on historical default rates. All trade receivables not past due are considered good. The management provides allowance for impairment of receivables which are past due more than three years as at reporting date.

Banking companies and financial institutions

The Company's bankers have commendable credit ratings and accordingly balances with them are not exposed to any significant credit risk.

Utility companies

Balance with utility companies comprise security deposits with WAPDA and do not carry any significant credit risk.

Suppliers

These represents the shortage claims lodged by the Company with suppliers of raw material. The balances are considered good based on historical recovery rates.

39.1.4 Collateral held

The Company does not hold collateral to secure its loans and receivables. However, foreign trade receivables of the Company are secured through letters of credits and exposure to credit risk in respect of these is minimal.

39.1.5 Credit risk management

As mentioned in note 39.1.3 above, the Company's exposure to credit risk principally arises from trade receivables.

In respect of trade receivables, the Company does not have significant concentration of credit risk with a single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant balances, along with collection activities are reported to the Board of Directors on a monthly basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit. These actions are also reported to the Board on a monthly basis.

39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

39.2.1 Exposure to liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments

	As at June 30, 2009				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	188,416,094	188,416,094	15,416,094	173,000,000	-
Long term finances	83,513,400	89,676,731	4,097,661	85,579,070	-
Long term payables	34,027,750	36,225,815	36,225,815	-	-
Short term borrowings	572,620,135	572,620,135	572,620,135	-	-
Mark-up accrued on borrowings	46,168,018	46,168,018	46,168,018	-	-
Trade creditors	62,622,492	62,622,492	62,622,492	-	-
Accrued liabilities	18,616,542	18,616,542	18,616,542	-	-
Unclaimed dividend	252,534	252,534	252,534	-	-
Other payables	252,534	252,534	252,534	-	-
	1,006,489,499	1,014,850,895	756,271,825	258,579,070	-

	As at June 30, 2008				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	161,091,215	161,091,215	41,091,215	120,000,000	-
Long term finances	122,302,863	126,799,260	86,098,486	40,700,774	-
Long term payables	39,563,236	46,266,619	4,505,318	41,761,301	-
Short term borrowings	623,104,147	623,104,147	623,104,147	-	-
Mark-up accrued on borrowings	27,421,632	27,421,632	27,421,632	-	-
Trade creditors	71,379,399	71,379,399	71,379,399	-	-
Accrued liabilities	23,900,372	23,900,372	23,900,372	-	-
Unclaimed dividend	124,430	124,430	124,430	-	-
Other payables	270,508	270,508	270,508	-	-
	1,069,157,802	1,080,357,582	877,895,507	202,462,075	-

Contractual cash flows for long term finances as at June 30, 2009 include mark-up for the expected grace period of eighteen months only. Mark-up for the subsequent periods has not been included due to non availability of information regarding number of installments and due date as negotiations were still in process when these financial statements were authorised for issue.

39.2.2 Liquidity risk management

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.

The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that its has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. The Company proposed to meet the current shortfalls through availing the relaxation facilitated by Government of Pakistan and State Bank of Pakistan and continued support of its sponsors and associates.

39.3 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 net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

39.3.1 Currency risk

The Company is exposed to currency risk in respect of sales, purchases, their resulting balances and short term borrowings that are denominated in a currency other than functional currency. The Company's exposure to currency risk as at the reporting date is as follows:

The Company's exposure to currency risk as at the reporting date is as follows:

	Note	June 30, 2009 *Rupees*	June 30, 2008 *Rupees*
Trade receivables	25	3,242,771	2,850,900
Short term borrowings	14.2	138,546,628	183,799,990
Total exposure		141,789,399	186,650,890

The Company manages currency risk by maintaining foreign currency working capital credit lines with its bankers to finance purchase of imported raw material for use in manufacture of products for exports. Proceeds from such exports are then used to repay the borrowing, which substantially reduces its exposure to currency risk in respect of its export sales and import of raw material and spares.

All foreign currency balances are denominated in USD. Average exchange rate used during the year is Rs. 76.47 / USD (2008: Rs. 67.31 / USD). Spot exchange rate applied for measuring financial assets and liabilities as at the reporting date is Rs. 81.10 / USD (2008: Rs. 68 / USD) and Rs. 81.30 / USD (2008: Rs. 68.20 / USD) respectively.

A ten percent appreciation in Rupee would have decreased profit by Rs. 13.53 million (2008: Rs. 18.09 million). A ten percent depreciation would have had the equal but opposite effect on profit. This sensitivity analysis is based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

39.3.2 Interest rate risk

The interest rate profile the Company's interest bearing financial instruments as at the reporting date is as follows:

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Fixed rate instruments			
Financial assets		-	-
Financial liabilities	12	34,027,750	39,563,236
Variable rate instruments			
Financial assets	27	39,438	33,494
Financial liabilities		656,133,535	745,407,010

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by Rs. 6,560,941 (2008: Rs. 7,453,735). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

40 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises, loan from associates, long term finances including current maturity and long term payables. Total capital employed includes total equity as shown in the balance sheet plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements.

41 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associates and key management personnel including chief executive, directors and executives.

The Company has only obtained loans from directors which can be categorized as transactions with related parties. The loan from directors is interest free (See note. 9).

