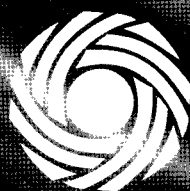


REPORT

2009



Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	
Khawaja Mohammad Tanveer	
Khawaja Mohammad Kaleem	
Khawaja Mohammad Nadeem	
Khawaja Mohammad Naveed	
Mr. Mohammad Aman	

AUDIT COMMITTEE

Khawaja Mohammad Kaleem	(Chairman)
Khawaja Mohammad Nadeem	
Khawaja Mohammad Naveed	

CORPORATE SECRETARY

Mr. Muhammad Ashraf	(ACMA)
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CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(ACMA)
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BANKERS

Askari Commercial Bank Limited
KASB Bank Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Standard Chartered Bank Limited
Saudi Pak Commercial Bank Limited

AUDITORS

M/s. Hameed Khan & Co.
Chartered Accountants
16-A, Link Farid Kot Road,
Near A.G. Office, Lahore.

SHARES REGISTRAR

CORPLINK (PVT.) LIMITED
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 5839182, 5887262
Fax : (042) 5869037

REGISTERED OFFICE

Kashana-e-Yousaf
Khawaja Street, Chakwal
Tel : (0543) 644254

MILLS

49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 540083-4

Notice Of Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of CHAKWAL SPINNING MILLS LIMITED will be held on Saturday, October 31, 2009 at 09:00 a.m. at the premises of Kohinoor Spinning Mills Limited, Unit No. 1, Pindi Road, Aminabad, Chakwal to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 30, 2008.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2009 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore:
October 10, 2009

MUHAMMAD ASHRAF
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 23, 2009 to October 31, 2009 (both days inclusive).
2. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting, shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Shareholders are requested to immediately notify the change in their address, if any, to our share registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-3583 9182

Directors' Report to the Shareholders

The Directors of your company are pleased to present before you the audited accounts for the year ended June 30, 2009.

During the year under review, the company's net sales were at Rs.989.845 million as compared to Rs.870.628 million during last year. The company earned gross profit of Rs.39.571 million as compared to Rs.66.481 million last year. Decrease in gross profit despite increase in net sales of Rs.119.217 million was mainly due to substantial increase in the prices of raw cotton without commensurate increase in the selling price of yarn. Cotton prices were highest from the start of this year but dropped to the bottom level by end of December 2008. We have experienced a very high volatile cotton market during the year under review. Further, unplanned sever and erratic load shedding and cut off of natural gas supply to the industry during winter also badly affected the production which resulted increase in cost of production. The company incurred net loss of Rs.45.195 million as compared to net profit of Rs.1.092 million of last year. Drastic decrease in profitability is mainly attributed to high financial charges of Rs.54.718 million during the year under review as compared to Rs.34.372 million as compared to the last year. The increase in finance cost is due to liquidity crunch being faced by the textile industry as a whole as well as increase in Karachi Inter Bank Offer Rate (KIBOR) during the year under review.

Survival of textile sector particularly spinning industry depends on many factors like stable cotton prices, consistent electricity and gas supply, rational electricity and gas tariff and lower lending rates. In view of over all poor economic conditions prevailing in the country particularly of textile sector, banks and financial institutions are reluctant to finance textile sector resulting spinning industry is facing liquidity problems. Spinning industry has time and again approached the government to save the industry through a compensatory package to come up with some concrete measures in terms of cut off in lending rates, electricity and gas tariff to save the textile industry, the core industry of Pakistan.

The directors are fully aware of financial results of the company and are making strenuous efforts to improve the financial position as well as to make the company profitable. Directors are also committed to strengthen the position of the company through increased productivity, cost control and by devising optimal production strategies at their best except external factors and the circumstances beyond control.

The directors wish to place on record its deep appreciation for the efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. We would also thank its shareholders, customers, banks and financial institutions for their continued support extended by them in smooth running of company's operations and hope that their cooperation will be continued with the same spirit in the years to come.

