Sapphire Textile Mills Limited

CONTENTS

Company Profile

BOARD OF DIRECTOR

CHAIRMAN :
MR. MOHAMMAD ABDULLAH

CHIEF EXECUTIVE :
MR. NADEEM ABDULLAH

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

AUDIT COMMITTEE :

CHAIRMAN :
MR. SHAHID ABDULLAH
MEMBER :
MR. YOUSUF ABDULLAH
MR. MOHAMMAD YAMIN

CHIEF FINANCIAL OFFICER :
MR. ABDUL SATTAR

COMPANY SECRETARY :
MR. ZEESHAN

AUDITORS :
MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

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

TAX CONSULTANTS :
MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISIOR :
A.K. BROHI & COMPANY

BANKERS :
ABN AMRO BANK
HABIB BANK LIMITED
CITI BANK N.A.
STANDARD CHARTERED BANK
UNITED BANK LIMITED
MCB BANK LIMITED

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

MILLS :
S.I.T.E KOTRI
S.I.T.E NOORIABAD
CHUNIAN, DISTRICT KASUR
FEROZE WATWAN,
BHOPATTIAN, LAHORE.

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

VISION

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

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

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

MISSION

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

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 41st Annual General Meeting of SAPPHIRE TEXTILE MILLS LIMITED will be held on Saturday the 31st day of October, 2009 at 11:15 a.m. at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 40th Annual General Meeting.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended 30th June, 2009.

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

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

SPECIAL BUSINESS

5. To consider and if approved, to pass with or without modification the following resolution under section 208 of the Companies Ordinance, 1984:

   "**Resolved that** the consent and approval of the Company be and is hereby accorded for further Equity Investment up to Danish Krone (DKK) 980,000 in the Equity of Beirholms Sapphire A/S, a company incorporated in Denmark. This fresh investment will enhance the equity investment of the Company up to Danish Krone (DKK) 1,960,000. The Chief Executive of the Company be and is hereby authorized to take all necessary steps in this respect.

   Further Resolved that the Chief Executive be and is hereby authorized to undertake such investment as and when deemed necessary, as per requirements of the Beirholms Sapphire A/S".

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

(See appended statement as required under section 160(1)(b) of the Companies Ordinance, 1984 in respect of above mentioned Special Business)

By Order of the Board

Karachi.
Dated: 09th October, 2009

(ZEESHAN)
Secretary

NOTES:

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

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

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

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

Notice of Annual General Meeting

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item, to be transacted at the Annual General Meeting of the Company, which will be held on 31st October, 2009.

Beirholms Sapphire A/S was incorporated in Denmark, with Share Capital of Danish Krone (DKK) 2,000,000 divided into 2,000 shares of Danish Krone (DKK) 1,000 each. The Company deals in Marketing of Home Textiles. The management of Sapphire Textile Mills Limited (STML) has already invested Danish Krone (DKK) 980,000 i.e. 49% of Share Capital of Beirholms Sapphire A/S.

The Capital of the said company is being enhanced to DKK 4,000,000 to meet its operating requirements. Being 49% shareholder, STML needs to invest further DKK 980,000 in the Company as a result the total equity investment of STML will become DKK 1,960,000 divided into 1,960 shares of Danish Krone (DKK) 1,000 each of the Beirholms Sapphire A/S.

Other information as desired Vide S.R.O. No. 865(1)/2000 to be annexed with the resolution for approval of investment is as under:

1. **Name of investee Company:**
   Beirholms Sapphire A/S is a company incorporated in Denmark which deals in marketing of home textiles.

2. **Nature, amount and extent of investment:**

   It is long term Equity investment. STML shareholders have already approved Equity Investment upto DKK 980,000 in Beirholms Sapphire A/S and now further approval for additional Long term equity investment of DKK 980,000 in Beirholms Sapphire A/S is required which will enhance Equity Investment upto Danish Krone (DKK) 1,960,000.

3. **Aggregate market price of the shares intended to be purchased**

   Not Applicable.

4. **Break-up value of shares intended to be purchased:**

   Break-up value of Shares is Danish Krone (DKK) 542 per share.

5. **Price at which shares will be purchased:**

   At par value of Danish Krone (DKK) 1,000 per share

6. **Earning per share of investee company in last three years:**

   Not Applicable as Beirholms Sapphire A/S is a newly formed company and is in first year of its operations.

7. **Source of funds from where shares will be purchased:**

   Shares will be purchased from company's own sources.

8. **Period for which investment will be made:**

   Long term equity investment

9. **Purpose of investment:**

   It is a strategic investment which will result in increased sales of Home Textiles in Europe for Sapphire Textile Mills Limited. Beirholms Sapphire A/S is the marketing company for home Textile which will procure orders and part of which will be for Sapphire Textile Mills Limited resulting in increase in Exports for Sapphire Textile Mills Limited.

10. **Benefits likely to accrue to the company and the shareholders from the proposed investment:**

    The proposed investment will cause increase in exports; hence it will result in the higher profit for the company which will ultimately benefit the shareholders.

11. **Interest of directors and their relatives in the investee company:**

    Mr. Nadeem Abdullah has been appointed as Director of Beirholms Sapphire A/S on behalf of Sapphire Textile Mills Limited. He has no other interest in the investee company.

ZEESHAN
(Company Secretary)

Director's Report
to the Shareholders

The Directors of **Sapphire Textile Mills Limited** have pleasure in presenting their Report together with the audited financial statements of the Company for the year ended **June 30, 2009.**

FINANCIAL RESULTS

	Rupees in 000 2009	2008
Sales & Services	**11,744,248**	**9,769,322**
Gross Profit	**1,731,373**	**1,128,027**
Profit from Operation	**122,529**	**(187,426)**
Other Opeating Income	**151,534**	**858,027**
Profit before taxation	**274,063**	**670,600**
Profit after taxation	**179,841**	**617,730**

REVIEW OF OPERATIONS

The sales during the year increased by about 20.22% to Rs.11.744 billion from Rs.9.769 billion. The gross profit as a percentage of sales during the current year under review increased to 14.74% from 11.55% in the previous year. Export sales during the year increased to Rs.6.524 billion from Rs.4.605 billion in the previous year. While the local sales marginally increased to Rs.5.187 billion from Rs.5.127 billion. There has been a greater emphasis on marketing in exports markets. Sales of yarn increased by 14.45% to Rs.7.809 billion from Rs.6.824 billion, sale of woven fabric increased by 18.54% to Rs.2.292 billion from Rs.1.933 billion and sale of home textile products increased by 35.88% to Rs.1.159 billion from Rs.0.853 billion. The profit before tax during the year under review was Rs.274.063 million which includes profit from sale of power Rs.5.718 million, a loss of Rs.23.133 million on sale of investments and Rs.15.822 million due to diminution in value of shares.

The major cost increase was in finance cost which increased to Rs.847.734 million from Rs.734.683 million. This is due to continuous high rate of mark-up. During the year this is about 7.2% of sales. The other major cost increase is selling and distribution cost which is due to shift of sales to export from local. Energy cost also accounts for 5.77% of sales which is also high.

APPROPRIATION OF PROFIT

	Rupess In 000
Net Profit Before Taxation	**274,063,653**
Less: Net Taxation	**(94,221,893)**
Profit after taxation	**179,841,760**
Add: Unappropriated profit brought forward	**2,984,803,963**
Profit available for appropriation	**3,164,645,723**
Appropriations	
Proposed cash dividend @ 15% (2008 7.5%)	**30,124,710**
Proposed specie dividend @ NIL (2008 4.5%)	**-**
Unappropirated profit carried forward	**3,134,521,013**

DIVIDEND

The Board of Directors of the company is pleased to recommend a cash dividend of 15% for the year ended June 30, 2009 (2008:7.5%).

Director's Report
to the Shareholders

EARNING PER SHARE

The earning per share on June 30, 2009 was Rs.8.95 as compared to Rs.30.76 on June 30, 2008.

FUTURE LOOK

The textile sector as a whole continues to face difficult challenges in the shape of high interest rates, increased cost of energy and increased cost of logistics. There are extended periods of load shedding for gas in Punjab during the winter months during which the company is forced to shift its energy needs to furnace oil and LESCO, which result in very high cost of energy. There is also a growing competition from manufacturers in China, India and Bangladesh. The domestic production of raw cotton is another big concern for the textile industry as it is stagnant at about 12.5 million bales annually against a requirement of over 15 million bales. However, the Government realizes the importance of the textile sector and the need of this sector as a source of export earnings, creation of employment as well as revenue for the Government. As a result a Textile Policy has been announced where substantial steps have been taken to strengthen this industry through reduction of costs of doing business as well priority for allocation of gas during the winter months. These steps should go a long way in strengthening and growing this industry. Necessary notifications for implementation are still awaited.

The Company maintains its efforts in developing a niche product mix, reduction of costs, and increased service levels. The objective is to create a highly integrated supply chain and enhance the product value.

SUBSIDIARIES OF SAPPHIRE TEXTILE MILLS LIMITED

There are two 100% subsidiaries of Sapphire Textile Mills Limited.

1. **Sapphire Wind Power Company Limited:** The Company is under implementation stage, 1372 acres of land has been allocated, for setting-up of 50 MW Wind Energy project. The Mast (Wind Turbine Power Performance Testing instrument) has been installed at the project; sub-lease document has been signed with the Alternative Energy Development Board. Further preparation of bankable feasibility by Sgurr Energy, a consulting company has been completed and is being submitted to the financial institutions. The technical feasibility has already been submitted to AEDB for approval.

2. **Sapphire Renewable Solutions (Private) Limited:** The company is principally engaged in assembling, manufacturing and sales of alternative energy and lighting products.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

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

2. The company has maintained proper books of accounts.

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

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

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

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

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

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

Director's Report
to the Shareholders

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

Mr. Shahid Abdullah	Chairman
Mr. Yosuf Abdullah	Member
Mr. Muhammad Yamin	Member

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

11. The Company established Management Staff Gratuity Fund from July 1, 2005 which is initially for the Head office and will gradually applicable to the other units/mills of the Company. The company has also introduced Employees' Provident Fund for the staff from July 1, 2006. The persons join the Provident Fund will not be eligible for gratuity fund. Provision has been made in the accounts accordingly.

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

Shares Purchased by Mrs.Shamshad Begum	9700
Shares Purchased by Mr.Shahid Abdullah	15000
Shares Purchased by Mr.Nadeem Abdullah	15400

13. During the Year =8= meetings of the Board of Directors were held. Attendance by each Directors is as follow:

Mr.Muahmmad Abdullah	8
Mr.Shahid Abdullah	6
Mr.Nadeem Abdullah	8
Mr.Amer Abdullah	7
Mr.Yousuf Abdullah	7
Mr.Mohammad Younus	7
Mr.Mohammad Yamin	5

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

PATTERN OF SHAREHOLDING:

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

AUDITORS:

The present Auditors, M/s.Mushtaq & Company **(Chartered Accountants)** retires and being eligible offer themselves for re-appointment for the year 2009-2010. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ended June 30, 2010.

ACKNOWLEDEMENT

The Management would like to place on record its appreciation for the support of Board of Directors, regulatory authorities, shareholders, customers, financial institutions, suppliers and dedication and hard work of the Staff and Workers.

On behalf of the Board

NADEEM ABDULLAH
CHIEF EXECUTIVE

Karachi
Dated : 9th October, 2009

Six Year Growth at a Glance

(Rupees in Million)

YEARS		2009	2008	2007	2006	2005	2004
Sales		11744.248	9769.322	9152.456	8292.709	5586.722	7796.560
Gross Profit		1731.374	1128.027	1191.203	1091.173	852.193	705.445
Profit Before Tax		274.064	670.600	319.708	263.459	381.673	257.353
Profit After Tax		179.842	617.730	216.263	134.535	288.773	172.307
Share Capital		200.831	200.831	200.831	200.831	200.831	200.831
Shareholder's Equity		4459.857	5577.492	6018.868	3893.928	2797.114	2327.933
Fixed Assets - Net		4092.5975	4214.7176	4104.8421	3926.179	3294.346	2487.564
Total Assets		10189.525	12324.265	11126.004	9218.390	7317.921	5800.559
DIVIDEND - Cash	%	15.00	7.50	15.00	12.50	15.00	15.00
DIVIDEND - Specie	%	-	4.50	-	-	-	-
RATIOS:							
Profitability							
Gross Profit	%	14.74	11.55	13.02	9.60	11.32	4.96
Profit Before Tax	%	2.33	6.86	3.49	3.31	7.15	3.45
Profit After Tax	%	1.53	6.32	2.36	1.69	5.41	2.31
Return To Shareholders							
R.O.E-Before Tax	%	6.15	12.02	5.31	6.76	13.65	11.06
R.O.E After Tax	%	4.03	11.08	3.59	3.45	10.32	7.40
Basic E.P.S-After Tax	Rs.	8.95	30.76	10.77	6.70	14.37	8.58
Activity							
Sales To Total Assets	Times	1.15	0.79	0.82	0.86	0.73	1.29
Sales To Fixed Assets	Times	2.87	2.32	2.23	2.03	1.61	3.00
Liquidity/Leverage							
Current Ratio		1.192:1	1.28:1	1.66:1	1.21:1	1.21:1	1.31:1
Debt Equity Ratio	Times	0.16	0.08	0.12	0.24	0.42	0.40
Total Liabilities to Equity.	Times	1.28	1.21	0.85	1.36	1.62	1.49
Break up value per share	Rs.	222.07	277.72	299.70	193.89	139.27	115.91

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 **Sapphire Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Karachi :
Dated : October 09, 2009

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner: Shahabuddin A. Siddiqui

Statement of Complince

with the code of corporate governance

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive Directors.

