INDUS DYEING & MANUFACTURING CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Indus Dyeing & Manufacturing Co. Limited (the company) was incorporated in Pakistan on July 23, 1957 as a public limited company under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984. Registered office of the company is situated at Office No. 508, 5th Floor, Beaumont Plaza, Civil Lines, Karachi. The company is currently listed on Karachi Stock Exchange (Guarantee) Limited. The principal activity of the company is to manufacture and sale of yarn. The manufacturing facilities of the company are located in Hyderabad, Karachi and Muzaffargarh, District Multan. The company is operating four ginning units including three on leasing arrangements and three ice factories on leasing arrangements in District Multan. The company has also made investment in a joint venture, Indus Home Limited.

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

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Adoption of new International Financial Reporting Standards

In the current year, the company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securites and Exchange Commission of Pakistan that are relevant to its operations and effective for company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

IFRS 7 - Financial Instruments: Disclosures April 28, 2008

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

IFRIC 13 - Customer Loyalty Programs July 01, 2008

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The adoption of this Interpretation has led to a change in the timing of recognition of revenue at the time of making sale.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction January 01, 2008

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this Interpretation will have no material impact on the company's financial statements.

2.2.1 New accounting standards and IFRS interpretations that are not yet effective

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

IFRS 8 - Operating Segments January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard will have no material impact on the financial statements in the year of application.

IFRIC 15 - Agreements for the Construction of Real Estate January 01, 2009

IFRIC 15 is applicable for accounting for revenue and associated expenses by entities undertaking the construction of real estate directly or through sub-contractors. The Interpretation clarifies situations in which the relevant contract is to be treated either as a contract for providing goods, providing services or construction contract under IAS 11. Since the company is not engaged in providing real estate services, the initial adoption of this Interpretation is unlikely to affect its financial statements.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation July 01, 2009

This Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The adoption of this standard is not expected to affect the financial statements of the company as it has no foreign investments.

IFRIC 17 - Distributions of Non-cash Assets to Owners July 01, 2009

This Interpretation deals with the situations when transfer of non-cash assets qualify for as dividends and the accounting treatment of distribution of such assets. This Interpretation is likely to affect the financial statements in case the entity decides to declare specie dividend to its shareholders.

IFRIC 18 - Transfer of Assets from Customers July 01, 2009

IFRIC 18 is applied in situations where the customer transfers an item of property, plant and equipment or provides cash to acquire or construct such item and the entity must then use the item either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The company does not have any such assets and therefore, the adoption of this interpretation is unlikely to affect its financial statements.

2.2.2 Interpretations to existing standards that are effective and not relevant for the company's operations

The following interpretation to existing standards has been published and is mandatory for the company's accounting year beginning on July 01, 2008 but is not relevant for the company's operations:

IFRIC 12 - Service Concession Agreements January 01, 2008

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

2.3 Basis for preparation

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

- recognition of certain employee retirement benefits at present value
- certain financial instruments at fair value
- investment in associate and investment in joint venture under equity method

The principal accounting policies adopted are set out below:

2.4 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is recognised using balance sheet liability method for all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The effect of deferred taxation of the portion of the income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

2.5 Staff retirement benefits

Defined benefit plan

The company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in accordance with the requirements of International Accounting Standard (IAS)-19 "Employee Benefits". The detail of which have been given in note 8.2 to the financial statements.

2.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the company or not.

2.7 Property, plant and equipment

2.7.1 Owned

Operating fixed assets owned by the company are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method whereby cost of an asset is written-off over its estimated useful life at the rates specified in the property, plant and equipment note.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

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

Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate, at each balance sheet date.

2.7.2 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during the installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

2.7.3 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

2.8 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

2.9 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

2.10 Stores, spares and loose tools

These are valued on moving average cost method less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

2.11 Stock in trade

Stock in trade, except in transit which is valued at cost accumulated to the balance sheet date, is valued at lower of cost and net realizable value applying the following basis:

	Basis of valuation
Raw material	Weighted average cost
Packing material	Moving average cost
Work in progress	Weighted average cost of material and share of applicable overheads
Finished goods	Lower of weighted average cost and net realizable value
Waste	Net realizable value

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

2.12 Trade debts and other receivables

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

2.13 Interest in a joint venture

The company has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The company recognises its interest in the joint venture using equity method of accounting and initially are recognised at cost. When the company's shares of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has an obligation or has made payments.

2.14 Investment in associates

Associates are all entities over which the company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are accounted for using equity method of accounting and initially are recognized at cost. When the Company's share of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has an obligation or has made payments on behalf of the investee.

2.15 Financial assets at fair value through profit or loss

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

2.16 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

2.17 Foreign currency translation

Transactions in other than Pakistani Rupee are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except for those covered by forward contracts, which are stated at contracted rates.

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

2.18 Provisions

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

2.19 Revenue recognition

Sales are recorded on dispatch of goods to customers.
Income on bank deposits are recorded on time proportionate basis using effective interest rate.
Dividend income is recorded when the right to receive the dividend is established.

2.20 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes party to the contractual provisions of the instrument and derecognised when the company loses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged cancelled or expired. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period to which it relates.

2.21 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are recognized on trade date basis and stated at fair value, with any resultant gain or loss recognized in profit or loss.

2.22 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and net amount is reported in the balance sheet if the company has a legal right to offset the recognized amounts and also intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

2.23 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, demand drafts in transit and balances with banks on current and deposits accounts.

2.24 Dividend

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

2.25 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Assumptions and estimates used in the area of property plant and equipment (refer note 13) are significant to the financial statements and it involves management estimates.