	June 30, 2009 Rupees	June 30, 2008 Rupees
Details of transactions and balances with related parties are as follows:		
41.1 Transactions with related parties		
41.1.1 Transactions with associates		
Loan obtained- Net	27,324,879	59,945,486

41.1.2 Transactions with key management personnel *(including chief executive, directors and executives)*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:

	Year ended June 30, 2009		
	Chief Executive *Rupees*	Directors *Rupees*	Executives *Rupees*
Short-term employee benefits			
Remuneration	1,200,000	1,057,200	1,560,000
Housing	718,826	-	-
Utilities	218,310	346,818	30,000
	2,137,136	1,404,018	1,590,000
Post employment benefits			
Retirement benefits	-	-	85,734
	2,137,136	1,404,018	1,675,734
No. of persons	1	2	2

	Year ended June 30, 2008		
	Chief Executive *Rupees*	Directors *Rupees*	Executives *Rupees*
Short-term employee benefits			
Remuneration	1,200,000	1,080,000	1,920,000
Housing	718,826	-	30,000
Utilities	247,121	263,982	-
	2,165,947	1,343,982	1,950,000
Post employment benefits			
Retirement benefits	-	-	73,410
	2,165,947	1,343,982	2,023,410
No. of persons	1	2	3

Additionally, the Chief Executive and one Director are provided with free use of Company maintained cars.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
41.2 Balances with related parties			
41.2.1 Balances with Associates			
Long term loans	9	188,416,094	161,091,215
41.2.2 Balances with key management personnel (including chief executive, directors and executives)			
Short term employee benefits payable		316,200	300,000
Post employment benefits payable		397,600	311,866

42 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

Mortgages and charges		
Hypothecation over stocks and receivables	55,000,000	55,000,000
Mortgage over land and building	425,000,000	425,000,000
	480,000,000	480,000,000
Physical pledge		
Raw material	185,711,995	227,683,561
Finished goods	15,975,000	18,563,586
	201,686,995	246,247,147

43 PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2009	June 30, 2008
Number of spindles installed	56,076	56,076
Number of spindles worked	56,076	56,076
Number of shifts per day	3	3
Installed capacity after conversion into 40/s counts (Thousand Kgs.)	8,555,000	6,547,000
Actual production of yarn after conversion into 40/s counts (Thousand Kgs.)	8,088,137	6,207,666
All counts production (Thousand Kgs.)	6,228,895	5,925,775

It is impracticable to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary accordingly to the pattern of production adopted in a particular year.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 08, 2009 by the Board of Directors of the Company.

45 GENERAL

Figures have been rounded of to the nearest rupee.

MIAN IQBAL SALAH-UD-DIN
Chief Executive Officer

MIAN YOUSAF SALAH-UD-DIN
Director

Lahore : October 08, 2009

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS OF SALLY TEXTILE MILLS LIMITED AS AT 30/06/2009

Number of Shareholders	Shareholding FROM	Shareholding TO	Total Shares Held
1025	1	100	75,243
357	101	500	92,166
90	501	1,000	74,303
138	1,001	5,000	391,617
32	5,001	10,000	242,766
7	10,001	15,000	92,695
2	15,001	20,000	34,705
8	20,001	25,000	188,500
3	25,001	30,000	82,450
2	30,001	35,000	64,000
1	40,001	45,000	40,500
3	50,001	55,000	156,600
2	55,001	200,000	288,000
1	200,001	350,000	348,279
1	350,001	1,500,000	358,758
3	1,500,001	1,550,000	4,631,468
1	1,550,001	1,650,000	1,612,950
1676	TOTAL		8,775,000

SALLY TEXTILE MILLS LIMITED
CLASSIFICATION OF SHARES BY CATEGORIES

Categories of Member	Number	Shares Held	Percentage
Individuals	1662	7,952,868	90.63
Financial Institutions	4	725,892	8.27
Investment Companies	1	8,500	0.10
Joint Stock Companies	9	87,740	1.00
	1,676	8,775,000	100.00

PATTERN OF SHARE HOLDING OF DIRECTORS
INFORMATION AS AT JUNE 30, 2009

NAME OF DIRECTORS		NUMBERS	SHARE HELD
Mian Iqbal Salah-ud-din	Director		1543820
Mst. Munira Salah-ud-din	Director		1612950
Mian Asad Salah-ud-din	Director		1543828
Mian Yousaf Salah-ud-din	Director		1543820
Mian Sohail Salah-ud-din	Director		7500
Sh. Abdul Salam	Director		2500
Mr. Muhammad Rafiq Khan	Director		2500
			6256918

Individual	1662	7952868
Financial Institutions	4	725892
Joint Stock Companies	9	87740
Investment Companies	1	8500
	1676	8775000

SALLY TEXTILE MILLS LIMITED

97 - Shadman, Lahore - 3

FORM OF PROXY

I/We ______________________________

of______________________________

being a member of SALLY TEXTILE MILLS LIMITED, hereby appoint

____

____

(NAME)

of ______________________________

or failing him ______________________________

(NAME)

of ______________________________

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 41st Annual General Meeting of the Company to be held at the FOUR STARS HALL, Queens Road, Lahore on Saturday 31st October, 2009 at 10.00 am and at every adjournment thereof.

As witness my hand this ____________ day of ____________ 2009

Signed by the said in the presence of ______________________________

____
Signature

Witness

____
Signature

Affix Revenue Stamp

Note : Proxies on order to be effective, must be received at the Company's Registered Office not less than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

[redacted]