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

3. The Directors have declared that all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors is a member of a stock exchange.

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

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

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

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

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

9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Companies Ordinance/ Corporate Laws.

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

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

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

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

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

15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance.

17. The Board has set up an effective Internal Audit Function.

Statement of Complince

with the code of corporate governance

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

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

20. In compliance with the requirements of Listing Regulation number 35 of the Karachi Stock Exchange (Guarantee) Limited, the related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

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

For and on behalf of the Board

Karachi
Dated: 09th October, 2009

NADEEM ABDULLAH
CHIEF EXECUTIVE

Auditor's Report

to the members

We have audited the annexed balance sheet of **Sapphire Textile Mills Limited** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 the 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 verifications, we report that;

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

(b) in our opinion;

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

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

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

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

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

Karachi :
Dated : October 09, 2009

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner: Shahabuddin A. Siddiqui

Balance Sheet
as at June 30,2009

	Note	June 30,2009 Rupees	June 30,2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	**3,777,650,771**	3,936,357,164
Capital work in progress	5	**168,831,043**	136,665,017
Intangible assets	6	**7,405,379**	1,035,155
Investment property	7	**138,710,299**	140,660,297
Long term investments	8	**595,827,696**	550,455,739
Long term loans and deposits	9	**25,976,827**	18,609,945
		4,714,402,015	4,783,783,317
CURRENT ASSETS			
Inventories	10	**2,593,837,522**	3,278,652,891
Trade debts	11	**1,106,859,860**	1,129,634,217
Loans and advances	12	**33,647,217**	61,803,031
Advance / refundable income tax		**130,521,770**	96,288,064
Trade deposits and short term prepayments	13	**5,148,290**	7,173,454
Other receivables	14	**55,079,113**	78,562,147
Short term investments	15	**1,462,789,082**	2,821,493,005
Cash and bank balances	16	**87,240,488**	66,874,980
		5,475,123,342	7,540,481,789
TOTAL ASSETS		**10,189,525,357**	12,324,265,106
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	17	**200,831,400**	200,831,400
Reserves		**4,259,025,132**	5,376,660,209
SHAREHOLDERS' EQUITY		**4,459,856,532**	5,577,491,609
LIABILITIES			
NON CURRENT LIABILITIES			
Long term finances	18	**702,714,283**	469,501,210
Deferred liabilities	19	**434,800,133**	396,649,544
		1,137,514,416	866,150,754
CURRENT LIABILITIES			
Trade and other payables	20	**398,727,296**	490,810,513
Interest / mark-up on loans	21	**155,845,558**	82,211,756
Short term borrowings	22	**3,732,160,433**	4,923,882,728
Current portion of long term finance	23	**228,566,450**	322,903,996
Provision for income tax	24	**76,854,672**	60,813,750
		4,592,154,409	5,880,622,743
Contingencies And Commitments	25		
TOTAL EQUITY AND LIABILITIES		**10,189,525,357**	12,324,265,106

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

Karachi :
Dated : October 09, 2009

NADEEM ABDULLAH
Chief Executive

MOHAMMAD ABDULLAH
Director

Profit and Loss Account

for the year ended June 30,2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
Sales and services	26	**11,744,248,108**	9,769,322,012
Cost of sales and services	27	**(10,012,874,520)**	(8,641,294,671)
Gross profit		**1,731,373,588**	1,128,027,341
Selling & distribution expenses	28	**(573,602,972)**	(442,316,060)
Administrative expenses	29	**(124,239,127)**	(115,086,239)
Other operating expenses	30	**(63,267,384)**	(23,368,785)
Finance cost	31	**(847,734,742)**	(734,683,187)
		(1,608,844,225)	(1,315,454,271)
Profit from operations		**122,529,363**	(187,426,930)
Other operating income	32	**151,534,290**	858,027,348
Profit before taxation		**274,063,653**	670,600,418
Taxation - net	33	**(94,221,893)**	(52,870,336)
Profit after taxation		**179,841,760**	617,730,082
Earnings per share - basic and diluted	34	**8.95**	30.76

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

Karachi :
Dated : October 09, 2009

NADEEM ABDULLAH
Chief Executive

MOHAMMAD ABDULLAH
Director

Cash Flow Statement

for the year ended June 30,2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	2,288,138,025	(144,890,455)
Long term loans and deposits		(7,366,882)	7,660,665
Interest paid		(899,002,012)	(560,565,429)
Gratuity paid		(18,755,197)	(37,783,869)
Taxes refund / paid		(95,376,383)	(124,190,126)
		(1,020,500,474)	(714,878,759)
Cash flows from / (used in) operating activities		1,267,637,551	(859,769,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(291,465,668)	(367,536,906)
Purchase of intangible assets		-	(605,724)
Purchase of investment property		-	(141,160,297)
Long term investment in associates		(14,191,900)	(60,000,000)
Long term investment in subsidiary		(33,400,286)	(8,510,000)
Long term investment in others		-	(86,148,236)
Short term investment in others		(71,030,758)	(1,020,698,388)
Proceeds from disposal of property, plant and equipment		18,899,931	11,090,990
Proceeds from sale of long term investment		22,428,393	47,443,250
Proceeds from sale of short term investment		100,000,341	895,107,085
Proceeds from derivative financial instrument		(32,830,740)	(993,729)
Dividend received from associates		3,076,595	9,381,930
Dividend received from others		108,919,069	105,242,564
Rental Income		10,853,208	-
Interest received		80,726	38,113
Cash flows (used in) investing activities		(178,661,089)	(617,349,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		(1,195,181,690)	1,811,548,339
Proceeds from long term loan		400,000,000	47,000,000
Repayment of term finance		(261,124,469)	(336,605,163)
Equity dividend paid		(15,093,891)	(30,069,024)
		(1,071,400,050)	1,491,874,152
Net (decrease) / increase in cash and cash equivalents		17,576,412	14,755,590
Net foreign exchange differences		954,890	73,839
Cash and cash equivalent at the beginning of the year		64,414,938	49,585,509
Cash and cash equivalent at the end of the year	36	82,946,240	64,414,938

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

Karachi :
Dated : October 09, 2009

NADEEM ABDULLAH
Chief Executive

MOHAMMAD ABDULLAH
Director

Statement of Changes in Equity

for the year ended June 30, 2009

	Share Capital	Reserves								Total Equity
		Capital	Revenue			Unrealized gain / (loss)			Total	
		Share premium	Fixed assets replacement	General	Unappropriated profit	On hedging instruments	On derivative financial instruments	On available for sale investments		
	Rupees									
Balance as at June 30, 2007	200,831,400	156,202,200	65,000,000	330,000,000	2,442,988,183	32,947,381	11,445,972	2,779,453,194	5,818,036,930	6,018,868,330
Final cash dividend for the year ended June 30, 2007 at Rs. 1.5 per ordinary share	-	-	-	-	(30,124,710)	-	-	-	(30,124,710)	(30,124,710)
Profit for the year ended June 30, 2008	-	-	-	-	617,730,082	-	-	-	617,730,082	617,730,082
Unrealized (loss) on remeasurement of available for sale investments						-	-	(992,065,675)	(992,065,675)	(992,065,675)
Unrealized (loss) on remeasurement of forward foreign exchange contracts						(32,947,381)	-	-	(32,947,381)	(32,947,381)
Unrealized (loss) on remeasurement of derivative financial instruments	-	-	-	-	-	-	(3,969,037)	-	(3,969,037)	(3,969,037)
Balance as at June 30, 2008	200,831,400	156,202,200	65,000,000	330,000,000	3,030,593,555	-	7,476,935	1,787,387,519	5,376,660,209	5,577,491,609
Final cash dividend for the year ended June 30, 2008 at Rs. 0.75 and specie dividend 4.5 per ordinary share					(45,789,592)	-	-	-	(45,789,592)	(45,789,592)
Profit for the year ended June 30, 2009					179,841,760	-	-	-	179,841,760	179,841,760
Unrealized (loss) on remeasurement of available for sale investments						-	-	(1,248,273,498)	(1,248,273,498)	(1,248,273,498)
Unrealized gain on remeasurement of forward foreign exchange contracts (Note: 14)						2,544,108	-	-	2,544,108	2,544,108
Unrealized (loss) on remeasurement of derivative financial instruments (Note: 14.1)	-	-	-	-	-	-	(5,957,855)	-	(5,957,855)	(5,957,855)
Balance as at June 30, 2009	200,831,400	156,202,200	65,000,000	330,000,000	3,164,645,723	2,544,108	1,519,080	539,114,021	4,259,025,132	4,459,856,532

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

Karachi :	**NADEEM ABDULLAH**	**MOHAMMAD ABDULLAH**
Dated : October 09, 2009	***Chief Executive***	***Director***

Notes to the Financial Statements

for the year ended June 30, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The registered office of the Company is situated at 212 Cotton Exchange Building, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan, Bhai Pheru and Bhopattain Lahore. The Company is principally engaged in manufacturing and sale of yarn, fabric, home textile products and energy sales.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value in accordance with the criteria laid down in international Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' and obligation in respect of gratuity scheme is measured at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

2.4 Use Of Estimates And Judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reusable expectations of future events. Revisions too accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management that may brave a significant risk of material adjustments to the financial statements in subsequent years are as follows:

Residual values and useful lives of property, plant and equipment.

Provision for slow moving and obsolete stores and spares and stock-in trade.

Estimates of liability in respect of employee retirement gratuity and compensated absences.

Taxation

Fair value of investment classified as 'available for sale'.

2.5 Standards, interpretations and amendments to published approved accounting standards

2.5.1 Amendments to published standards effective in current year

The Following Standards, amendments and interpretations became effective during the current year:

Notes to the Financial Statements

for the year ended June 30, 2009

IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual period's beginning on or after 28 April 2008). The Company does not have any operation in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

IFRIC 13 – Customer Loyalty Programmers (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmers under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13n did not affect the Company's financial statements.

IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements for the year ended 30 June 2009.

Amendments to published standards applicable to the company not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in entertain cases.

Revised IAS 1 – Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting form tractions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a singly statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 – Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is no likely to have an effect on the Company's financial statements.

Amended IAS 27 – Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 12 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely an effect on the company's financial statements.

IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

Amendments to IAS 32- Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on 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. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

Notes to the Financial Statements

for the year ended June 30,2009

Amendment to IAS 39- Financial Instruments : Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarify the application of existing principal that determine whether specific risks or portion of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1st January 2009). Amendments require entities to assess whether they need to separate an embed derivative from a hybrid (combined) financial instruments when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.

Amendment to IFRS -2 Share base payment-Vesting conditions and cancellations (effective for annual periods beginning on or after January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 12 July 2009) Broadens among other things the definition of business relating to more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than shatter and debt issued cost to be expensed, any pre-existing interest in acquire to be measured at fair value, with the related gain or loss recognized in profit and loss and any non-controlling (minority interest to be measured either at fair value or at its proportionate interest) in the identifiable assets or liabilities of acquire, on a transaction by transaction basis.

IFRS 4 Insurance contract (effective from annual periods beginning on or after January 01, 2009). The IFRS make limited improvement to the accounting for insurance contract until the board complete the second phase of its project on insurance contracts. The standard also requires that entity issuing insurance contracts (an insurer) to disclose information about those contract.

IFRS 8- Operating segment (effective for annual periods beginning on or after 1st January 2009) introduces the "management approach" to segment reporting. IFRS will requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the company's "chief opening decision maker" in order to assess each segment performance and to allocate resources to them.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarify the recognition of revenue by real estate developers of sale of units, such as apartment of houses, 'off-plan', that is , before construction is complete.

IFRIC 16- Hedge of net investment in Foreign Operation (effective for annual periods begning on or after 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity with in the group except the foreign operation, that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on hedging instrument that was determine to be effective is reclassified to profit or loss. The interpretation allows an entity that use the step-by-step method of consolidation and accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the companies operations.

IFRIC 17-Distribution of non-cash assets to owner (effective for annual periods beginning on or after 01 July 2009) state that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognize in equity. When the non cash assets is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders.

Notes to the Financial Statements

for the year ended June 30,2009

IFRIC 18- Transfers of the assets from customer (to be applied prospectively to transfer of assets from customers received on or after 1st July 2009). This interpretation clarify the requirements of IFRSs for agreement in which an entity received from a customer an item of property, plant, and equipment that the entity must than use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

The significant accounting policies adopted in the preparation of theses financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1.1 Owned

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all items of property, plant and equipment is charged to income applying the reducing balance method so as to write off the depreciable amount of an asset over its estimated useful life. Depreciation is being charged at the rates given in note to property plant & equipment. Leasehold land is amortized over the term of lease, if material.

Depreciation on additions to property, plant and equipment is charged from the month in which an assets become available for use, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at June 30, 2009 has not required any adjustment, as its impact is considered insignificant.

The company continually assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Notes to the Financial Statements

for the year ended June 30,2009

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

3.1.2 Leased

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any.

The outstanding obligation under the lease agreements are shown as a liability net of finance charges allocated to future periods.