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

3. ISSUED, SUBSCRIBED AND PAID-UP

2009	*2008*		*Note*	*2009*	*2008*
----- No. of shares -----				***--------- Rupees ---------***	
		Ordinary shares of Rs.10 each			
9,637,116	9,637,116	Fully paid in cash		96,371,160	96,371,160
		Other than cash			
5,282,097	5,282,097	Issued to the shareholders of YTML	3.1	52,820,970	52,820,970
3,154,518	3,154,518	Issued as bonus shares		31,545,180	31,545,180
18,073,731	18,073,731			180,737,310	180,737,310

		Note	*2009*	*2008*
			--------- Rupees ---------	
3.1	5,282,097 ordinary shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation in accordance with the share-swap ratio as at October 01, 2004.		52,820,970	52,820,970

3.2 There is no movement in issued, subscribed and paid-up capital during the year.

3.3 The company has one class of ordinary shares which carry no right to fixed income. The holders of are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

3.4 The company has no reserved shares for issuance under options and sales contracts.

	Note	2009	2008
		--------- Rupees ---------	

4. RESERVES

	Note	2009	2008
Capital			
Share premium	4.1	10,919,880	10,919,880
Merger reserve	4.2	11,512,210	11,512,210
		22,432,090	22,432,090
Revenue			
General reserve		2,000,000,000	1,300,000,000
		2,022,432,090	1,322,432,090

4.1 Share premium received in year 2001 in respect of the issue of 3,639,960 right shares at a premium of Rs. 3 per share.

4.2 Merger reserve represents excess of (a) assets of YTML over its liabilities merged with the company and (b) consideration to shareholders of YTML as per the Scheme of Amalgamation approved by honorable High Court of Sindh.

5. LONG-TERM FINANCING

	Note	2009	2008
Secured			
From banking companies and financial institutions	5.1 & 5.2	1,772,734,282	2,311,868,013
Less: Payable within one year shown under current liabilities		(582,564,092)	(744,286,655)
		1,190,170,190	1,567,581,358
Unsecured			
From directors	5.3	73,000,000	-
		1,263,170,190	1,567,581,358

5.1 The particulars of above long-term loans are as follows:

Type and nature of loan	2009			2008		
	Limit Rupees	Mark up rate per annum	Terms of Repayments	Limit Rupees	Mark up rate per annum	Terms of Repayments
Demand finance loan	865,000,000	14.32% to 15.44%	Quarterly and half yearly	865,000,000	10.62% to 14.32%	Quarterly and half yearly
Fixed assets finance	150,000,000	11.82% to 15.44%	Half yearly	328,022,594	10.83% to 15.65%	Half yearly
Term finance	2,350,000,000	11.34% to 15.63%	Quarterly and half yearly	2,450,000,000	10.69% to 15.44%	Quarterly and half yearly
LTF - EOP	362,795,255	5% to 7%	Quarterly and half yearly	362,795,255	5% to 7%	Quarterly and half yearly

5.2 The above finances are secured by equitable charge on land and building, pari passu charge on plant and machinery and land and building, pari passu hypothecation charge on stock, stores, spares and receivables (present and future).

5.3 This represent unsecured finance obtained from directors on interest free basis and is not repayable within one year.

	Note	2009	2008
		--------- *Rupees* ---------	
6. LONG-TERM MURABAHA FINANCE			
Banking companies	6.1	10,000,000	25,000,000
Less: Payable within one year shown under current liabilities		(10,000,000)	(15,000,000)
		-	10,000,000

6.1 These are payable in quarterly installments of Rs. 2.5 million each (2008: quarterly installments of Rs 2.5 million and half yearly of Rs. 5 million) with markup at the rate of 11.34% to 16.56% (2008:11% to 12.12%) per annum, and are secured by first pari passu charge on plant and machinery of the company.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The future minimum lease payments to which the company is committed as at balance sheet date are as follows:

	2009		2008	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	--------- *Rupees* ---------		--------- *Rupees* ---------	
Within one year	5,311,736	3,048,590	18,666,563	17,959,838
After one year but not more than five years	18,241,812	14,529,519	-	-
Total minimum lease payments	23,553,548	17,578,109	18,666,563	17,959,838
Less: Amount representing finance charges	(5,975,439)	-	(706,725)	-
Present value of minimum lease payments	17,578,109	17,578,109	17,959,838	17,959,838
Less: Current portion	(3,048,590)	(3,048,590)	(17,959,838)	(17,959,838)
	14,529,519	14,529,519	-	-

7.1 This represents finance lease arrangements entered into with a financial institution for acquiring plant and machinery. Lease rentals are payable in equal quarterly installments upto August 2013. Interest rates ranging from 6.75% to 17.65% (2008: 5.2 % to15.14 %) per annum have been used as discounting factor.

7.2 The company intends to exercise the option to purchase the leased assets upon completion of the leased period.

7.3 Liabilities are secured against demand promissory notes and security deposits.

8. DEFERRED LIABILITIES

	Note	2009	2008
		--------- Rupees ---------	
Deferred taxation	8.1	264,753,002	257,272,642
Gratuity	8.2	69,694,124	50,835,795
Infrastructure fee payable	8.3	47,759,000	47,759,000
		382,206,126	355,867,437

8.1 Deferred taxation

	2009	2008
Deferred tax liability on taxable temporary differences of:		
Accelerated tax depreciation allowance	282,250,766	261,934,648
Leased assets	3,347,193	13,442,425
Share of profit from:		
Associate	-	48,642
Joint venture	-	3,304,678
	285,597,959	278,730,393
Deferred tax assets on deductible temporary differences of:		
Provision for gratuity	(13,120,954)	(9,046,130)
Liabilities against assets subject to finance lease	(3,309,340)	(3,195,918)
Unrealised exchange loss	(269,202)	(1,265,145)
Fair value loss on derivative financial liability	-	(6,413,053)
Fair value loss on other financial assets	(3,577,684)	(929,232)
Provision for doubtful debts	(379,514)	(608,273)
Provision for slow moving and obsolete stores, spares and loose tools	(188,265)	-
	(20,844,957)	(21,457,751)
	264,753,002	257,272,642

8.2 Gratuity

The company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement of gratuity is 6 months continuous service with the company. The scheme is unfunded and provision is made in accordance with the recommendations of the actuarial valuation of the scheme, which was carried out at June 30, 2009, and has been incorporated in the financial statements.