Corporate & Financial Reporting Framework:

We are pleased to report that your company has taken necessary steps to comply with the provisions of Code of Corporate Governance as incorporated in the listing regulations of the Stock Exchanges:

- The financial statements for the year ended June 30, 2009 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan has been followed in preparation of financial statements; and departure if any has been adequately disclosed.
- The system of internal control is sound in design. The process of monitoring will continue and control strengthened where ever considered necessary;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance as detailed in listing regulations;
- The key financial data of last six years is annexed;

- There are no outstanding statutory payments on accounts of taxes, duties, levies or charges except those reflected in Note No. 8 to the audited accounts.
- The company operated an un-funded and unapproved gratuity scheme. Provision is made annually to cover the obligations under the scheme. The latest actuarial valuation has been carried out as at June 30, 2009.
- During the period under review four board meetings were held and the attendance of each Director was as under:

<u>Name of Directors</u>	<u>No. of Board Meetings Attended</u>
Khawaja Mohammad Jawed	4
Khawaja Mohammad Jahangir	4
Khawaja Mohammad Tanveer	4
Khawaja Mohammad Kaleem	4
Khawaja Mohammad Nadeem	4
Khawaja Mohammad Naveed	4
Mr. Mohammad Aman	4

(The Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.)

- The pattern of shareholding as on 30-06-2009 and its disclosure as required in the Code of Corporate Governance is annexed with this report;

Auditors

The auditors of the Company Messrs. Hameed Khan & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

Acknowledgement

Your directors are pleased to put on record their appreciation and gratitude to the executives, officers, staff members and workers of the company in performance of their duties. Your directors would also like to put on record their profound and sincere gratitude to valued customers, regulators, external auditors, bankers and our shareholders.

For and on behalf of the Board


(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

Lahore
October 10, 2009

Statement of Compliance with Code of Corporate Governance

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

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes five non-executive directors and one independent director representing institutional equity interest.
2. It is confirmed that none of the directors is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year ended June 30, 2009.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The remuneration payable to Chief Executive was approved by the shareholders in Annual General Meeting.
8. The meetings of the Board were presided over by the Chief Executive and the Board met four times during the year ended June 30, 2009. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.
10. The Board approved appointment of Chief Financial Officer and his remuneration. In future appointments of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions will be approved by the Board as determined by CEO.
11. The directors' report for the year ended June 30, 2009 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; all the members are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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.
19. The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Lahore:
October 10, 2009



(Khawaja Mohammad Jahangir)
Chief Executive

**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 Chakwal Spinning Mills Limited to comply with the Listing Regulation of respective stock exchanges where the Company is listed.

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

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

Further, sub-regulation (XIII^A) of listing regulations 35^A (previously regulations No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Boards of Directors for their consideration and approval of 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 parties transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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

Lahore:
October 10, 2009


HAMEED KHAN & CO.
CHARTERED ACCOUNTANTS

Audit Engagement Partner:
Abdul Waheed Khan

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CHAKWAL SPINNING 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 purposes of our audit.

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

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

- (a) in our opinion, proper book 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 account and are further in accordance with accounting policies consistently applied.
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended, and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the company for the year ended June 30, 2008 were audited by another firm of chartered accountants whose report dated October 10, 2008 expressed an unqualified opinion on those financial statements.

Lahore:
Dated: October 10, 2009


HAMEED KHAN & CO.
CHARTERED ACCOUNTANTS

Audit Engagement Partner:
Abdul Waheed Khan

Balance Sheet

	Note	2009 Rupees	2008 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital: 50,000,000 (2008: 50,000,000) ordinary shares of Rs.10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up share capital	3	400,000,000	400,000,000
Accumulated loss		<u>(305,412,603)</u>	<u>(264,156,318)</u>
		94,587,397	135,843,682
Surplus on Revaluation of Property, Plant and Equipment	4	74,300,364	78,755,432
Non Current Liabilities			
Long term financing	5	413,256,000	413,256,000
Liabilities against assets subject to finance lease	6	9,338,075	23,009,814
Deferred liabilities	7	82,823,317	84,421,083
		505,417,392	520,686,897
Current Liabilities			
Trade and other payables	8	154,166,227	145,985,414
Accrued interest / mark- up	9	10,829,113	7,503,046
Short term borrowings	10	275,413,114	248,417,765
Current portion of non current liabilities	11	13,671,737	16,692,712
Provision for taxation	12	4,377,616	4,377,616
		458,457,807	422,976,553
Contingencies and Commitments	13	-	-
		<u>1,132,762,960</u>	<u>1,158,262,564</u>

The annexed notes (1-40) form an integral part to these accounts.