The finance charges are allocated to accounting periods in manner so as to provide a constant periodic rate of return on the outstanding liabilities.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

3.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

3.3 Intangible assets

Expenditure incurred to acquire Computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method at the rate indicated in note **6** to the financial statements.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount 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 for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

3.4 Investment Property

Investment property are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value.

Depreciation is charged on addition during the year from the month in which the asset is available for use and in respect of disposals during the year up to the month in which the asset is disposed off. The residual values and useful lives are reviewed and adjusted at each balance sheet date.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Notes to the Financial Statements

for the year ended June 30, 2009

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Gain or loss on disposal is taken to the profit and loss account.

3.5 INVESTMENTS

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

3.5.1 Investments in equity instrument of subsidiaries and associated companies

Investment in subsidiaries and associates where the company has significant influence are measured at cost less impairment losses in the company's financial statements.

The company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

3.5.2 Available-for-sale Investments

Available-for-sale investments are initially recognized at cost and carried at fair value at the balance sheet date. Fair value of a quoted investment is determined in relation to its market value at the balance sheet date. Adjustment arising from remeasurement of investment to fair value is recorded in equity and taken to income on disposal of investment or when the investment is determined to be impaired.

3.5.3 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

3.5.4 Held-to-maturity investment

Held-to-maturity investment are recorded at amortized cost using effective interest rate method less impairment, with revenue recognized on an effective basis.

3.6 Derivative financial instruments

The company enters into derivative financial instruments, which include future contracts. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market value (unrealized gain) are included in other receivables and derivatives with negative market value (unrealized losses) are included in other liabilities in the balance sheet. The resultant gain and losses from derivatives held for trading purpose are included in income currently. No derivative is designated as hedging instrument by the company.

3.7 Loans, advances, deposits and other receivables

These are stated at cost. Provision is made for the amounts considered doubtful. Amounts considered irrecoverable are written off to profit and loss account.

Notes to the Financial Statements

for the year ended June 30, 2009

3.8 Stores, spares and loose tools

These are stated at average cost and goods-in-transit are stated at actual cost.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

3.9 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realizable value. Work-in-progress is valued at average cost of raw materials plus a proportion of the production overhead. Waste products are valued at net realizable value. Goods-in-transit are stated at actual cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale. Items in transit are valued at cost accumulated to balance sheet date.

3.10 Trade debts

Trade debts are carried at original invoice amount which is the fair value of consideration to be received for goods and services less an estimate made for doubt full debts based on a review of all outstanding amounts at the year-end. Bad debts are written-off when identified.

3.11 Bank borrowings

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

3.12 Employees' retirement benefits

a). Employee Benefits

Compensated absences

The company accounts for all accumulated compensated absences in the period in which absences accrue.

Post retirement Benefits

Defined benefits plans

The company operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's obligation are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

b). Defined Contribution Plan

There is an approved contributory provident fund for management staff for which contributions are charged to income for the year.

Notes to the Financial Statements

for the year ended June 30,2009

The Company and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary, in the case of management staff, and 8.33% of basic salary and cost of living allowance, in case of non-management staff. The assets of the fund are held separately under the control of trustees.

3.13 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.14 Taxation

Current year

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates the have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.15 Dividend

Dividend distribution by the company's shareholders is recognized as liability in the period in which the dividends are approved.

3.16 Provisions

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

3.17 Revenue recognition

a). Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

b). Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

c). Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

3.18 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

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

The grants are disclosed as a deduction from the related expense.

3.19 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commencing.

3.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

3.21 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks, cash in hand and short term deposits. For the purposes of cash flow statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of temporary overdrawn bank balances.

3.22 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

3.23 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial assets and when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognizing of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities 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.

3.24 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to setoff the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.25 Related party transactions

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant noted to the financial statements.

Notes to the Financial Statements

for the year ended June 30, 2009

4. PROPERTY, PLANT & EQUIPMENT

2009

	Land		On free - hold		On lease - hold			
	Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Factory building	Labour, staff colony and others	Leased building improvements	Plant & machinery
	Rupees							
At July 01, 2008								
Cost	114,192,689	12,498,451	752,694,438	176,693,668	245,378,479	58,620,088	27,051,220	4,926,323,999
Accumulated depreciation	-	-	(285,224,268)	(51,211,984)	(131,077,791)	(30,766,351)	(9,058,559)	(2,103,232,797)
Net book value	114,192,689	12,498,451	467,470,170	125,481,684	114,300,688	27,853,737	17,992,661	2,823,091,202
During the year								
Additions	2,481,000	277,948	47,075,039	22,207,857	-	-	5,444,087	101,289,854
Disposals:								
Cost	-	-	-	-	-	-	-	48,435,882
Depreciation	-	-	-	-	-	-	-	(38,030,954)
	-	-	-	-	-	-	-	10,404,928
Deprecation charged for the year	-	-	(48,619,190)	(7,498,628)	(11,400,329)	(1,374,589)	(4,054,076)	(288,270,230)
Closing net book value	116,673,689	12,776,399	465,926,019	140,190,913	102,900,359	26,479,148	19,382,672	2,625,705,898
At June 30, 2009								
Cost	116,673,689	12,776,399	799,769,477	198,901,525	245,378,479	58,620,088	32,495,307	4,979,177,971
Accumulated depreciation	-	-	(333,843,458)	(58,710,612)	(142,478,120)	(32,140,940)	(13,112,635)	(2,353,472,073)
Net book value	116,673,689	12,776,399	465,926,019	140,190,913	102,900,359	26,479,148	19,382,672	2,625,705,898
Depreciation rate % per annum	-	-	10%	5%	10%	5%	20%	10%

2008

	Land		On free - hold		On lease - hold			
	Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Factory building	Labour, staff colony and others	Leased building improvements	Plant & machinery
	Rupees							
At July 01, 2007								
Cost	114,192,689	6,733,210	608,140,939	160,642,421	241,225,579	57,842,731	8,964,789	4,636,641,906
Accumulated depreciation	-	-	(240,573,266)	(45,080,997)	(118,823,513)	(28,960,267)	(7,311,930)	(1,827,018,939)
Net book value	114,192,689	6,733,210	367,567,673	115,561,424	122,402,066	28,882,464	1,652,859	2,809,622,967
During the year								
Additions	-	6,542,203	144,553,499	16,051,247	4,152,900	777,357	18,086,431	310,141,995
Disposals:								
Cost	-	776,962	-	-	-	-	-	20,459,902
Depreciation	-	-	-	-	-	-	-	(16,489,151)
	-	776,962	-	-	-	-	-	3,970,751
Deprecation charged for the year	-	-	(44,651,002)	(6,130,987)	(12,254,278)	(1,806,084)	(1,746,629)	(292,703,009)
Closing net book value	114,192,689	12,498,451	467,470,170	125,481,684	114,300,688	27,853,737	17,992,661	2,823,091,202
At June 30, 2008								
Cost	114,192,689	12,498,451	752,694,438	176,693,668	245,378,479	58,620,088	27,051,220	4,926,323,999
Accumulated depreciation	-	-	(285,224,268)	(51,211,984)	(131,077,791)	(30,766,351)	(9,058,559)	(2,103,232,797)
Net book value	114,192,689	12,498,451	467,470,170	125,481,684	114,300,688	27,853,737	17,992,661	2,823,091,202
Depreciation rate % per annum	-	-	10%	5%	10%	5%	20%	10%

Notes to the Financial Statements

for the year ended June 30,2009

2009

Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Expired lease: Plant & machinery	Expired lease: Vehicles	Total
63,081,968	877,365	5,706,183	7,157,667	32,327,038	29,838,675	14,267,318	113,313,706	419,213,203	-	6,999,236,155
(24,607,790)	(113,211)	(3,100,635)	(2,804,606)	(16,202,484)	(17,199,072)	(7,634,004)	(51,562,519)	(329,082,920)	-	(3,062,878,991)
38,474,178	764,154	2,605,548	4,353,061	16,124,554	12,639,603	6,633,314	61,751,187	90,130,283	-	3,936,357,164
28,722,709	736,200	4,424,686	2,277,060	2,470,239	872,413	6,787,713	26,655,624	-	-	251,722,429
-	42,000	-	76,957	-	-	-	12,874,300	-	-	61,429,139
-	(5,104)	-	(43,760)	-	-	-	(8,948,182)	-	-	(47,028,000)
-	36,896	-	33,197	-	-	-	3,926,118	-	-	14,401,139
(5,592,931)	(97,949)	(443,381)	(1,716,984)	(1,709,759)	(1,295,576)	(1,077,336)	(14,671,771)	(8,204,954)	-	(396,027,683)
61,603,956	1,365,509	6,586,853	4,879,940	16,885,034	12,216,440	12,343,691	69,808,922	81,925,329	-	3,777,650,771
91,804,677	1,571,565	10,130,869	9,357,770	34,797,277	30,711,088	21,055,031	127,095,030	419,213,203	-	7,189,529,445
(30,200,721)	(206,056)	(3,544,016)	(4,477,830)	(17,912,243)	(18,494,648)	(8,711,340)	(57,286,108)	(337,287,874)	-	(3,411,878,674)
61,603,956	1,365,509	6,586,853	4,879,940	16,885,034	12,216,440	12,343,691	69,808,922	81,925,329	-	3,777,650,771
10%	10%	10%	30%	10%	10%	10%	20%	10%	20%	

2008

Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Expired lease: Plant & machinery	Expired lease: Vehicles	Total
56,232,090	140,315	5,523,683	4,665,542	30,343,243	29,040,846	11,618,899	99,180,941	419,213,203	571,390	6,490,914,416
(20,731,145)	(67,100)	(2,829,227)	(1,286,729)	(14,535,702)	(15,784,972)	(6,998,301)	(46,787,444)	(319,966,305)	(537,100)	(2,697,292,937)
35,500,945	73,215	2,694,456	3,378,813	15,807,541	13,255,874	4,620,598	52,393,497	99,246,898	34,290	3,793,621,479
6,849,878	737,050	182,500	2,492,125	1,983,795	797,829	2,648,419	24,837,694	-	-	540,834,922
-	-	-	-	-	-	-	10,704,929	-	571,390	32,513,183
-	-	-	-	-	-	-	(8,272,650)	-	(541,672)	(25,303,473)
-	-	-	-	-	-	-	2,432,279	-	29,718	7,209,710
(3,876,645)	(46,111)	(271,408)	(1,517,877)	(1,666,782)	(1,414,100)	(635,703)	(13,047,725)	(9,116,615)	(4,572)	(390,889,527)
38,474,178	764,154	2,605,548	4,353,061	16,124,554	12,639,603	6,633,314	61,751,187	90,130,283	-	3,936,357,164
63,081,968	877,365	5,706,183	7,157,667	32,327,038	29,838,675	14,267,318	113,313,706	419,213,203	-	6,999,236,155
(24,607,790)	(113,211)	(3,100,635)	(2,804,606)	(16,202,484)	(17,199,072)	(7,634,004)	(51,562,519)	(329,082,920)	-	(3,062,878,991)
38,474,178	764,154	2,605,548	4,353,061	16,124,554	12,639,603	6,633,314	61,751,187	90,130,283	-	3,936,357,164
10%	10%	10%	30%	10%	10%	10%	20%	10%	20%	

Notes to the Financial Statements

for the year ended June 30, 2009

4.1 Depreciation expenses for the year has been allocated as follows:

	Note	2009 Rupees	2008 Rupees
Cost of goods manufactured	27.1	387,760,986	388,334,348
Administrative expenses	29	3,493,218	2,555,179
Income from power generation	32.2	4,773,479	-
		396,027,683	390,889,527