The Projected unit Credit actuarial cost method based on following significant assumptions was used for the valuation of scheme. The basis of recognition together with details as per actuarial valuation is as under:

Defined benefit plan

		2009	2008
(a)	***Movement in liability***		
	Opening balance	50,835,795	44,821,644
	Charge for the year	32,954,964	16,360,455
	Paid during the year	(14,096,637)	(10,346,304)
	Closing balance	69,694,122	50,835,795
(b)	***Reconciliation***		
	Present value of defined benefit obligation	69,694,122	50,835,795
	Unrecognized actuarial loss	-	-
	Unrecognized past service cost	-	-
		69,694,122	50,835,795

		Note	2009	2008
			--------- Rupees ---------	
(c)	***Charge for the year***			
	Current service cost		16,046,101	11,536,839
	Interest cost		6,100,295	4,823,616
	Actuarial loss recognised		10,808,568	-
			32,954,964	16,360,455
(d)	***Changes in the present value of the defined benefit obligation:***			
	Opening defined benefit obligation		50,835,795	44,821,644
	Current service cost		16,046,101	11,536,839
	Interest cost		6,100,295	4,823,616
	Benefits paid		(14,096,637)	(10,346,304)
	Actuarial loss recognised		10,808,568	-
	Closing defined benefit obligation		69,694,122	50,835,795

	2009	2008
The principal assumptions used in the valuation of gratuity are as follows:		
Discount rate	12%	10%
Expected rate of salary increase	11%	9%
Average expected remaining working life of employees	6 years	5 years

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006	2005
	---------- Rupees ----------				
Present value of the defined benefit obligation	69,694,122	50,835,795	44,821,644	29,721,839	28,319,929

8.3 It represent infrastructure fee / cess payable to Excise and Taxation Officer (ETO) in respect of dues claimed on imported goods under Sindh Finance Ordinance 2001. An amount of Rs 21.82 million in this respect has also been included in accrued liabilities in note 9. The company had made provision on account of dismissal of case by the single bench of Sindh High Court and the matter was pending in the divisional bench of the court. In the current year the Sindh High Court has passed an order allowing the appeals partly in respect of infrastructure fee / cess payable on goods imported before December 28, 2006 in favour the company. However the company has not reversed the provision in respect of the infrastructure fee pertaining to period before December 28, 2006, considering the possible future legal action by the ETO against the order and has classified such provision under non current liabilities.

	Note	2009	2008
		--------- Rupees ---------	
9. TRADE AND OTHER PAYABLES			
Creditors		47,301,076	64,250,519
Accrued liabilities	8.3	176,447,119	158,133,541
Advances from customers		6,044,787	6,603,869
Derivative financial liability		-	36,038,909
Workers' profit participation fund	9.1	9,046,559	9,399,307
Workers' welfare fund		9,193,739	5,095,020
Withholding tax payable		163,165	-
Unclaimed dividend		4,622,947	6,537,277
Others		3,800,570	6,491,255
		256,619,962	292,549,697

9.1 Workers' profit participation fund

Balance at beginning of the year	9,399,307	22,985,906
Allocation for the year	9,046,559	9,399,307
Interest charged during the year on the funds utilized by the company	785,911	1,555,485
	19,231,777	33,940,698
Payments made during the year	(10,185,218)	(24,541,391)
Balance at end of the year	9,046,559	9,399,307

10. INTEREST / MARK-UP PAYABLE

On secured loans from banking companies		
- Long-term financing	39,786,021	29,090,515
- Long-term morabaha finance	390,312	664,865
- Short-term borrowings	57,415,388	37,186,300
	97,591,721	66,941,680

11. SHORT-TERM BORROWINGS

From banking companies - secured			
Running finances	11.1	792,350,620	604,152,204
Short term loans	11.2	894,627,390	550,000,000
Finance against imported merchandise	11.3	290,628,218	287,263,265
Finance against export	11.4	-	29,232,751
		1,977,606,228	1,470,648,220
From related parties - unsecured			
Loan from directors	11.5	67,269,953	1,962,603
		2,044,876,181	1,472,610,823

11.1 The company has aggregate running finance facilities amounting to Rs. 4,060 million (2008: Rs. 2,350 million) from various commercial banks. These are subject to mark-up ranging from 10.45 % to 17.67 % (2008: 10.12 % to 15.13 %). These are secured against hypothecation charge over raw material, finished goods, stores and spares, and receivables.

11.2 The company has aggregate finance facilities amounting to Rs. 1,474 million (2008: Rs. 904 million) from various commercial banks. These are subject to mark-up ranging from 10.59% to 16.17% (2008: 9.37% to 12.75%). These are secured against hypothecation charge over raw material, finished goods, store and spares and receivables and pari passu equitable mortgage and charge on the property, plant and equipment of the company.

11.3 The company has aggregate finance facilities amounting to Rs. 1,015 million (2008: Rs. 1,200 million) from various commercial banks. These are subject to mark-up ranging from 3.57 % to 5.89 % (2008: 3.57% to 6.45%).These arrangements are secured against pledge of stock, foreign currency deposits, lien on export documents and letter of credits, and pari passu charge over current assets.

11.4 The company has aggregate finance facilities amounting to Rs. 350 million (2008: Rs. 250 million) from various commercial banks. These are subject to mark-up ranging from 3.57 % to 5.89 % (2008: 5.82% to 6.16%).These are secured against charge over stocks and book debt.

11.5 These are interest free and are payable within one year.

	2009	2008
	--------- Rupees ---------	

12. CONTINGENCIES AND COMMITMENTS

Contingencies

	2009	2008
Claim of arrears of social security contribution not acknowledged, appeal is pending in Honorable High Court of Sindh. The management is hopeful for favorable outcome.	452,997	452,997
Guarantees issued by banks on behalf of the company	127,050,279	121,702,000

Commitments

	2009	2008
Letters of credit for raw material and stores and spares	687,932,670	652,853,381
Letters of credit for property, plant and equipment	22,764,000	61,278,500

Derivative financial instruments

	No. of contracts	Notional principal *Rupees*	Maturities
Interest rate swaps	2	517,881,000	April 2, 2010 and April 10, 2010

13. PROPERTY, PLANT AND EQUIPMENT

(all amounts in Rupees)