Lahore:
October 10, 2009



(Khawaja Mohammad Jahangir)
Chief Executive

AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	774,772,556	785,734,546
Capital work-in-progress	15	-	-
Long term loans	16	2,773,104	2,207,500
Long term deposits	17	9,382,624	9,598,610
		786,928,284	797,540,656
Current Assets			
Stores and spares	18	10,032,776	8,778,151
Stock in trade	19	210,369,012	206,265,873
Trade debts	20	44,945,780	43,204,835
Loans and advances	21	40,985,067	54,397,135
Trade deposits, prepayments and other receivables	22	7,065,378	13,689,093
Cash and bank balances	23	32,436,663	34,386,821
		345,834,676	360,721,908
		<u>1,132,762,960</u>	<u>1,158,262,564</u>

(Khawaja Mohammad Kaleem)
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

		2009	2008
		Rupees	Rupees
Sales	24	989,845,307	870,628,096
Cost of sales	25	<u>(950,274,753)</u>	<u>(804,146,603)</u>
Gross Profit		39,570,554	66,481,493
Distribution cost	26	<u>(8,662,619)</u>	<u>(5,679,179)</u>
Administrative expenses	27	<u>(26,361,905)</u>	<u>(22,896,884)</u>
		<u>(35,024,524)</u>	<u>(28,576,063)</u>
Operating Profit		4,546,030	37,905,430
Finance cost	28	(54,718,038)	(34,372,449)
Other operating expenses	29	(504,610)	(801,985)
Other operating income	30	<u>3,263,469</u>	<u>7,934,325</u>
(Loss)/Profit before Taxation		(47,413,149)	10,665,321
Taxation	31	<u>2,219,092</u>	<u>(9,572,861)</u>
(Loss)/Profit after Taxation		(45,194,057)	1,092,460
Accumulated loss brought forward		<u>(264,156,318)</u>	<u>(269,401,957)</u>
		(309,350,375)	(268,309,497)
Transfer from surplus on revaluation of property, plant and equipment in respect of:			
- Incremental depreciation charged in current year - net of deferred tax		3,937,772	4,153,179
Accumulated Loss Transferred to Balance Sheet		<u>(305,412,603)</u>	<u>(264,156,318)</u>
(Loss)/Earnings per Share - Basic	32	<u>(1.13)</u>	<u>0.03</u>

The annexed notes (1-40) form an integral part to these accounts.

Lahore:
October 10, 2009


(Khawaja Mohammad Jahangir)
Chief Executive


(Khawaja Mohammad Kaleem)
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(47,413,149)	10,665,321
Adjustments for:		
- Depreciation	48,597,126	47,482,675
- Provision for gratuity	4,576,646	3,769,250
- (Gain) / loss on disposal of property, plant and equipment	(178,835)	(3,027,606)
- Interest income	(3,080,062)	(1,448,329)
- Unclaimed liabilities written back	(4,572)	(3,372,377)
- Finance cost	54,718,038	34,372,449
- Workers' (profit) participation fund	-	401,985
	<u>104,628,341</u>	<u>78,178,047</u>
Operating profit before working capital changes	57,215,192	88,843,368
(Increase) / decrease in current assets		
- Stores and spares	(1,254,625)	1,264,715
- Stock in trade	(4,103,139)	(55,493,894)
- Trade debts	(1,740,945)	(23,669,887)
- Loans and advances	17,916,007	(16,832,966)
- Trade deposits, prepayments, accrued interest and other receivables	9,006,179	15,442,882
Increase / (decrease) in current liabilities		
- Trade and other payables	8,129,108	2,796,701
	<u>27,952,585</u>	<u>(76,492,449)</u>
Cash generated from operations	85,167,777	12,350,919
Finance cost paid	(51,335,693)	(31,883,231)
Gratuity paid	(2,377,265)	(2,261,485)
Long term advance	-	30,000,000
Income tax paid	(6,599,290)	(3,243,969)
Net cash from Operating Activities	24,855,529	4,962,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(37,968,439)	(21,889,498)
Capital work in progress	-	(35,419,897)
Long term loans	(565,604)	196,000
Long term deposits	215,986	(208,964)
Proceeds from disposal of property, plant and equipment	512,135	23,500,000
Interest received	697,598	1,586,411
Net Cash used in Investing Activities	(37,108,324)	(32,235,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing from banking companies - Secured	-	(8,307,000)
Repayment of liabilities against assets subject to finance lease	(16,692,712)	(12,129,440)
Short term borrowings	26,995,349	42,410,902
Net Cash from Financing Activities	10,302,637	21,974,462
Net (Decrease) / Increase in Cash and Cash Equivalents	(1,950,158)	(5,299,252)
Cash and cash equivalents at the beginning of the year	34,386,821	39,686,073
Cash and Cash Equivalents at the End of the Year	<u>32,436,663</u>	<u>34,386,821</u>

The annexed notes (1-40) form an integral part to these accounts.