4.2 Particulars of property, plant & equipment disposed off during the year are as follows (through negotiation):

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Particulars of Buyers
	Rupees					
Plant and Machinery						
Carding Machine CMK-3 Howa	575,000	460,936	114,064	125,000	10,936	Khalil Tanveer Textile Mills Ltd., Nankana.
Mach Coner Murata	1,000,000	336,914	663,086	700,000	36,914	S.A Traders, Karachi.
Carding Machine	3,270,162	2,393,952	876,210	932,000	55,790	Mr. Baba Khalid, Faisalabad.
Carding Machine	2,693,837	2,313,801	380,036	466,000	85,964	Mr. Baba Khalid, Faisalabad.
Carding Machine	7,438,103	6,076,059	1,362,044	1,398,000	35,956	Mr. Baba Khalid, Faisalabad.
Carding Machine CMK-3 Howa	3,450,000	2,889,667	560,333	650,000	89,667	Ahsan Younas & Bro. Spng. Mills, Sheikhupura.
Mach Coner 1983	2,085,148	1,568,933	516,215	525,000	8,785	Mr. Baba Khalid, Faisalabad.
Card MK-4 x Roll 1986	2,707,896	984,085	1,723,811	1,750,000	26,189	Galaxy Engineering (Pvt) Ltd, Karachi.
Card Machine CMK-3 Howa	2,965,000	2,394,546	570,454	600,000	29,546	Alliance Textile Mills Ltd., Jhalum.
Card Machine CMK-3	4,332,633	3,418,732	913,901	1,000,000	86,099	Mr. Muhammad Akbar, Kotri.
Card Machine CMK-3	1,150,000	942,929	207,071	250,000	42,929	Mr. Muhammad Akbar, Kotri.
Card Machine CMK-3	1,830,772	1,258,011	572,761	625,000	52,239	Khalil Tanveer Textile Mills Ltd., Nankana.
Card Machine CMK-3	1,830,772	1,213,598	617,174	750,000	132,826	Ayesha Spinning Mills Ltd., Lahore.
Card Machine CMK-3	1,830,772	1,575,218	255,554	625,000	369,446	Hajran Textile Mills Ltd., Sheikhupura.
Card Machine CMK-3	1,830,772	1,582,438	248,334	625,000	376,666	Mr. Muhammad Akbar, Kotri.
Simplex Machine	3,492,869	3,180,002	312,867	1,500,000	1,187,133	Zain International, Lahore.
Ring Frame RY 4	5,952,147	5,441,134	511,013	900,000	388,987	Mr. Baba Khalid, Faisalabad.
	48,435,883	38,030,955	10,404,928	13,421,000	3,016,072	
Vehicles						
Suzuki Baleno	784,640	463,251	321,389	300,000	(21,389)	Mr.Muhammad Saleem, Karachi.
Toyota Hillix	297,000	292,604	4,396	100,000	95,604	Mr.Muhammad Hussain Khan, Karachi.
Suzuki Bolan	367,000	305,940	61,060	85,000	23,940	Mr.Imran Thanwey, Karachi.
Suzuki Alto	464,000	386,802	77,198	165,000	87,802	Mr.Shahnaz Begum, Karachi.
Suzuki Baleno	699,000	610,948	88,052	225,000	136,948	Mr.Muhammad Abdullah Abid, Faisalabad.
Daihatsu Coure	609,000	50,750	558,250	609,000	50,750	Adamjee Insurance Company Ltd., Karachi.
Honda Civic	1,235,000	968,993	266,007	300,000	33,993	Mr. Ali Amir Khan, Karachi.
Toyota Corolla	1,079,000	813,536	265,464	325,000	59,536	Mr. Muhammad Farooq, Karachi.
Suzuki Cultus	560,000	387,781	172,219	300,000	127,781	Mr. Sajjan Khan, Multan.
Suzuki Alto	504,000	225,987	278,013	500,000	221,987	Adamjee Insurance Company Ltd., Karachi.
Honda Civic	1,125,000	981,960	143,040	275,000	131,960	Mr. Abdul Qadir Bala, Karachi.
Surf Jeep	1,761,660	797,053	964,607	1,150,000	185,393	Mr. Abdul Qadir Bala, Karachi.
Suzuki Cultus	525,000	463,859	61,141	145,000	83,859	Mr. Aziz Karim, Karachi.
Suzuki Mehran	247,000	228,590	18,410	100,000	81,590	Mr. Noor Khan, Karachi.
Suzuki Baleno	729,000	599,050	129,950	150,000	20,050	Mr. Abdul Saboor, Lahore.
Suzuki Mehran	323,000	287,379	35,621	70,000	34,379	Mr. Muhammad Akhtar, Karachi.
Toyota Corolla Saloon	1,079,000	747,163	331,837	450,000	118,163	Mr. Muhammad Zubair, Lahore.
Suzuki Alto	486,000	336,535	149,465	200,000	50,535	Mr. M. Afzal Khan, Lahore.
	12,874,300	8,948,181	3,926,119	5,449,000	1,522,881	
Computer						
Lap Top	76,957	43,760	33,197	38,921	5,724	Mr. Muhammad Sadiq, Faisalabad.
Fire Fighting Equipment						
Control Panel	42,000	5,104	36,896	45,000	8,104	Mr. Waqar Brother, Lahore.
TOTAL	61,429,140	47,027,999	14,401,141	18,953,921	4,552,780	

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	June 30, 2009 Rupees	June 30, 2008 Rupees
5.	**CAPITAL WORK-IN-PROGRESS**			
	Plant and machinery		9,056,349	7,100,167
	Buildings		156,608,683	116,009,078
	Electric Installations		3,166,011	5,978,559
	Computer software development		-	7,577,213
			168,831,043	136,665,017

6. INTANGIBLE ASSET

	2009 Rupees	2008 Rupees
	Computer software	
Net carrying value as at July 01, 2008		
Net book value as July 01, 2008	1,035,155	1,863,283
Transfer from capital work-in-progress	7,577,213	-
Amortization	(1,206,989)	(828,128)
Net book value at June 30, 2009	7,405,379	1,035,155
Gross carrying value at June 30, 2009		
Cost	[illegible]	[illegible]
Accumulated amortization	(4,312,468)	(...105,479)
Net book value	7,405,379	1,035,155
Amortization rate % per annum	20%	20%

7. INVESTMENT PROPERTY

	Rupees		
	Leasehold Land	On leasehold land Building	Total
Net carrying value as at July 01, 2008			
Opening net book value (NBV)	121,160,317	19,499,980	140,660,297
Additions	-	-	-
Depreciation charged	-	(1,949,998)	(1,949,998)
Balance as at June 30, 2009 (NBV)	121,160,317	17,549,982	138,710,299
Gross carrying value as at June 30, 2009			
Cost	121,160,317	19,999,980	141,160,297
Accumulated depreciation	-	(2,449,998)	(2,449,998)
Net book value	121,160,317	17,549,982	138,710,299
Net carrying value as at July 01, 2007			
Opening net book value (NBV)	-	-	-
Additions	121,160,317	19,999,980	141,160,297
Depreciation charged	-	(500,000)	(500,000)
Balance as at June 30, 2008 (NBV)	121,160,317	19,499,980	140,660,297
Depreciation rate % per annum	-	10%	

7.1 Cost of leasehold land and building on leasehold land represent 50% cost of land and building purchased jointly with an associated company. The property is registered in joint names. Agreement for joint venture made.

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	June 30, 2009 Rupees	June 30, 2008 Rupees
8.	**LONG TERM INVESTMENTS**			
	Related Parties - At cost:			
	In subsidiary - Unlisted	8.1	19,370,000	7,910,000
	- Private	8.2	22,940,286	1,000,000
	In associates - Listed	8.3	29,548,774	32,649,503
	- Unlisted	8.4	437,820,400	422,748,000
	Others - At cost - available for sale			
	Other company - Private	8.5	86,148,236	86,148,236
			595,827,696	550,455,739

All investments have a face value of Rs. 10 per share unless stated otherwise.

8.1 Investments in subsidiary company - unlisted - at cost

Number of Shares		Name of Company	Cost	
June 30,2009	June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
1,687,000	40,000	**Sapphire Wind Power Limited**	16,870,000	400,000
		Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2009 Rs. 8.14 (June 30, 2008 Rs. 3.31) per share.		
		Deposit for share application money	2,500,000	7,510,000
			19,370,000	7,910,000

8.2 Investments in subsidiary company - private - at cost

Number of Shares		Name of Company	Cost	
June 30,2009	June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
100,000	100,000	**Sapphire Renewable Solution (Pvt) Limited**	1,000,000	1,000,000
		Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2009 Rs. 42.20 (June 30, 2008 Rs. 6.33) per share.		
		Deposit for share application money	21,940,286	-
			22,940,286	1,000,000

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

8.3 Investments in associates - listed - at cost

Number of Shares		Name of Company	Cost	
June 30,2009	June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
2,615,311	2,815,311	**Sapphire Fibres Limited** Equity interest held 14.94 % (2008: 16%). Fair value of the ordinary shares as at June 30, 2009 amounted to Rs. 222.302 million (2008: 731.840 million)	21,086,923	22,699,503
313,295	995,000	**Reliance Cotton Spinning Mills Limited** Equity interest held 3.04% (2008: 9.67%). Fair value of the ordinary shares as at June 30, 2009 amounted to Rs. 7.519 million (2008: 33.830 million)	8,461,851	9,950,000
			29,548,774	32,649,503

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

8.4 Investments in associates - unlisted - at cost

Number of Shares		Name of Company	Cost	
June 30,2009	June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
5,699,000	5,699,000	**Diamond Fabrics Limited** Equity interest held 38.28% (2008: 38.28%) Break up value on the basis of un-audited accounts for the year ended June 30, 2009 Rs. 105.51 (June 30, 2008: Rs. 78.70 audited) per share.	48,315,000	48,315,000
1,550,000	1,550,000	**Sapphire Power Generation Limited** Equity interest 16.54 % (2008: 16.54%) Break up value on the basis of un-audited accounts for the year ended 30 June, 2009 Rs. 59.07 (June 30, 2008: Rs. 57.11 audited) per share.	19,748,000	19,748,000
29,468,500	29,468,500	**Sapphire Finishing Mills Limited** Equity interest held 32.03 % (2008: 32.03%) Break up value on the basis of un-audited accounts for the year ended 30 June, 2009 Rs. 12.55 (June 30, 2008: Rs. 10.61 audited) per share.	294,685,000	294,685,000
6,000,000	-	**Sapphire Electric Company Limited** Equity interest held 2.33% (2008: Nil) Break up value on the basis of un-audited accounts for the year ended 30 June, 2009 Rs. 12.04 (June 30, 2008: Nil) per share.	60,000,000	-
980	-	**Beirholms Sapphire A/S Denmark** 980 shares of Danish Krone (DKK) 1000 per share Equity interest held 49% (2008: Nil) Break up value on the basis of audited accounts for the period ended April 30, 2009 (10 months) DKK 541.5 equivalent Rs. 7,770.53 per share.	15,072,400	-
			437,820,400	362,748,000
		Deposit for share application money	-	60,000,000
			437,820,400	422,748,000

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

8.5 Investment in other company - private - at cost - available for sale

Number of Shares		Name of Company	Cost	
June 30,2009	June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
7,055,985	1,000,000	**Novelty Enterprises (Pvt) Limited**	86,148,236	25,588,386
		Deposit for share application money	-	60,559,850
			86,148,236	86,148,236

		Note	June 30,2009 Rupees	June 30,2008 Rupees
9.	**LONG TERM LOANS AND DEPOSITS**			
	Loans to employees - unsecured (considered good)			
	Executives	9.1 & 9.2	18,320,567	21,036,364
	Other employees		16,450,125	11,005,181
			34,770,692	32,041,545
	Current portion of loans shown under current assets		14,422,648	19,285,732
			20,348,044	12,755,813
	Security deposits	9.3	5,628,783	5,854,132
			25,976,827	18,609,945

9.1 These interest free loans have been granted for various purposes and are recoverable in monthly installments, which vary from case by case. Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs. 18,320,567 (2008: Rs. 21,036,364).

9.2 Movement in loans to executives

Balance at the beginning of the Year	21,036,364	19,220,105
Amount disbursed during the Year	-	8,838,455
	21,036,364	28,058,560
Amount recovered during the Year	2,715,797	7,022,196
Balance at the end of the Year	18,320,567	21,036,364

9.3 Included is an amount of Rs. 38,000 (2008: Rs. 36,000) deposit with Yousuf Agencies (Pvt) Limited an associated company.

Notes to the Financial Statements

for the year ended June 30,2009

		Note	June 30,2009 Rupees	June 30,2008 Rupees
10.	**INVENTORIES**			
	Stores, spares and loose tools	10.1	199,199,201	152,848,163
	Stock - in - trade	10.2	2,394,638,321	3,125,804,728
			2,593,837,522	3,278,652,891
10.1	**Stores, spares and loose tools**			
	Stores		83,515,356	64,652,052
	Spares - in hand		101,310,257	80,815,174
	Spares - in transit		13,613,365	6,789,619
			114,923,622	87,604,793
	Loose tools		760,223	591,318
			199,199,201	152,848,163
10.2	**Stock - in - trade**			
	Raw material - in hand		1,500,686,230	2,380,432,823
	Raw material - in transit		189,393,716	20,565,377
			1,690,079,946	2,400,998,200
	Work in process		133,898,492	127,781,058
	Finished goods		543,148,628	579,597,085
	Waste		27,511,255	17,428,385
			570,659,883	597,025,470
			2,394,638,321	3,125,804,728

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	June 30, 2009 Rupees	June 30, 2008 Rupees
11.	**TRADE DEBTS**			
	Unsecured - considered good			
	Domestic debts		806,218,733	851,636,641
	For waste		9,890,469	7,545,511
	Energy		16,562,003	-
	Others		921,476	2,374,767
			833,592,681	861,556,919
	Secured - considered good			
	Foreign debts - against export		273,267,179	268,077,298
			1,106,859,860	1,129,634,217

11.1 Domestic debts include due from the following associated undertakings of the Company.

Sapphire Fibres Limited	6,000	1,015,584
Diamond Fabrics Limited	19,210,626	42,976,339
Amer Cotton Mills (Pvt) Limited	690,311	-
Sapphire Finishing Mills Limited	6,677,508	21,408,941
	26,584,445	65,400,864

11.1.1 Maximum amount due from associated undertakings of the company during the year, calculated by reference to month end balances, was Rs. 87,158,278 (2008 : Rs. 93,679,258).