	Owned											Leased	
			Building on leasehold land										
	Freehold land	Leasehold land	Factory building	Non-factory building	Plant and machinery	Electric installations	Power generator	Office equipment	Furniture and fixtures	Vehicles	Factory equipment	Plant and machinery	Total
Year ended June 30, 2009													
Net book value at July 01, 2008	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	3,258,315,875
Additions	-	13,600	4,814,883	577,500	64,369,028	3,683,389	24,715,077	-	43,808	12,343,415	-	19,573,400	130,134,100
Disposals										-			
- Cost	-	-	-	-	(3,359,500)	-	(20,370,610)	-	-	(8,804,532)	-	-	(32,534,642)
- Depreciation	-	-	-	-	3,164,965	-	-	-	-	5,217,388	-	-	8,382,353
Transfers													
- Cost	-	-	-	-	48,000,000	-	50,268,051	-	-	-	-	(98,268,051)	-
- Depreciation	-	-	-	-	(10,448,150)	-	(15,803,793)	-	-	-	-	26,251,943	-
Depreciation charge	-	-	(26,250,365)	(6,000,562)	(239,601,123)	(5,947,035)	(17,469,463)	(415,170)	(987,253)	(7,292,101)	(81,645)	(5,319,416)	(309,364,133)
Net book value at June 30, 2009	14,901,873	3,695,797	498,977,511	54,293,803	2,190,570,729	54,114,193	173,969,852	3,736,525	8,885,275	33,682,291	326,532	17,779,172	3,054,933,553
At June 30, 2009													
Cost	14,901,873	3,695,797	698,343,100	106,489,406	4,032,733,849	98,163,181	285,726,019	14,487,068	21,137,407	63,459,834	1,576,064	19,573,400	5,360,286,998
Accumulated depreciation	-	-	(199,365,589)	(52,195,603)	(1,842,163,120)	(44,048,988)	(111,756,167)	(10,750,543)	(12,252,132)	(29,777,543)	(1,249,532)	(1,794,228)	(2,305,353,445)
Net book value	14,901,873	3,695,797	498,977,511	54,293,803	2,190,570,729	54,114,193	173,969,852	3,736,525	8,885,275	33,682,291	326,532	17,779,172	3,054,933,553
Year ended June 30, 2008													
Net book value at July 01, 2007	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	3,440,878,755
Additions	-	-	20,787,270	3,580,148	90,161,180	2,953,639	23,875,356	-	420,150	4,165,450	-	-	145,943,193
Disposals										-			
- Cost	-	-	-	-	(11,045,815)	-	-	-	-	(2,848,700)	-	-	(13,894,515)
- Depreciation	-	-	-	-	7,236,724	-	-	-	-	1,963,629	-	-	9,200,353
Transfers													
- Cost	-	-	-	-	43,235,000		39,000,000	-	-	-	-	(82,235,000)	-
- Depreciation	-	-	-	-	(14,874,535)	-	(14,973,076)	-	-	-	-	29,847,611	-
Depreciation charge	-	-	(27,001,638)	(6,631,120)	(252,664,227)	(6,085,472)	(14,358,473)	(461,299)	(1,080,916)	(7,489,265)	(102,045)	(7,937,456)	(323,811,911)
Net book value at June 30, 2008	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	3,258,315,875
At June 30, 2008													
Cost	14,901,873	3,682,197	693,528,217	105,911,906	3,923,724,321	94,479,792	231,113,501	14,487,068	21,093,599	59,920,951	1,576,064	98,268,051	5,262,687,540
Accumulated depreciation	-	-	(173,115,224)	(46,195,041)	(1,595,278,812)	(38,101,953)	(78,482,911)	(10,335,373)	(11,264,879)	(27,702,830)	(1,167,887)	(22,726,755)	(2,004,371,665)
Net book value	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	3,258,315,875
Depreciation rates	**-**	**-**	**5%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**20%**	**20%**	**10%**	

13.1 Allocation of depreciation

	Note	*2009*	*2008*
		------- Rupees -------	
Manufacturing expenses	26	301,084,779	315,241,730
Administrative expense	29	8,279,354	8,570,181
		309,364,133	**323,811,911**

13.2 **Disposals of operating - by negotiation**

	Particulars	Cost	Accumulated depreciation	Net book value	Sale proceed	Gain / (loss)	Sold to
		----------------------------------	----------	*Rupees*	----------	----------------------------------	
1	Plant & machinery	220,000	(209,916)	10,084	35,000	24,916	Mr. Ashraf Shop # 315, Ranchore Lane, Karachi
2	Plant & machinery	3,139,500	(2,955,049)	184,451	200,000	15,549	Mr. Lateef Chot ki Gitti, Hyderabad
3	Power generator	20,370,610	-	20,370,610	19,573,400	(797,210)	First National Bank Modaraba 5th Floor, NBP RHQ Building 26 McLagan Road, Lahore
4	Vehicle	1,166,428	(822,435)	343,993	425,000	81,007	Mr. Anjum Room # 04, Opposite Custom House, Karachi
5	Vehicle	420,000	(370,108)	49,892	50,000	108	Mr. Inam ullah H # 5, Charsaddah Road, Mardan
6	Vehicle	609,000	(384,497)	224,503	290,000	65,497	Mr. Muzammil Hussain Employee
7	Vehicle	1,182,139	(903,235)	278,904	295,000	16,096	Mr. Adnan Room # 1, Ashfaq Plaza, Karachi
8	Vehicle	436,915	-	436,915	425,460	(11,455)	Adamjee Insurance Company Limited Insurance claim
9	Vehicle	1,181,050	(499,155)	681,895	900,000	218,105	Mr. Abdul Kareem B- 218,Sattelite Town, Quetta
10	Vehicle	44,000	(31,590)	12,410	5,000	(7,410)	Mr. Fayyaz Mehmood Employee
11	Vehicle	1,000,000	(537,600)	462,400	507,800	45,400	Mr. Iftikhar Younus ZJ Fertilizer & Chemicals (pvt) Ltd. P 414- A, Samundari Road, Faisalabad
12	Vehicle	1,169,000	(809,854)	359,146	400,000	40,854	Mr. Farooq Sodagar 411 -B, K.C.H.S. Adamjee Nagar, Karachi
13	Vehicle	596,000	(319,714)	276,286	320,000	43,714	Mr. Ashfaq Street # 4, Soomro Town, Mirpurkhas
14	Vehicle	1,000,000	(539,200)	460,800	520,000	59,200	Mr. Shafeeq Nippon Automobiles Khalid Bin Waleed Road, Karachi
	Total	**32,534,642**	**(8,382,353)**	**24,152,289**	**(23,946,660)**	**(205,629)**	