12.	**LOANS AND ADVANCES**		
	Current portion of loans to employees	14,422,648	19,285,732
	Advances - unsecured (considered good)		
	To suppliers	17,754,189	16,556,083
	To contractors	148,380	18,696,216
	To others	1,322,000	7,265,000
		19,224,569	42,517,299
		33,647,217	61,803,031
13.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Security deposits	750,209	740,209
	Prepaid expenses	4,398,081	6,433,245
		5,148,290	7,173,454

Notes to the Financial Statements

for the year ended June 30,2009

	Note	June 30,2009 Rupees	June 30,2008 Rupees
14. OTHER RECEIVABLES			
Unrealised gain on remeasurement of forward foreign currency contract		2,544,108	-
Unrealised gain on remeasurement of interest rate swap to fair value (Note: 14.1)		1,519,080	7,476,935
Interest / mark up accrued		-	10,164
Dividend receivable		1,957,846	10,378,437
Insurance claim receivable		1,305,868	559,989
Sales tax receivable		24,194,651	50,560,454
Special federal excise duty receivable		3,732,434	1,823,147
Export rebate receivable		14,707,123	7,753,021
Receivable against shared expenses - Associates		5,084,393	-
Others		33,610	-
		55,079,113	78,562,147

14.1 This represents the fair value of one separate Cross Currency Interest Rate Swap agreement, the company has entered into with ABN Amro Bank N.V. Pakistan at the notional amount of Rs. 770 million (equivalent USD 10.0 million). Under the terms of swap agreement, at each reset date, the company is entitled to receive 6 months KIBOR on notional amount and is required to pay 6 months LIBOR plus spread 0.63% on USD notional amount. In addition to this the company is required to pay exchange difference arising due to fluctuation in USD/PKR rates between reset and the settlement dates. This transaction has been remeasrued to fair value at the end of the year and resulted in gain of Rs. 1.519 million which has been taken to equity as unrealised gain.

15. SHORT TERM INVESTMENTS

	Note	June 30,2009 Rupees	June 30,2008 Rupees
Held for trading	15.1	15,350,632	90,394,724
Available for sale	15.2	1,447,438,450	2,731,098,281
		1,462,789,082	2,821,493,005

15.1 Investments- held for trading

Number of Shares		Name of Company	Cost	Fair Value	
June 30,2009	June 30,2008		Rupees	June 30,2009 Rupees	June 30,2008 Rupees
-	5,051	Atlas Investment Bank Limited	-	-	52,934
3,005,173	5,105,173	N.I.B. Bank Limited	41,593,740	14,274,572	58,045,817
346,000	346,000	ABAMCO Composite Fund	3,460,000	1,076,060	3,082,860
-	198,055	National Bank of Pakistan Limited	-	-	29,213,113
			45,053,740	15,350,632	90,394,724

Notes to the Financial Statements

for the year ended June 30, 2009

15.2 Investments - available for sale

Number of Shares		Name of Company	Cost	Fair Value	
June 30,2009	June 30,2008		Rupees	June 30,2009 Rupees	June 30,2008 Rupees
8,532,449	7,766,773	MCB Bank Limited	737,109,135	1,322,785,568	2,534,919,372
736,588	669,626	Gulshan Spinning Mills Limited	17,441,370	3,682,940	10,051,086
457,000	370,000	Oil and Gas Devep. Company Limited	50,994,248	35,938,480	46,013,200
319,723	204,527	Fauji Fertilizer Company Limited	24,777,908	27,799,915	27,063,012
-	171,071	The Bank of Punjab Limited	-	-	5,325,440
10,000	30,000	Pakistan State Oil Limited	1,894,860	2,136,500	12,517,200
-	20,000	D.G. Khan Cement Company Limited	-	-	1,342,800
1,628,000	791,000	Pakistan Strategic Allocation Fund	9,595,752	5,584,040	7,285,110
-	15,000	National Refinery Limited	-	-	4,462,050
-	50,000	Kohinoor Energy Limited	-	-	1,357,500
44,000	40,000	Crescent Steel & Allied Pro. Limited	3,801,219	790,680	2,469,200
-	82,109	AKD Investment Management Fund	-	-	4,938,847
84,000	76,500	Lucky Cement Limited	9,787,619	4,916,520	7,491,645
-	10	Habib Bank Limited	-	-	2,086
-	43,050	Bank Al Falah Limited	-	-	1,767,633
21,600	-	National Bank of Pakistan Limited	1,824,963	1,447,848	-
-	100,000	P.I.A	-	-	500,000
20,000	20,000	Pakistan Tobacco Company Limited	3,234,596	1,457,000	2,340,000
-	75,000	Fauji Fertilizer Bin Qasim Limited	-	-	2,697,750
-	85,500	K.E.S.C	-	-	467,685
-	24,500	New Jubilee Life Ins. Co. Limited	-	-	1,406,790
		C/F	860,461,670	1,406,539,491	2,674,418,406

Notes to the Financial Statements

for the year ended June 30, 2009

Number of Shares June 30,2009	Number of Shares June 30,2008	Name of Company	Cost Rupees	Fair Value June 30,2009 Rupees	Fair Value June 30,2008 Rupees
		B/F	860,461,670	1,406,539,491	2,674,418,406
40,000	-	United Bank Limited	2,032,526	1,531,600	-
-	27,390	HBL Income Fund	-	-	2,808,045
70,898	-	Arif Habib Investment Limited	5,251,837	1,418,669	-
110,000	-	Hub Power Company Limited	2,929,440	2,979,900	-
8,000	117,000	Pakistan Petroleum Limited	1,487,424	1,516,320	28,780,830
-	1,000	Siemens (Pakistan) Eng. Limited	-	-	1,405,800
-	25,000	Meezan Balance Fund	-	-	238,750
244,000	10,000	Engro Chemical Limited	33,948,198	31,336,920	2,808,100
14,500	45,000	Pakistan Oil Field Limited	2,213,336	2,115,550	16,417,800
-	15,000	ICI Pakistan Limited	-	-	2,420,550
-	500	Unilever Pakistan Limited	-	-	1,175,000
-	100,000	TRG Pakistan Limited - A	-	-	625,000
			908,324,431	1,447,438,450	2,731,098,281

	Note	June 30,2009 Rupees	June 30,2008 Rupees
16. CASH AND BANK BALANCES			
Cash in hand		6,828,413	21,524,740
With banks in:			
- current accounts		75,023,995	40,977,952
- current accounts - USD $		1,482,764	660,959
- current accounts - Euro		183,035	-
- deposit accounts	16.1	371,942	361,329
- margin accounts		3,350,340	3,350,000
		80,412,075	45,350,240
		87,240,488	66,874,980

16.1 Cash at bank on deposit account of Rs. 371,942 (2008: Rs. 361,329) and cash in margin account of Rs. 3,350,000 (2008: Rs. 3,350,000) were under lien of banks / financial institutions against guarantees issued on behalf of the Company.

Notes to the Financial Statements

for the year ended June 30, 2009

17. AUTHORISED CAPITAL

Authorised

Number of shares June 30,2009	Number of shares June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
35,000,000	35,000,000	Ordinary shares of Rs. 10 each	350,000,000	350,000,000

Issued, subscribed and paid-up capital

Number of shares June 30,2009	Number of shares June 30,2008		June 30,2009 Rupees	June 30,2008 Rupees
6,206,740	6,206,740	Ordinary shares of Rs. 10 each alloted for consideration paid in cash	62,067,400	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	138,764,000	138,764,000
20,083,140	20,083,140		200,831,400	200,831,400

17.1 The Company has only one class of shares which carry no right to fixed income.

17.2 4,772,681 (2008: 4,727,525) shares of the Company are held by associated companies as at the balance sheet date.

	Note	June 30,2009 Rupees	June 30,2008 Rupees
18. LONG TERM FINANCES			
Secured - from banking companies			
Habib Bank Limited	18.1	24,000,000	30,000,000
United Bank Limited	18.2		37,500,000
Habib Bank Limited	18.3	-	5,555,560
Habib Metropolitan Bank Limited	18.4	14,875,000	17,000,000
United Bank Limited	18.5	46,875,000	65,625,000
National Bank of Pakistan Limited	18.6	109,869,054	219,738,110
National Bank of Pakistan Limited	18.7	50,835,745	76,253,617
United Bank Limited	18.8	31,250,000	37,500,000
Habib Bank Limited	18.9	83,333,334	91,666,667
Habib Bank Limited	18.10	31,250,000	43,750,000
United Bank Limited	18.11	30,000,000	40,000,000
Habib Bank Limited	18.12	36,751,579	37,504,413
National Bank of Pakistan Limited	18.13	7,883,891	9,460,669
National Bank of Pakistan Limited	18.14	49,482,130	65,976,170
Habib Metropolitan Bank Limited	18.15	14,875,000	14,875,000
Meezan Bank Limited	18.16	400,000,000	-
		931,280,733	792,405,206
Less : current portion shown under current liabilities		(228,566,450)	(322,903,996)
		702,714,283	469,501,210

Notes to the Financial Statements

for the year ended June 30,2009

18.1 Habib Bank Limited

The Company arranged term loan amounting Rs.30 million from Habib Bank Limited to finance the plant and machinery.

The term loan carried mark up at the rate of last three months Kibor plus .75 bps per annum payable quarterly basis.

The term loan is repayable in ten equal quarterly installments commencing six months from draw down date i.e. 13 November, 2008.

The loan is secured against 1st specific charge of Rs. 34 million over two imported generators installed at Unit No.5 factory premises situated at Feroze Watwan.

18.2 United Bank Limited

The Company arranged term finance amounting to Rs.300 million to finance capital expenditure balancing modernization and refurbishment.

The term finance carries mark up at the rate equal to the "Base rate" as defined below plus 1.50% per annum, provided the applicable rate shall not be less than 3.8% and shall not exceed 9.6% per annum payable half yearly.

Base Rate shall mean:
(i) for the first mark up payment, the cut off yield of the last auction of the six month Government of Pakistan Treasury Bills held immediately prior to the draw down date.

(ii) for each subsequent mark up payment, the cut off yield of the most recent auction of six months Government of Pakistan Treasury Bills prevailing two days prior to the commencement of each of the month period immediately preceding the mark up payment date.

The term finance is repayable in eight half yearly installments commencing from 29 March, 2006.

The term finance is secured against exclusive first charge by way of hypothecation over all present and future asset of Unit no. 6 of the company situated at Feroze Watwan.

18.3 Habib Bank Limited

The Company arranged term loan amounting to Rs.50 million for BMR and expansion of Unit No.3 of the Company.

The term loan carries mark up at the rate equal to the Base Rate as defined below plus 1.5% per annum payable quarterly. "Base Rate" shall mean the simple average of cut off yield of the last three successful auctions of six months treasury bills held by the State Bank of Pakistan. The base rate shall be set two days prior to the beginning of each base period for the installment of purchase price due at the end of that base period as defined below. "Base Period" shall mean the period starting on the date of disbursement of the sale price and ending three months thereafter and subsequent period of three months.

The term loan is repayable in nine equal semi annual installments commencing from 2 August, 2004.

vide SRO 803 (1)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in Textile Sector.

Notes to the Financial Statements

for the year ended June 30,2009

18.4 Habib Metropolitan Bank Limited

The company arranged LTF-EOP loan amounting Rs.17 million from Habib Metropolitan Bank Limited to finance the plant and machinery of Unit No.6.

The loan is for 5 years repayable in eight equal half yearly installments commencing from August 9, 2008 with one year grace period.

The loan carries mark up at the rate of 7% p.a payable quarterly.

The loan is secured against exclusive charge on specific plant and machinery of unit no. 6 for Rs. 23 million.

18.5 United Bank Limited

The company arranged term loan amounting Rs.150 million from united bank limited to retire the documents under letter of credit established for regular BMR of the company.

The loan shall be repaid in sixteen quarterly equal installments. The first payment commencing fifteen months after the first draw down date i.e. 31 March, 2006.

The loan carries mark up equal at the rate of three month KIBOR plus 1% p.a. payable quarterly. The KIBOR to be taken on the day preceding each quarterly mark up date.

It is secured by way of first pari passu hypothecation charge of Rs.200 Million over fixed assets of Unit No. 6 (present and future plant and machinery) of the company. The registered charge should be sufficient to cover the entire facility with a margin of 25%.

18.6 National Bank of Pakistan Limited

The company has availed term loan amounting to Rs.500 million to finance the procurement of plant and machinery, to meet the capital expansion requirement of the company.

It carries mark up at the rate equal to "Base rate" as defined below plus 70 bps paid on semi annual bases. "Base rate " is defined as the average rate of the six month Karachi inter bank offer rate (KIBOR). The base rate will be set for the first time on the first draw-down date and then on immediately day before the start of each six months period.

The term loan is repayable in seven equal semi annual installments commencing from 24th month from the date of first draw down date i.e. 11 February, 2006.

The term loan is secured against hypothecation of plant and machinery installed or to be installed at unit no. 5 of the company.

18.7 National Bank of Pakistan Limited

The company has availed term loan amounting to Rs. 100 million to finance the procurement of plant and machinery, to meet the capital expansion requirement of the company.

It carries mark up at the rate equal to "Base rate" as defined below plus 125 bps paid quarterly bases in arrears.. "Base rate " is defined as the average rate of the three month Karachi inter bank offer rate (KIBOR). The base rate will be set for the first time on the first draw-down date and then on each mark-up payment date thereafter.

The term loan is repayable in fourteen equal quarterly installments commencing from 21st month from the date of first draw down date i.e. 9 June,2007.

The term loan is secured against hypothecation of plant and machinery at unit no. 5 of the company.

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

18.8 United Bank Limited

The company arranged term loan amounting Rs.50 million from united bank limited to finance capital expenditure requirement of unit # 6 including machinery.

The term loan is repayable in sixteen equal quarterly installments commencing from the disbursement date i.e. 2 May ,2007.

The loan carries mark up equal at the rate of three month KIBOR plus 1% p.a. payable quarterly. The KIBOR to be taken on the day preceding each quarterly mark up date.

The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the company.