	Note	2009	2008
		--------- Rupees ---------	

14. LONG TERM INVESTMENTS

	Note	2009	2008
Investment in an associate	14.1	160,038,748	144,936,756
Investment in a joint venture	14.2	876,076,149	783,046,750
		1,036,114,896	927,983,506

14.1 Investment in an associate
- Sunrays Textile Mills Limited

	Note	2009	2008
Cost		42,382,250	42,382,250
Share of post acquisition profits			
Opening		102,554,506	102,068,076
Share of associate's reversal of deferred tax liability on account of incremental depreciation		2,224,483	277,918
Share of profit from associate for the year		12,877,509	208,512
		117,656,498	102,554,506
	14.1.1	160,038,748	144,936,756

	2009	2008
Number of shares held	1,695,290	1,695,290
Cost of investments (Rupees)	42,382,250	42,382,250
Ownership interest	24.57%	24.57%
Market value (Rupees)	37,296,380	50,858,700

14.1.1 The share of assets and liabilities of the associate at June 30 are as below:

	2009	2008
Current assets	224,837,889	287,982,696
Non-current assets	219,680,971	227,232,982
	444,518,861	515,215,678
Current liabilities	210,130,628	268,483,161
Non-current liabilities	74,349,485	101,795,761
	284,480,113	370,278,922
	160,038,748	144,936,756

14.1.2 Summarized financial highlights as at June 30 of Sunrays Textile Mills Limited are as follows:

	2009	2008
Total assets	1,809,236,259	2,096,979,386
Total liabilities	1,157,862,536	1,507,072,281
Revenue	2,197,384,422	1,889,389,771
Profit for the year	52,412,750	848,664

	Note	2009	2008
		--------- Rupees ---------	

14.2 Investment in a Joint Venture
- Indus Home Limited

	Note	2009	2008
Cost		749,999,970	749,999,970
Share of post acquisition profits			
Opening		33,046,780	45,678,710
Share of profit / (loss) from joint venture for the year		93,029,399	(12,631,930)
		126,076,179	33,046,780
	14.2.1	876,076,149	783,046,750
Number of shares held		74,999,997	74,999,997
Cost of investments (Rupees)		749,999,970	749,999,970
Ownership interest		49.99%	49.99%

Indus Home Limited is a jointly controlled entity which is involved in the manufacturing, export and sale of greige and finished terry towel and other textile products.

14.2.1 The share of assets and liabilities of the jointly controlled entity at June 30 are as follows:

	Note	2009	2008
Current assets		792,557,599	579,355,989
Non-current assets		1,515,927,988	1,628,734,487
		2,308,485,587	2,208,090,476
Current liabilities		(631,600,684)	(628,436,464)
Non-current liabilities		(800,808,754)	(796,607,262)
	14.2.1	876,076,149	783,046,750

14.2.2 Summarized financial highlights of Indus Home Limited as at June 30 are as follows:

	2009	2008
Total assets	4,616,971,357	4,416,181,129
Total liabilities	2,864,818,991	2,850,087,568
Revenue	3,918,196,887	2,066,233,020
Profit / (loss) for the year	186,058,805	(25,263,863)

15. LONG-TERM DEPOSITS

	Note	2009	2008
Lease security deposits	15.1	978,670	5,413,402
Others		563,250	623,250
		1,541,920	6,036,652
Less: Current portion of lease security deposits	20	-	(5,413,402)
		1,541,920	623,250

15.1 It represents interest free refundable deposits paid at inception of lease and are adjustable on maturities of lease arrangements.

16. STORES, SPARES AND LOOSE TOOLS

	Note	2009	2008
Stores, spares and loose tools	16.1	116,481,145	98,538,969
Less: Provision for slow moving and obsolete stock		(1,000,000)	-
		115,481,145	98,538,969

16.1 It includes stores and spares in transit amounting to Rs. 11,021,681 (2008: Rs 6,411,379)

		Note	2009	2008
			--------- Rupees ---------	
17.	**STOCK-IN-TRADE**			
	Raw material	17.1	1,934,512,352	1,192,142,321
	Packing material		22,149,354	24,034,689
	Work-in-process		101,265,194	90,600,549
	Finished goods		151,008,281	198,143,686
	Waste		6,856,940	6,222,922
			2,215,792,121	1,511,144,167

17.1 It includes raw material in transit amounting to Rs. 333,301,227 (2008: Rs. 206,140,125)

		Note	2009	2008
18.	**TRADE DEBTS**			
	Considered good			
	Foreign debtors - secured		48,554,191	344,685,355
	Local debtors - unsecured			
	- Associated undertaking		23,841,819	32,888,218
	- Others		443,309,575	483,553,221
			467,151,394	516,441,439
			515,705,585	861,126,794
	Considered doubtful		2,015,849	3,418,266
			517,721,434	864,545,060
	Less: Provision doubtful debts	18.1	(2,015,849)	(3,418,266)
			515,705,585	861,126,794
18.1	**Provision for doutful debts**			
	Opening balance		3,418,266	2,053,191
	Charge for the year		2,015,849	1,742,435
	Written off		(3,418,266)	(377,360)
	Closing balance		2,015,849	3,418,266
19.	**LOANS AND ADVANCES**			
	Considered good			
	Loans to staff		10,772,228	10,034,431
	Advance income tax		92,396,664	57,051,148
	Advances to			
	- Suppliers		22,446,240	36,588,867
	- Others		9,184,571	12,269,983
			31,630,811	48,858,850
			134,799,703	115,944,429

	Note	2009	2008
		--------- Rupees ---------	

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2009	2008
Considered good			
Lease security deposits	15	-	5,413,402
Other security deposits		2,049,412	1,956,562
Margin deposits		412,500	5,281,893
Prepayments		225,115	209,072
		2,687,027	12,860,929

21. OTHER RECEIVABLES

	Note	2009	2008
Subsidy on markup		10,007,718	-
Cotton claims		3,257,146	1,977,381
Dividend		544,309	-
Others		312,999	7,596,026
		14,122,172	9,573,407

22. OTHER FINANCIAL ASSETS

	Note	2009	2008
Financial assets at fair value through profit and loss held for trading - listed equity securities		48,829,606	45,974,133
Less: Unrealised loss on re-measurement at fair value		(12,755,452)	(6,985,156)
		36,074,154	38,988,977
Cost of financial assets		52,705,727	46,505,014

23. TAX REFUNDS

	Note	2009	2008
Sales tax refundable		14,444,415	19,483,187
Income tax refundable		-	13,355,896
		14,444,415	32,839,083

24. CASH AND BANK BALANCES

	Note	2009	2008
With banks			
- in deposit accounts	24.1	18,125,900	13,491,853
- in current accounts		43,360,393	31,449,027
		61,486,293	44,940,880
Cash in hand		5,407,974	4,383,402
		66,894,267	49,324,282

24.1 This includes term deposit receipts amounting to Rs. 18,125,900 (2008: Rs 11,610,000) on account of guarantees provided by the banks for a period of 12 months carrying markup at the rate of 6 % to 9 % per annum (2008: 6.15% to 9.80 % received on quarterly basis. The banks have a lien on these term deposits.

	Note	2009	2008
		--------- Rupees ---------	

25. SALES

	Note	2009	2008
Export sales	25.1	4,019,946,727	3,668,069,003
Less: Commission		(59,611,126)	(81,814,847)
		3,960,335,601	3,586,254,156
Local sales			
Yarn	25.2	4,408,078,862	3,495,261,079
Waste		129,325,487	148,641,325
		4,537,404,349	3,643,902,404
Less: Brokerage		(27,588,059)	(29,623,159)
		4,509,816,290	3,614,279,245
		8,470,151,891	7,200,533,401

25.1 It includes exchange gain of Rs. 37,158,933 (2008: Rs 10,028,951).

25.2 It includes sales to related parties of Rs. 512,206,597 (2008: Rs.419,223,244).

26. COST OF GOODS SOLD

	Note	2009	2008
Raw material consumed	26.1	5,875,618,935	5,111,486,680
Stores and spares consumed		161,347,452	132,354,153
Manufacturing expenses	26.2	1,242,436,316	1,079,013,599
Outside purchases - yarn		20,803,759	63,596,658
		7,300,206,462	6,386,451,090
Work in process			
- Opening		90,600,549	74,608,941
- (Closing)		(101,265,194)	(90,600,549)
		(10,664,645)	(15,991,608)
Cost of goods manufactured		7,289,541,817	6,370,459,482
Finished goods			
- Opening		204,366,608	135,513,175
- (Closing)		(157,865,221)	(204,366,608)
		46,501,387	(68,853,433)
		7,336,043,204	6,301,606,049

26.1 Raw material consumed

	Note	2009	2008
Opening stock		1,010,036,885	988,708,228
Purchases	26.1.1	6,488,942,529	5,132,815,337
		7,498,979,414	6,121,523,565
Closing stock		(1,623,360,479)	(1,010,036,885)
		5,875,618,935	5,111,486,680

26.1.1 It includes purchases from associated undertaking Rs 20,803,759 (2008: nil).

	Note	2009	2008
		--------- Rupees ---------	

26.2 Manufacturing expenses

	Note	2009	2008
Salaries, wages and benefits	26.2.1	400,902,220	339,196,079
Fuel, water and power		512,154,276	389,582,527
Rent, rates and taxes		1,409,838	2,087,280
Insurance		7,113,272	6,621,548
Repairs and maintenance		11,928,918	15,028,277
Depreciation on property, plant and equipment	13.1.1	301,084,779	315,241,730
Other expenses		7,843,013	11,256,158
		1,242,436,316	1,079,013,599

26.2.1 It includes staff retirement benefits Rs. 31,540,282 (2008: Rs. 15,435,532).

27. OTHER OPERATING INCOME

	Note	2009	2008
Operating profit of ice factories	27.1	1,267,098	1,454,317
Operating profit on trading of raw cotton	27.2	7,847,374	11,216,213
Operating profit on trading of stores and spares	27.3	37,256	60,366
Other income	27.4	9,375,334	6,562,367
		18,527,062	19,293,263

	Note	2009	2008
		--------- Rupees ---------	

27.1 Operating profit of ice factories

	Note	2009	2008
Sales		10,927,377	12,281,427
Cost of goods sold	27.1.1	(9,660,279)	(10,827,110)
		1,267,098	1,454,317

27.1.1 Cost of goods sold

	2009	2008
Salaries, wages and benefits	1,660,125	1,564,596
Electricity	5,109,405	5,858,789
Repairs and maintenance	787,431	859,597
Lease rentals	150,000	250,000
Salt	50,029	55,010
Ammonia gas	79,078	133,894
Stationery	5,950	6,473
Miscellaneous	1,818,261	2,098,751
	9,660,279	10,827,110

27.2 Operating profit on trading of raw cotton

	2009	2008
Sales	58,440,232	114,104,572
Less: Cost of sales	(50,592,858)	(102,888,359)
	7,847,374	11,216,213

	Note	2009	2008
		--------- Rupees ---------	

27.3 Operating profit on trading of stores and spares

Sales		1,277,963	1,108,888
Less: Cost of sales		(1,240,707)	(1,048,522)
		37,256	60,366

27.4 Other income

Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		-	709,888
Scrap sale		3,147,614	5,038,223
Income from financial assets			
Profit on fixed deposits		2,494,116	199,520
Dividend income		3,733,604	614,736
		9,375,334	6,562,367

28. DISTRIBUTION COST

Freight and forwarding		174,391,032	168,510,096
Export development surcharge		8,362,512	8,290,412
Advertisement		3,428,080	1,775,248
Insurance		3,000,000	1,690,000
Others		2,693,798	-
		191,875,422	180,265,756