18.9 Habib Bank Limited

The company arranged term loan amounting Rs.100 million from Habib Bank Limited for expansion in the existing Unit No.6 of Company.

The term loan is repayable in twelve semi annual installments commencing from 24 months from the date of first draw down date i.e. 15 December,2006.

The loan carries mark up last cut-off yield of six month T-bill rate.

The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the company.

18.10 Habib Bank Limited

The company arranged Demand finance amounting Rs.50 million from Habib Bank Limited to finance the plant and machinery of Unit No.1 of Company.

The loan is repayable in five years in sixteen semi annual installments commencing from the date of disbursement of February 8, 2007 with one year grace period.

The loan carries mark up at the rate of three months KIBOR plus 125bps, payable quarterly.

The loan is secured by first hypothecation charge over imported plant and machinery of the company to the extent of Rs. 256 million.

18.11 United Bank Limited

The company arranged term loan amounting Rs.40 million from United Bank Limited to finance the plant and machinery of Unit No.5 of Company.

The loan is for five years repayable in sixteen semi annual installments commencing from the date of disbursement of May 18, 2007 with one year grace period.

The loan carries mark up at the rate of three months KIBOR plus 150 bps payable quarterly.

The loan is secured against first specific hypothecation charge on plant and machinery of unit no. 5 of Rs. 53.330 million of the company.

18.12 Habib Bank Limited

The company arranged LTF-EOP loan amounting Rs.37.504 million from Habib Bank Limited to finance the plant and machinery of Unit No.5.

The loan is for 7-1/2 years repayable in twelve semi annual installments commencing from the date of disbursement date

March 24, 2007 for Rs. 9.034 million and June 13, 2007 for Rs. 28.470 with one and a half year grace period.

The loan carries mark up is as per SBP rate plus 2% p.a. payable quarterly.

The loan is secured against first specific hypothecation charge on plant and machinery of unit no. 5 for Rs. 53.200 million of the company.

Notes to the Financial Statements

for the year ended June 30,2009

18.13 National Bank of Pakistan Limited

The long term loan of Rs. 100 million was partially converted into LTF-EOP loan amounting to Rs. 11.037 million. and the balance amount of Rs. 88.562 million remains in long term loan. This loan is a swap to benefit company from low interest rates of SBP scheme.

The loan is repayable in seven semi annual installments commencing from March 9, 2008.

The loan carries mark up at the rate SBP rate plus 2% payable quarterly.

Charge against the loan is same as per Term loan, note no. 18.10

18.14 National Bank of Pakistan Limited

The long term loan of Rs. 500 million was partially converted into LTF-EOP loan amounting to Rs. 115.458 million, and the balance amount of Rs. 329.607 million remains in long term loan. This loan is a swap to benefit company from low interest rates of SBP scheme.

The loan is repayable in seven semi annual installments commencing from February 25, 2007.

The loan carries mark up at the rate of SBP rate plus 2% payable quarterly.

Charge against the loan is same as per Term loan, note no. 18.9

18.15 Habib Metropolitan Bank Limited

The company arranged LTF-EOP loan amounting Rs.17 million from Habib Metropolitan Bank Limited to finance the plant and machinery of Unit No.6.

The loan is for 5 years repayable in eight equal half yearly installments commencing from August 8, 2007 with one year grace period.

The loan carries mark up at the rate of 7% p.a payable quarterly.

The loan is secured against exclusive charge on specific plant and machinery of unit no. 6 for Rs. 23 million.

18.16 Meezan Bank Limited

The company arranged Long Term Funded (Diminishing Musharakah) loan amounting Rs. 400 million from Meezan Bank

Limited to finance the re-structuring and conventional short term bank debt pay-off of Unit No. 6.

The loan is for 5 years repayable in quarterly installments commencing from after grace period one year from the date of draw-down.

The loan carries mark up at the rate of 3 Month KIBOR plus 1.5% (to be re-set after every three months) payable quarterly.

The loan is secured against first pari passu charge over fixed assets of amounting to Rs. 534 million of Unit No. 6.

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	June 30,2009 Rupees	June 30,2008 Rupees
19.	**DEFERRED LIABILITIES**			
	Staff retirement benefit - gratuity	19.1 & 19.6	87,194,286	66,081,991
	Deferred taxation	19.7	347,605,847	330,567,553
			434,800,133	396,649,544
19.1	**Staff Retirement Benefit - Gratuity**			
	Balance at the beginning of the year		66,081,991	69,156,914
	Provision made during the year	19.4	39,867,492	34,708,946
			105,949,483	103,865,860
	Payments made during the year		18,755,197	37,783,869
	Balance at end of the year		87,194,286	66,081,991

19.2 The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

Present value of defined benefit obligation	95,723,513	72,530,632
Unrecognised actuarial (loss) / gain	(8,711,227)	(6,448,641)
Benefits payable	182,000	-
	87,194,286	66,081,991

19.3 Principal actuarial assumptions at the balance sheet date for:

Discount rate	12%	12%
Expected rate of salary increase in future	11%	11%

19.4 The amount charged to profit and loss account is as follows:

Current service cost	31,163,816	27,398,952
Interest cost	8,703,676	7,309,994
	39,867,492	34,708,946

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

		Note	June 30,2009 Rupees	June 30,2008 Rupees
19.5	The gratuity expense has been allocated as follows			
	Cost of goods manufactured		39,867,492	34,603,860
	Administrative expenses		-	105,086
			39,867,492	34,708,946

19.6 The Company's policy with regard to actuarial gains/ losses is as follow the minimum recommended approach under IAS 19 (Employee Benefits).

19.7 **Deferred Taxation**

Deferred tax credits / (debits) arising in respect of:

Taxable temporary differences (deferred tax liabilities)		
Accelerated tax depreciation allowances	372,312,434	378,944,909
Deductible temporary differences (deferred tax assets)		
Staff retirement benefits - gratuity	(15,378,020)	(12,146,421)
Gain/loss on remeasurement of held for trading investment	-	(4,203,473)
Unused tax credits - unabsorbed depreciation	(9,328,567)	(32,027,462)
	347,605,847	330,567,553

19.7.1 In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

20. TRADE AND OTHER PAYABLES

	Note	June 30,2009 Rupees	June 30,2008 Rupees
Creditors	20.1	87,685,196	111,643,790
Accrued expenses	20.2	233,372,001	166,517,401
Excise duty payable on loans and leases		-	4,811,742
Withholding tax payable		247,026	290,257
Customs duty payable		3,262,068	3,262,068
Other liabilities		2,868,229	3,887,792
Unclaimed dividend		360,114	391,650
Unrealised loss on remeasurement of forward foreign currency contracts		-	134,372,547
Unrealised loss on remeasurement of interest rate swap to fair value		-	23,288,703
Workers' profit participation fund payable	20.3	16,769,052	-
Workers' welfare fund payable		5,593,136	-
Sindh develop. and maintenance infrastructure fee payable	20.4	48,570,474	42,344,563
		398,727,296	490,810,513

20.1 Creditors include Rs. 492,323 (2008: Rs. 7,984,707) payable to associated undertakings.

20.2 Accrued expenses include Rs. 3,923,643 (2008: Rs. 1,141,068) payable to associated undertakings.

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

		Note	June 30,2009 Rupees	June 30,2008 Rupees
20.3	**Workers' Profit Participation Fund**			
	Balance as at July 01, 2008		-	16,367,023
	Add:			
	Allocation for the year		16,769,052	-
	Interest on funds utilised in the company's business		-	928,212
			16,769,052	928,212
			16,769,052	17,295,235
	Less:			
	Paid during the year		-	(17,295,235)
			16,769,052	-

20.4 The Company has filed a suit against levy of Infrastructure fee, decision of the Honourable Sindh High Court dated 17 September 2008 in which the imposition of levy of infrasture cess before 28 December 2006 has been declared as void and invalid. However, the Excise and Taxation Department has filed an appeal before the Honourable Supreme Court of Pakistan against the order of the Honourable Sindh High Court.

		Note	June 30,2009 Rupees	June 30,2008 Rupees
21.	**INTEREST / MARK UP ON LOANS**			
	- on Long term loans		12,731,228	16,041,499
	- on Short term loans and running finance		143,114,330	66,170,257
			155,845,558	82,211,756
22.	**SHORT TERM BORROWINGS**			
	Secured - From banking companies			
	Short term loan	22.1	1,176,975,174	2,989,000,000
	Running / cash finance under mark up arrangements		2,550,891,011	1,932,422,686
			3,727,866,185	4,921,422,686
	Unsecured			
	Book overdraft	22.2	4,294,248	2,460,042
			3,732,160,433	4,923,882,728

22.1

Aggregate facilities amounting to Rs. 8,260 million (2008: Rs. 8,040 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts, plant & machinery and export bills under collection. These carry mark up ranging from 7.5% to 17% (2008: 7.5% to 14.13%) p.a. payable quarterly. These facilities are renewable on expiry dates. It includes Rs. 231 million (2008: Nil) on account of foreign currency loan translated into local currency at exchange rate prevailing on the balance sheet date and are payable in foreign currencies.

22.2 This represents cheques issued by the Company in excess of balance at banks which remained unpresented till June 30, 2009.

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

	Note	June 30,2009 Rupees	June 30,2008 Rupees
23. CURRENT PORTION OF LONG TERM FINANCES			
Long term finances - from banking companies		228,566,450	322,903,996
		228,566,450	322,903,996
24. PROVISION FOR INCOME TAX			
Opening balance		60,813,750	65,200,000
Add : provision made for current year (net)		77,183,599	60,500,931
Less : advance tax adjusted during the year against completed assessments		(61,142,677)	(64,887,181)
		76,854,672	60,813,750

	June 30,2009 %	June 30,2008 %
24.1 Relationship between tax expense and accounting profit		
Applicable tax rate	35.00	35.00
Tax effect of expenses that are admissible / inadmissible in determining taxable profit	10.56	(6.91)
Effect of difference in tax rates under normal tax regime and presumptive tax regime	(19.52)	18.02
Effect of income exempt for tax purpose	2.15	(37.09)
Effect of adjustment in respect of deferred taxation	6.22	(1.14)
Effect of change in prior years' tax	(0.03)	-
Average tax rate charged to profit and loss account	34.38	7.88

25. CONTINGENCIES AND COMMITMENTS

Contingencies

	June 30,2009 Rupees	June 30,2008 Rupees
Guarantees issued by banks on behalf of the Company	140,282,950	161,565,200

Commitments

Confirmed letter of credit in respect of:

Stores, spares and loose tools	19,620,387	30,754,523
Raw material	214,984,840	16,995,140
Plant and machinery	-	34,327,440
	234,605,227	82,077,103

Notes to the Financial Statements

for the year ended June 30, 2009

26. SALES AND SERVICES

	Note	Export Sales		Local Sales		Total	
		Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2008
		Rupees					
Gross sale of goods							
Yarn	26.1	3,992,735,744	2,702,772,761	3,816,503,151	4,120,786,799	7,809,238,895	6,823,559,560
Fabric		1,259,080,448	1,048,370,516	1,032,422,462	884,792,931	2,291,502,910	1,933,163,447
Home textile products		1,155,212,202	846,995,491	3,414,292	5,658,113	1,158,626,494	852,653,604
Raw material		90,556,386	-	230,458,823	22,714,066	321,015,209	22,714,066
Waste	26.2	23,324,239	7,303,874	104,291,712	93,087,520	127,615,951	100,391,394
Services		3,183,257	-	-	-	3,183,257	-
		6,524,092,276	4,605,442,642	5,187,090,440	5,127,039,429	11,711,182,716	9,732,482,071
Export rebate						17,270,636	11,712,503
Processing income						15,794,756	25,127,438
						11,744,248,108	9,769,322,012

26.1 Export sales - yarn

Direct	3,846,383,006	2,591,734,464
Indirect	146,352,738	111,038,297
	3,992,735,744	2,702,772,761

26.2 Waste sale includes comber noil sales Rs. 27,941,760 (2008: Rs. 22,710,115).

Notes to the Financial Statements

for the year ended June 30, 2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
27. COST OF SALES AND SERVICES			
Opening stock of finished goods		597,025,470	426,219,538
Cost of goods manufactured	27.1	9,698,094,256	8,732,722,724
		10,295,119,726	9,158,942,262
Finished goods/ raw cotton purchased			
Yarn		23,093,277	17,653,783
Fabrics		10,921,898	46,005,554
Raw cotton		254,399,502	15,718,542
		288,414,677	79,377,879
		10,583,534,403	9,238,320,141
Closing stock of finished goods		570,659,883	597,025,470
		10,012,874,520	8,641,294,671
27.1 Cost of goods manufactured			
Raw materials consumed	27.2	6,911,494,291	6,230,091,263
Salaries, wages and benefits	27.3 & 27.4	750,222,421	644,881,080
Stores and spares consumed		545,529,954	533,443,094
Fuel, power and water		678,784,838	554,804,780
Insurance		32,971,272	27,499,470
Rent, rates and taxes		2,450,982	1,662,456
Repairs and maintenance		28,545,828	36,719,213
Depreciation	4.1	387,760,986	388,334,348
Communication		5,253,082	3,620,529
Vehicle running expenses		14,198,687	12,797,229
Traveling and conveyance		14,643,684	11,414,389
Printing and stationery		2,239,688	2,030,913
Fees and subscription		1,873,499	688,126
Other manufacturing expenses	27.5	324,750,062	287,749,137
Legal and professional charges		209,355	95,500
Other expenses		3,283,061	1,102,776
		9,704,211,690	8,736,934,303
Work in process inventories			
Opening stock		127,781,058	123,569,479
Closing stock		133,898,492	127,781,058
		(6,117,434)	(4,211,579)
		9,698,094,256	8,732,722,724

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

		Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
27.2	**Raw materials consumed**			
	Opening stock of raw materials		2,380,432,823	1,207,935,565
	Purchases - net		6,031,747,698	7,402,588,521
			8,412,180,521	8,610,524,086
	Closing stock of raw materials		1,500,686,230	2,380,432,823
			6,911,494,291	6,230,091,263

27.3 Salaries, wages and benefits include Rs. 39,869,263 (2008: Rs. 34,603,860) in respect of post employment benefit (gratuity).