29. ADMINISTRATIVE EXPENSES

Salaries and other benefits	29.1	34,953,455	31,035,229
Repairs and maintenance		391,992	1,098,444
Postage and telephone		5,372,315	5,130,980
Traveling and conveyance		17,577,680	10,948,617
Vehicles running		5,476,431	4,160,308
Printing and stationery		2,841,815	1,948,384
Rent and electricity		7,721,649	7,111,416
Entertainment		1,085,438	1,412,558
Fees and subscription		895,067	442,273
Insurance		2,000,000	845,000
Bad debts		-	1,742,435
Legal and professional		661,819	411,363
Charity and donations	29.2	1,069,168	228,100
Auditors' remuneration	29.3	1,477,997	888,200
Depreciation on property, plant and equipment	13.1	8,279,354	8,570,181
Others		2,145,793	2,758,643
		91,949,973	78,732,131

29.1 It includes staff retirement benefits Rs. 1,414,684 (2008: Rs.1,116,665).

29.2 None of the directors and their spouses have any interest in the donees fund.

	Note	2009	2008
		--------- Rupees ---------	

29.3 Auditors' remuneration

		2009	2008
Audit fee		1,000,000	500,000
Half year limited review fee		225,000	180,000
Fee for certifications		45,000	45,000
Out of pocket expenses		207,997	163,200
		1,477,997	888,200

30. OTHER OPERATING EXPENSES

	Note	2009	2008
Loss on derivative financial liability		88,765,609	36,038,909
Unrealised loss on other financial assets		12,755,452	6,985,156
Workers' profit participation fund		9,046,559	9,399,307
Workers' welfare fund		4,098,719	5,059,020
Exchange loss		3,244,073	37,733,726
Loss on disposal of other financial assets		737,148	-
Loss on disposal of property, plant and equipment		205,629	-
Operating loss on trading of polyester fiber	30.1	-	889,945
Loss due to fire		-	16,009
		118,853,189	96,122,072

30.1 Operating loss on trading of polyester fiber

	2009	2008
Sales	-	(337,365)
Cost of sales	-	1,227,310
Loss	-	889,945

31. FINANCE COST

	2009	2008
Mark-up on:		
- long-term financing including long-term murabaha	202,673,294	226,867,077
- assets subject to finance lease	3,165,889	3,846,033
- short-term borrowings	324,433,576	125,697,899
Interest on workers' profit participation fund	785,911	1,555,485
Bank charges and commission	51,112,601	31,926,924
	582,171,271	389,893,418

32. TAXATION

	2009	2008
Current	74,912,657	72,383,179
Deferred	7,480,360	50,892,569
	82,393,017	123,275,748

	Note	2009	2008
		--------- Rupees ---------	

32.1 RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND TAX EXPENSE

	2009	2008
Profit before tax	273,692,802	160,747,820
Tax calculated at the rate of 35%	95,792,481	56,261,737
Effect of applicability of lower tax rate on certain incomes	(1,556,930)	1,241,540
Effect of tax under final tax regime	(63,106,444)	(26,236,138)
Tax liability under final tax regime	43,160,779	37,356,041
Effect of taxable / (deductable) differences	7,480,360	53,895,693
Others	622,772	756,875
Tax charge for the year	82,393,017	123,275,748

33. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the company, which is based on:

		2009	2008
Profit for the year	Rupees	191,299,785	37,472,072
Average number of ordinary shares	No. of shares	18,073,731	18,073,731
Earnings per share - Basic	Rupees	10.58	2.07

	2009	2008
	--------- Rupees ---------	

34. CASH GENERATED FROM OPERATIONS

	2009	2008
Profit before taxation	273,692,802	160,747,820
Adjustment for:		
Depreciation	309,364,133	323,811,911
Provision for gratuity	32,954,964	16,360,455
Provision for doubtful debts	2,015,849	1,742,435
Unrealised loss on other financial assets	12,755,452	6,985,156
Unrealised (gain) / loss on derivatives financial liabilities	-	36,038,909
Loss on disposal of other financial assets	737,148	-
Loss / (gain) on disposal of property, plant and equipment	205,629	(709,888)
Finance cost	582,171,271	389,893,418
Dividend income	(3,733,604)	(614,736)
Share of profit from an Associate	(12,877,509)	(208,512)
Share of (profit) / loss from a Joint Venture	(93,029,399)	12,631,930
Cash generated before working capital changes	1,104,256,736	946,678,898
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(16,942,176)	(36,594,403)
Stock-in-trade	(704,647,954)	(259,590,946)
Trade debts	343,405,360	(98,685,555)
Loans and advances	16,490,242	(36,274,600)
Trade deposits and short term prepayments	10,173,902	3,080,501
Other receivables	1,034,316	8,810,808
	(350,486,310)	(419,254,195)
Increase / (decrease) in current liabilities		
Trade and other payables	(35,929,735)	58,570,249
	717,840,691	585,994,952

35. CASH AND CASH EQUIVALENTS

	2009	2008
Cash and bank balances	66,894,267	49,324,282
Running finance	(792,350,620)	(604,152,204)
	(725,456,353)	(554,827,922)

36. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in the accounts for remuneration, including all benefits to chief executive officer and directors of the company are given below:

Particulars	*2009*			
	Chief Executive Officer	**Directors**	**Executives**	**Total**
	------------------------------- ***Rupees*** -------------------------------			
Remuneration	720,000	2,940,000	3,254,400	6,914,400
House rent	480,000	1,780,000	1,084,800	3,344,800
Retirement benefits	-	-	-	-
Total	1,200,000	4,720,000	4,339,200	10,259,200
Number of persons	1	5	11	17

Particulars	*2008*			
	Chief Executive Officer	**Directors**	**Executives**	**Total**
	------------------------------- ***Rupees*** -------------------------------			
Remuneration	720,000	3,240,000	2,868,300	6,828,300
House rent	480,000	2,160,000	956,100	3,596,100
Retirement benefits	-	-	-	-
Total	1,200,000	5,400,000	3,824,400	10,424,400
Number of persons	1	5	11	6

36.1 Company maintained cars and cellular phones are provided to Chief Executive Officer and directors.

36.2 In addition to the above, meeting fee paid to one non-executive director is Rs. 15,000 (2008: 12,000)

37. TRANSACTION WITH RELATED PARTIES

The related parties comprise of associated undertaking (Sunrays Textiles Mills Limited), joint venture (Indus Home Limited), Riaz Cotton Factory, Silver Seeds, MB Industries, Gailawala Cotton Company, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with related parties. Long term and short term loan obtained from directors are disclosed in note 5 and note 11 to the financial statements respectively. Remuneration of key management personnel is disclosed in note 36 to the financial statements and amount due in respect of staff retirement benefits is disclosed in note 8.2. Other significant transaction with related parties are as follows.