27.4 Salaries, wages and benefits included Rs. 1,955,862 (2008: Rs. 1,995,890) in respect of provident fund contribution.

		2009	2008
27.5	**Other manufacturing charges**		
	Cotton dyeing, bleaching and bale pressing charges	106,144,739	91,772,530
	Yarn dyeing and bleaching charges	22,275,853	19,456,676
	Fabric dyeing, bleaching, knitting and processing charges	154,584,913	144,450,079
	Yarn doubling charges	9,069,612	2,921,468
	Stitching and other charges	32,674,945	29,148,384
		324,750,062	287,749,137

28. SELLING AND DISTRIBUTION EXPENSES

	2009	2008
On Export Sales		
Commission	152,884,614	89,768,372
Export development surcharge	16,196,168	12,334,907
Insurance	4,030,136	1,270,369
Quota purchase	-	114,478
Freight and handling	224,342,672	189,319,926
	397,453,590	292,808,052
On Local Sales		
Commission	55,046,656	67,357,867
Freight and handling	35,984,471	38,363,331
	91,031,127	105,721,198
C/F	488,484,717	398,529,250

Notes to the Financial Statements

for the year ended June 30, 2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
B/F		488,484,717	398,529,250
Other Distribution Cost			
Salaries and benefits	28.1	32,781,533	13,404,649
Rent and utilities		1,269,499	1,850,571
Communication		8,427,355	4,699,037
Traveling, conveyance and entertainment		22,712,552	7,324,126
Repairs and maintenance		1,524,006	258,966
Fees and subscription		1,144,985	251,375
Samples and Advertising		12,585,597	13,792,853
Printing and stationery		2,349,796	548,581
Others		2,322,932	1,656,652
		573,602,972	442,316,060

28.1 Salaries and benefits included Rs. 1,127,917 (2008: Rs. 478,821) in respect of provident fund contribution.

29. ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Directors' remuneration		7,200,000	7,200,000
Directors' meeting fee		5,000	-
Salaries and benefits	29.1 & 29.2	54,114,083	49,173,774
Rent, rates and utilities		5,018,444	4,137,983
Communication		6,096,367	5,464,214
Printing and stationery		2,264,323	2,539,398
Traveling, conveyance and entertainment		13,853,678	13,757,164
Motor vehicle expenses		7,042,466	6,447,383
Repairs and maintenance		5,255,583	4,277,516
Insurance Expense		219,660	179,916
Auditor's remuneration	29.3	1,490,795	1,621,870
Legal and professional charges		5,082,074	4,392,041
Fees and subscription		3,178,450	5,065,982
Donation	29.4	2,637,556	5,478,929
Depreciation	4.1	3,493,218	2,555,179
Computer expenses		4,771,651	1,584,510
Advertisement		122,100	198,520
Amortization of intangible asset		1,206,989	828,128
Others		1,186,690	183,732
		124,239,127	115,086,239

29.1 Salaries and benefits include Rs.Nil (2008: Rs. 105,086) in respect of post employment benefits (gratuity).

29.2. Salaries and benefits included Rs. 2,168,774 (2008: Rs. 2,031,559) in respect of provident fund contribution.

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
29.3	**Auditor's remuneration**			
	Audit fee		896,200	792,275
	Half yearly review		275,000	275,000
	Corporate governance review		78,045	78,045
	Other certifications / services		230,000	465,000
	Out of Pocket expenses		11,550	11,550
			1,490,795	1,621,870

29.4 Donations include Rs.650,000 (2008: Rs. 850,000) paid to Jamal-ud-din Fatima Charitable Trust in which Mr. Mohammad Abdullah, Shahid Abdullah and Nadeem Abdullah, directors of the Company are also trustees. Donations also includes Rs.600,000 (2008: Rs. 2,665,000) paid to Abdullah Foundation in which Mr. Mohammad Abdullah, Yousuf Abdullah, Shahid Abdullah, Nadeem Abdullah, Amer Abdullah and Mohammad Yamin, Directors of the company are also directors.

		2009 Rupees	2008 Rupees
29.5	**RESEARCH AND DEVELOPMENT SUPPORT**		
	Support on account of research and development	6,888,861	26,799,447
	Less: Utilization		
	Product development	2,215,563	2,314,275
	Skill development and training	-	324,950
	Up-gradation of information technology	-	72,000
	Professional consultancy	-	794,937
	Market research	4,039,520	19,950,104
	Environment improvement	-	87,711
	Participation in exhibitions	633,778	3,255,470
		6,888,861	26,799,447
		-	-

29.5 The research and development support has been given by Ministry of Commerce, Government of Pakistan vide SRO 803 (1)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in Textile Sector.

		2009 Rupees	2008 Rupees
30.	**OTHER OPERATING EXPENSES**		
	Depreciation on investment property	1,949,998	500,000
	Workers' profit participation fund	16,769,052	-
	Workers' welfare's fund	5,593,136	-
	Loss due to remeasurement of held for trading investments	15,822,463	22,868,785
	Loss on sale of investments	23,132,735	-
		63,267,384	23,368,785

Notes to the Financial Statements

for the year ended June 30, 2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
31. FINANCE COST			
Interest / mark up on long term loans		56,502,120	76,097,373
Interest / mark up on short term loans		668,948,697	403,256,366
Interest on Workers' Profit Participation		-	928,212
Unrealized loss on remeasurement of forward foreign currency contracts		-	134,372,547
Unrealized loss (gain) on remeasurement of derivative financial instruments (Net)	31.1	9,542,037	21,190,797
Realized loss on settlement of derivative financial instruments		-	7,578,281
Bank charges, mark-up on late realization and commission		112,812,450	91,298,734
		847,805,304	734,722,310
Interest income			
Profit on PLS accounts / deposits		(70,562)	(39,123)
		847,734,742	734,683,187

31.1 This represents the fair value of two separate Cross Currency Interest Rate Swap agreements and gain on reset date of agreements, the company has entered into with Citi Bank and Standard Chartered Bank (Pakistan) Limited at the aggregate notional amount of Rs. 428.6 million (equivalent to USD 7.0 million). Under the terms of swap agreements, at each reset date, the company is entitled to receive 6 months KIBOR on notional amounts and is required to pay 6 months LIBOR plus spread ranging from 0.75% to 0.85% on USD notional amount. In addition to this the company is required to pay exchange difference arising due to fluctuation in USD/PKR rates between reset and the settlement dates.

During the year total gain realised Rs. 5.958 million (2008: Rs. 2.098 million) at the reset date. These transactions have been remeasrued to fair value at the end of the year resulted in a loss of Rs. 15.499 million (2008: Rs. 23.289 million. The resulted loss of Rs. 9.542 million (2008: Rs. 21.191 million) has been charged to finance cost after net off gain realised during the year of Rs. 5.958 million (2008: Rs. 2.098 million).

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

		Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
32.	**OTHER OPERATING INCOME**			
	Scrap sales		11,461,320	12,478,787
	Dividend income:			
	- Other companies		100,498,478	114,369,650
	- Associates companies	32.1	10,625,846	9,381,930
	Profit on sale of property, plant & equipment - net		4,498,792	3,881,280
	Exchange gain/(Loss) from short term foreign currency loan		210,211	(4,757,128)
	Gain on sale of investments		-	721,808,493
	Written back provision for custom duty		-	188,878
	Written back provision for excise duty on loan and leases		4,811,742	-
	Written back provision for excise duty on electricity		3,393,355	-
	Written back unclaimed TFC's		162,678	-
	Rental Income		10,154,210	435,458
	Others		-	240,000
	Income from power generation	32.2	5,717,658	-
			151,534,290	858,027,348
32.1	**Dividend Income from Associates**			
	Reliance Cotton Spinning Mills Limited		995,000	1,942,500
	Sapphire Fibres Limited		9,630,846	7,439,430
			10,625,846	9,381,930
32.2	**Income from power generation**			
	Sales		86,639,330	-
	Cost of electricity product:			
	Salaries, wages and benefits		5,000,102	-
	Stores and spares consumed		3,399,201	-
	Electricity, gas and water		62,564,583	-
	Insurance		90,953	-
	Depreciation	4.1	4,773,479	-
	Repair and maintenance		4,785,196	-
	Vehicle running expenses		108,897	-
	Travelling and conveyance		55,829	
	Communication		50,041	-
	Fees and subscription		2,000	
	Other expenses		91,391	-
			80,921,672	-
	Income from power generation		5,717,658	-

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

		Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
33.	**TAXATION - net**			
	Current - for the year		77,278,127	60,500,931
	Current - for prior year		(94,528)	-
			77,183,599	60,500,931
	Deferred		17,038,294	(7,630,595)
			94,221,893	52,870,336
34.	**EARNINGS PER SHARE**			
	Profit after taxation		179,841,760	617,730,082
			(Number of shares)	
	Weighted average number of ordinary shares		20,083,140	20,083,140
			(Rupees)	
	Earnings per share - basic and diluted		8.95	30.76

34.1 There is no dilutive effect on basic earnings per share.

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
35.	**CASH GENERATED FROM OPERATIONS**			
	Net profit before taxation		274,063,653	670,600,418
	Adjustments for:			
	Depreciation		396,027,683	390,889,527
	Depreciation on investment property		1,949,998	500,000
	(Gain)/loss on sale of short term investments		65,638,385	(678,655,307)
	(Gain)/loss on sale of long term investments		(42,505,650)	(43,153,186)
	Amortization of intangible assets		1,206,989	828,128
	(Gain)/Loss on sale of property, plant and equipment		(4,498,792)	(3,881,280)
	Dividend income		(100,498,478)	(114,369,650)
	Dividend income- associates		(10,625,846)	(9,381,930)
	Provision for gratuity		39,867,492	34,708,946
	Exchange differences		(210,211)	4,757,128
	Fair value adjustment made in value of investment		15,822,463	22,868,785
	Written back provision for custom duty		-	(188,878)
	Unrealized gain/ (loss) on remeasurement of forward foreign currency contract		-	134,372,547
	Unrealized (gain)/loss on remeasurement of derivative financial instrument		9,542,037	28,769,078
	Financial expenses		838,263,267	571,580,685
	Profit on deposit and held to maturity investments		(70,562)	(39,123)
	Written back provision for excise duty on loan and leases		(4,811,742)	-
	Written back provision for excise duty on electricity		(3,393,355)	-
	Written back unclaimed TFC's		(162,678)	-
	Rental Income		(10,154,210)	
	Operating profit before working capital changes		1,465,450,443	1,010,205,888
	Changes in working capital			
	(Increase) / decrease in current assets			
	Inventories		684,815,369	(1,329,506,397)
	Trade debts		22,774,357	151,218,207
	Loans and advances		28,155,814	55,490,887
	Trade deposits and short term prepayments		2,025,164	(1,919,513)
	Other receivables		11,638,532	8,479,480
			749,409,236	(1,116,237,336)
	Increase / (decrease) in current liabilities			
	Trade and other payables		73,278,346	(38,859,007)
			2,288,138,025	(144,890,455)
36.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances		87,240,488	66,874,980
	Temporary overdrawn balances		(4,294,248)	(2,460,042)
			82,946,240	64,414,938

Notes to the Financial Statements

for the year ended June 30, 2009

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES			
Chief Executive			
Remuneration		2,400,000	2,400,000
Rent and utilities		1,200,000	1,200,000
		3,600,000	3,600,000
Number of person		1	1
Director			
Remuneration		2,400,000	2,400,000
Rent and utilities		1,200,000	1,200,000
		3,600,000	3,600,000
Number of person		1	1
Executives			
Managerial remuneration		40,001,495	26,398,027
House rent		13,242,357	11,241,911
Cost of living allowance		39,000	23,400
Bonus		6,372,604	5,185,086
Medical		1,123,538	814,135
Utilities		1,863,887	1,603,924
Leave encashment and other benefits		10,514,331	8,897,995
		73,157,212	54,164,478
Number of persons		56	33
Number of executives provided with the Company maintained cars		56	33

The Chief Executive and one Director were also provided with cars maintained by the Company and telephones at residence.

38. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on October 09, 2009 proposed a cash dividend of Rs. 30,124,710 (2008: Rs. 15,062,355) at the rate of Rs. 1.5 (2008: Rs. 0.75) per ordinary share of Rs. 10 each. Proposed dividend is subject to approval by 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.