Relationship with the company	**Nature of transactions**	***2009***	***2008***
		--------- Rupees	***---------***
Associate	Sale of property, plant and equipment	-	265,000
	Sale of yarn	16,338,105	21,213,086
	Sale of waste	4,041,272	7,753,158
	Sale of stores and spares	480,267	1,108,888
	Purchase of yarn	20,803,759	63,596,658
	Purchase of machinery	-	12,200,000
	Purchase of stores and spares	-	159,511
	Expenses incurred on behalf of associate	14,531,074	102,710
	Expenses incurred by the associate on behalf of the company	11,503,338	483,232
Joint Venture	Sale of yarn	495,868,492	390,257,000

38. FINANCIAL RISK MANAGEMENT

The company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The company also holds long-term investments, and enters into derivative transactions.

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

38.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 1,694 million (2008: Rs.1,930) million, the financial assets which are subject to credit risk amounted to Rs. 1,564 million (2008: Rs. 1,503 million).

The company is exposed to credit risk from its operating activities (primarily for trade receivables and loans and advances) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to receivables

Customer credit risk is managed by business unit subject to the company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

At June 30, 2009, the company had approximately 108 customers (2008: 97 customers) that owed Rs. 517 million (2008: Rs. 865 million). There were 15 customers (2008: 34 customers) with balances greater than Rs. 5 million (2008: Rs. 5 million) accounting for over 67 % (2008: 77 %) of trade debts.

The company does not hold collateral as security against its local debtors.

Credit risk related to financial instruments and cash deposits

The company limits its exposure to credit risk by only investing in liquid securities. Credit risk from balances with banks and financial institutions is managed by finance director in accordance with the company's policy. The company's maximum exposure for financial guarantees and financial derivative instruments are stated in note -12.

38.2 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

38.3 Market risk management

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

38.3.1 Interest rate risk management

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the company's profit for the year ended June 30, 2009 would decrease / increase by Rs. 11.9 million. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

38.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense are denominated in a different currency from the company's functional currency).

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides an economic hedge without derivatives being entered into and therefore, no application of hedge accounting.

At June 30, 2009, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs 2.4 million (2008: Rs 1.4 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and import loans. Profit is more sensitive to movement in Rupee / foreign currency exchange rates in 2008 than 2009 because of the increased amount of foreign currency borrowings.

38.3.3 Equity price risk management

The company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the company's senior management on a regular basis. The company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the company have exposure of Rs. 876 million to unlisted equity securities of a joint venture which is held for strategic rather than trading purpose. The company does not actively trade these securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 36 million. A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 1.2 on the income of the company, depending on whether or not the decline is significant and prolonged.

38.4 Determination of fair values

Fair value of financial instruments

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

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

39. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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

The gearing ratios at June 30, 2009 and 2008 were as follows:

	2009	***2008***
	--------- Rupees ---------	
Total borrowings (note 5 & 11)	3,308,046,371	3,040,192,181
Less: cash and bank balances (note 24)	66,894,267	49,324,282
Net debt	3,241,152,104	2,990,867,899
Total equity	2,477,095,785	2,301,645,249
Total capital	5,718,247,889	5,292,513,148
Gearing ratio	57%	57%

40. CAPACITY AND PRODUCTION

	2009	***2008***
Spinning units		
Total number of spindles installed	130,224	129,943
Total number of spindles worked per annum (average)	129,705	129,829
Number of shifts worked per day	3	3
Installed capacity of yarn converted into 20 counts based on 365 days (lbs.)	97,733,267	100,013,272
Actual production for the year after conversion into 20 counts (lbs.)	89,647,782	90,077,949

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note - 11 is a listing of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Less than 3 months	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	- - - - - - - - - -	- - - - - - - - - -	***Rupees***	- - - - - - - - - -	- - - - - - - - - -
Long-term financing	148,798,340	503,765,752	1,224,692,043	38,569,451	1,915,825,586
Long-term murabaha	5,000,000	5,000,000	-	-	10,000,000
Liabilities against assets subject to finance lease	-	3,048,590	14,529,519	-	17,578,109
Short-term borrowings	1,686,978,010	290,628,218	-	-	1,977,606,228
	1,840,776,350	802,442,560	1,239,221,562	38,569,451	3,921,009,923
Long-term financing	-	669,176,494	1,580,900,407	67,224,951	2,317,301,852
Long-term murabaha	-	15,000,000	10,000,000	-	25,000,000
Liabilities against assets subject to finance lease	-	17,959,838	-	-	17,959,838
Short-term borrowings	1,154,152,204	316,496,016	-	-	1,470,648,220
	1,154,152,204	1,018,632,348	1,590,900,407	67,224,951	3,830,909,910

Effective rates of interest are mentioned in respective notes to the financial statements.

	2009	2008
Ginning units		
Installed capacity to produce cotton bales	124,700	96,462
Actual production of cotton bales	45,212	51,892
Number of shifts	2	2
Capacity attained in (%)	36.26%	53.80%

The reason for shortfall in the production of cotton bales is limited availability of raw cotton in the procurement season.

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

In respect of current year, the directors proposed to pay cash dividend of Rs. 27,110,596 (2008: Rs. 18,073,731) @ Rs. 1.5 (2008: Re.1) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on 07th October, 2009 by the Board of Directors of the company.

43. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer ***Director***