Notes to the Financial Statements

for the year ended June 30, 2009

39. RELATED PARTY TRANSACTIONS

The related parties comprises associated companies (due to common directorship), wholly owned subsidiary, directors and key management personnel. Amounts due to/ from related parties are shown in the relevant notes to the financial statements. Transaction with the related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	Note	Year Ended June 30, 2009 Rupees	Year Ended June 30, 2008 Rupees
39.1 Associated undertakings			
Sales		475,374,148	604,117,666
Fixed assets sales		-	10,099,875
Purchases		87,699,849	190,252,797
Electricity charges		126,359,397	91,925,602
Dividend received		10,625,846	9,381,930
Dividend paid		10,473,728	7,013,331
Expenses charged		12,575,880	16,368,922

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	Year Ended June 30, 2009	Year Ended June 30, 2008
40.1 Spinning units		
Total number of spindles installed	120,232	122,232
Average number of spindles worked	119,584	123,644
Total number of rotors installed	3,120	3,120
Average number of rotors worked	3,062	3,039
Number of shifts worked per day	3	3
Total days worked	360	360
Installed capacity after conversion into 20/s lbs	82,877,920	82,398,883
Actual production after conversion into 20/s lbs	92,695,300	84,202,293
40.2 Weaving unit		
Total number of looms installed	220	220
Average number of looms worked	206	206
Number of shifts worked per day	3	3
Total days worked	360	352
Installed capacity at 50 picks per inch of fabric square meters	51,238,110	51,238,110
Actual production converted at 50 picks per inch of fabric square meters	73,871,639	77,775,614

40.3 Home Textile Product unit

The capacity of this unit is indeterminable due to multi product involving varying processes of manufacturing and run length of order lots.

Notes to the Financial Statements

for the year ended June 30,2009

41. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- market risk;

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

41.1 Credit risk

Credit risk represent the accounting loss would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks, as well as credits exposure to customers and other counter parties, which include trade debts and other receivables.

Out of total financial assets, which are subject to credit risk aggregated Rs. 2,717 million (2008: Rs. 4,096 million).

To manage exposure to credit risk in respect of trade debts, management performs credits reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payment are obtained from certain parties. Export sales made to major customers are secured through letter of credit.

In respect of other counter parties, due to the Company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Company.

Concentration of credited risk arises when a number of counter parties are engaged in similar business activities or have similar economics features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economics, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at June 30, 2009 along with comparative tabulated below:

	2009 Rupees	2008 Rupees
Long term investments	86,148,236	86,148,236
Long term loans and deposits	40,399,475	37,895,677
Trade debts	1,106,859,860	1,129,634,217
Loan and advances	19,224,569	42,517,299
Trade deposits and short term prepayments	750,209	740,209
Other receivables	7,360,512	18,425,525
Short term investments	1,462,789,082	2,821,493,005
Bank balances	80,412,075	45,350,240
	2,717,795,782	4,096,056,172

The management does not expect any losses from non-performance by these counter parties.
The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Notes to the Financial Statements

for the year ended June 30, 2009

	2009 Rupees	2008 Rupees
Domestic	833,592,681	861,556,919
Exports	273,267,179	268,077,298
	1,106,859,860	1,129,634,217

The majority of export debts of the Company are situated in Asia, Europe, Australia and North America.

The maximum exposure to credit risk for debts at the balances sheet date by type of product is as follows:

Yarn	771,922,216	827,113,000
Fabric	247,013,873	206,113,880
Home textile product	58,462,758	86,255,059
Waste	11,977,533	7,777,511
Energy	16,562,003	-
Processing services	-	1,647,420
Others	921,477	727,347
	1,106,859,860	1,129,634,217

The aging of trade debts at the balance sheet date as follows:

Not past due	602,251,436	608,683,700
Past due 1 - 30 days	168,556,087	206,332,180
Past due 31 - 60 days	79,368,706	122,989,530
Past due 61 - 90 days	31,545,131	40,531,276
Past due 91 - 365 days	98,324,552	90,642,662
Past due one year	126,813,948	60,454,870
	1,106,859,860	1,129,634,217

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts past due as some of the debts have been recovered subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be recovered in short course of time. Further, major export debts are secured through letters of credits.

Notes to the Financial Statements

for the year ended June 30,2009

41.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding trough an adequate amount of committed credits facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2009				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long Term Finances	931,280,733	1,224,083,801	352,882,181	859,473,177	11,728,443
Trade & Other payables	320,708,874	320,708,874	320,708,874	-	-
Interest / mark-up on loans	155,845,558	155,845,558	155,845,558	-	-
Short term borrowings	3,727,866,185	3,956,197,989	3,956,197,989		-
	5,135,701,350	5,656,836,222	4,785,634,602	859,473,177	11,728,443

	2008				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long Term Finances	792,405,206	984,497,704	338,063,005	618,737,127	27,697,572
Trade & Other payables	278,552,841	278,552,841	278,552,841	-	-
Interest / mark-up on loans	82,211,756	82,211,756	82,211,756	-	-
Short term borrowings	4,921,422,686	5,187,548,618	5,187,548,618		-
	6,074,592,489	6,532,810,919	5,886,376,220	618,737,127	27,697,572

The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

41.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments.

(a) Currency risk

The Company is exposed to currency risk on import of raw materials, stores & spares parts and export of goods mainly denominated in US Dollar and Euro. The Company's exposure to foreign currency risk for US Dollar and Euro is as follows:

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

	2009			
	Rupees	US $	EURO	CHF
Short term borrowings (Foreign currency loan)	231,323,174	2,845,303	-	-
Accrued mark-up on (Foreign currency loan)	777,771	9,567	-	-
	232,100,944	2,854,870	-	-
Trade debts	(273,267,179)	(3,615,259)	(174,003)	-
Bank balances	(1,665,798)	(18,283)	(1,598)	-
Gross balance sheet exposure	(42,832,033)	(778,672)	(175,601)	-
Outstanding letters of credit	234,605,227	2,800,097	35,222	38,706
Forward exchange contracts	373,370,208	4,603,825	-	-
Net Exposures	565,143,402	6,625,250	(140,379)	38,706

	2008			
	Rupees	US $	EURO	CHF
Short term borrowings (Foreign currency loan)	-	-	-	-
Accrued mark-up on (Foreign currency loan)	-	-	-	-
	-	-	-	-
Trade debts	(268,077,298)	(3,773,795)	(106,701)	-
Bank balances	(660,960)	(9,720)	-	-
Gross balance sheet exposure	(268,738,258)	(3,783,515)	(106,701)	-
Outstanding letters of credit	82,077,103	825,714	81,452	254,000
Forward exchange contracts	1,348,587,220	19,832,165	-	-
Net Exposures	1,161,926,065	16,874,364	(25,249)	254,000

The following significant exchange rates have been applied:

	Balance sheet date rate	
	2009	2008
US $ to Rupees	81.10 / 81.30	68.00 / 68.20
Euro to Rupees	114.354 / 114.82	107.33 / 107.65

Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particulars interest rates, remain constant. The analysis is performed on the basis for 2008.

	Equity	Profit & loss
	Rupees	
As at June 30, 2009		
Effect in US Dollar - Gain	-	6,330,604
Effect in Euro - Gain	-	2,016,254
As at June 30, 2008		
Effect in US Dollar - Gain	-	25,803,571
Effect in Euro - Gain	-	1,148,631

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variable remain content.

(b) Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

Notes to the Financial Statements

for the year ended June 30, 2009

	2009	2008	2009	2008
	Effective rate		Carrying Amount	
Variable rate instruments				
Financial liabilities				
Long term loans	7.00% to 15.50%	7.00% to 15.00%	931,280,733	792,405,206
Short term borrowings	7.5% to 17.00%	7.5% to 14.13%	3,727,866,185	4,921,422,686

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit & loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect profit & loss account.

41.4 **Fair value of financial instruments**

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

41.5 **Capital risk management**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2009 Rupees	2008 Rupees
Total borrowings	4,659,146,918	5,713,827,892
Less: Cash and bank balances	87,240,488	66,874,980
Net debt	4,571,906,430	5,646,952,912
Total equity	4,459,856,532	5,577,491,609
Total capital	9,031,762,962	11,224,444,521
Gearing ratio	51%	50%

42. RE - ARRANGEMENT AND RE-CLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transaction for the purposes of comparison.

Reclassification		Nature	(Rupees)
From	To		
Cost of sales	raw material sales	Allocation to proper head of account	22,714,066

43. GENERAL

The figures have been rounded off to the nearest Rupees.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on October 09, 2009.

Karachi :
Dated : October 09, 2009

NADEEM ABDULLAH
Chief Executive

MOHAMMAD ABDULLAH
Director

Pattern of Shareholding

as at June 30,2009

NUMBER OF SHARE HOLDERS	FROM	TO	TOTAL SHARES HELD
231	1	100	6,728
55	101	500	15,232
36	501	1,000	26,470
42	1,001	5,000	90,905
15	5,001	10,000	107,156
2	10,001	15,000	27,291
3	15,001	20,000	47,251
2	20,001	25,000	41,738
1	25,001	30,000	30,000
1	30,001	35,000	33,300
2	35,001	40,000	75,283
1	65,001	70,000	65,920
2	70,001	75,000	144,185
1	100,001	105,000	103,086
1	115,001	120,000	117,071
1	120,001	125,000	121,440
1	130,001	135,000	133,785
1	170,001	175,000	170,374
1	175,001	180,000	178,900
1	210,001	215,000	211,100
1	235,001	240,000	235,318
1	245,001	250,000	248,400
1	265,001	270,000	268,050
1	270,001	275,000	272,594
1	315,001	320,000	319,746
2	375,001	380,000	756,039
1	475,001	480,000	475,183
1	560,001	565,000	564,522
1	585,001	590,000	586,242
1	595,001	600,000	600,000
1	605,001	610,000	609,063
1	635,001	640,000	635,506
1	700,001	705,000	704,611
1	840,001	845,000	843,123
1	920,001	925,000	924,088
1	1,870,001	1,875,000	1,873,289
1	1,960,001	1,965,000	1,961,258
1	2,075,001	2,080,000	2,077,128
1	2,105,001	2,110,000	2,106,659
1	2,275,001	2,280,000	2,275,106
421		Total : -	20,083,140

Pattern of Shareholding
as at June 30,2009

CATEGORY OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Director, CEO, spouses and Minor Children	12,027,824	59.89
Associated Companies, undertakings, related parties	4,772,681	23.76
NIT & ICP	1,159,406	5.77
Modaraba & Mutual Fund	130,330	0.65
General Public (Local)	1,949,670	9.71
Public Sector Companies	43,229	0.22
	20,083,140	100.00

Pattern of Shareholding

as at June 30,2009

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Sapphire Agencies (Private) Limited.	1961258
Nadeem Enterprises (Private) Limited	586242
Galaxy Agencies (Private) Limited	704611
Crystal Enterprises (Private) Limited	72542
Neelum Textile Mills Limited.	272594
Yousuf Agencies (Private) Limited	71643
Amer Cotton Mills (Private) Limited	475183
Reliance Textiles Limited	5367
Reliance Cotton Spinning Mills Limited	38056
Amer Cotton Mills (Private) Limited	21000
Sapphire Agencies (Private) Limited.	2000
Amer Cotton Mills (Private) Limited	178900
Sapphire Power Generation Limited	211100
Diamond Fabrics Limited	133785
Reliance Textiles Limited	33300
Reliance Cotton Spinning Mills Limited	5100

B) NIT & ICP

National Bank of Pakistan Trustee Department	924088
NBP Trustee-NI(U)T (LOC) Fund	235318

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

DIRECTORS & THEIR SPOUSES

Mrs. Shamshad Begum	609063
Mr. Mohammad Younus	20738
Mr. Mohammad Abdullah.	600000
Mr. Amer Abdullah.	2077128
Mr. Shahid Abdullah.	378057
Mr. Yousuf Abdullah.	2106659
Mrs. Shireen Shahid.	2275106
Mrs. Ambareen Amer	635506
Mr. Mohammad Yamin.	1350
Mrs. Usma Yousuf	564522
Mr. Shahid Abdullah.	15000
Mrs. Shamshad Begum	9700
Mr. Yousuf Abdullah.	1883
Mrs. Ambareen Amer	1000

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Nadeem Abdullah.	1873289
Mrs. Noshaba Nadeem.	843123
Mr. Nadeem Abdullah.	15400
Mrs. Noshaba Nadeem.	300

Pattern of Shareholding
as at June 30,2009

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

MODARABAS

Guardian Leasing Modaraba	1890
Guardian Leasing Modaraba	7000

MUTUAL FUNDS

Pakistan Premier Fund Limited	121440

E) SHAREHOLDERS HOLDING 10% OR MORE

Mr. Amer Abdullah.	2077128
Mrs. Shireen Shahid	2275106
Mr. Yousuf Abdullah	2108542

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

Shares purchased by Mrs. Shamshad Begum	9700
Shares purchased by Mr. Shahid Abdullah	15000
Shares purchased by Mr. Nadeem Abdullah	15400

Form of Proxy

I/WE____

Of____

a member(s) of **SAPPHIRE TEXTILE MILLS LIMITED** and a holder of_________________________

ordinary shares, do hereby appoint____

of____

or failing him____

of ____

a member of **SAPPHIRE TEXTILE MILLS LIMITED**, vide Registered Folio No.__________________

as my/ our proxy to act on my/ our behalf at the 41st Annual General Meeting of the company to be held on Saturday, 31st October, 2009 at 11:15 a.m. at 212, Cotton Exchange Building, I.I. Chundriger Road, Karachi and or at any adjournment thereof.

Affix
Five Rupee
Revenue
Stamp

Signed this______________________day of October, 2009

Signature____

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

NOTICE

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

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

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

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