Lahore:
October 10, 2009

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2007	400,000,000	(269,401,957)	130,598,043
Profit for the year	-	1,092,460	1,092,460
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	4,153,179	4,153,179
Balance as at June 30, 2008	400,000,000	(264,156,318)	135,843,682
Loss for the year	-	(45,194,057)	(45,194,057)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	3,937,772	3,937,772
Balance as at June 30, 2009	<u>400,000,000</u>	<u>(305,412,603)</u>	<u>94,587,397</u>

The annexed notes (1-40) form an integral part to these accounts.

Lahore:
October 10, 2009


(Khawaja Mohammad Jahangir)
Chief Executive


(Khawaja Mohammad Kaleem)
Director

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. The Company and its Operations

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Kashana-e-Yousaf, Khawaja Street, Chakwal. The Company is engaged in the business of textile spinning, knitting, fabrics processing and garment stitching.

2. Significant Accounting Policies

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 Accounting and Financial Reporting Standard ("IFRS") issued by the Institute of Chartered Accountants of Pakistan and 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 preparation

These accounts have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary.

The preparation of financial statements in conformity with IASs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory items and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 7.1 the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.4 Standards, interpretations and amendments to published approved accounting standards**2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

- * 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 Similar financial Institutions and the disclosures 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 periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.
- * IFRIC – 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC – 13 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 January 01, 2008). IFRIC – 14 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 assets. The interpretation has no effect on company's financial statements.

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

- * The following standards, interpretations and amendments 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 certain cases.
- * Revised IAS – 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions 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 single 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 01 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 assets as part of the cost of that asset. The application of the standard is not 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 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions, When the group losses controls of subsidiary, any interest retained in the former a 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 to have an effect on the company's financial statements.
- * IAS – 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods 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 statements.
- * Amendments to IAS – 32 Financial Instruments: Presentation and IAS – 1 Presentation of Financial Statements (effective for annual period beginning on or after 01 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party 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 requires retrospective application, or not expected to have any impact on the company's financial statements.
- * Amendment to IAS – 39 Financial Instrument : Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions 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 01 January 2009). Amendments require entities to asses whether they need to separate an embedded derivative from a hybrid (combined) financial instrument 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-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.
- * Amendment to IFRS – 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual period beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.

- * Revised IFRS – 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction cost other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable asset and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have any effect on the company's financial statements.
- * IFRS – 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contract until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.
- * 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 amendment 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. The amendments are unlikely to have an impact on the company's statements.
- * IFRS-8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS- 8 will require a change in the presentation and disclosure of the segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.
- * IFRIC-15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by the real estate developers for the sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- * IFRIC – 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 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's 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 within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an 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 company's operations.
- * IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states 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 recognized in equity. When the non cash asset 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, this interpretation has no impact on the company's financial statements.

- * IFRIC – 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then 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). The interpretation is not relevant to the company's operations.

2.5 Staff retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Actuarial gains/(losses) in excess of 12 percent of the present value of defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Past service cost is recognized immediately to the extent the benefits already vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

2.6 Provisions

Provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Trade and other payables

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

2.8 Taxation

Current

Charge for taxable income is based at current tax rates after taking into account all tax credits and rebates available, if any. In case of taxable loss higher of minimum tax u/s 113 and presumptive tax u/s 154 of the Income Tax Ordinance is provided in the accounts.

Deferred

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, as required by IAS-12 (Income Taxes), 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.

2.9 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment losses except free hold land that is stated at cost. Cost of property, plant and equipment consist of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14. Depreciation on all additions is charged from the month the asset is ready for the intended use and on disposals is charged upto the month in which the asset is disposed off

Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of property, plant and equipment are included in the current year income.

Leased assets

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of such assets. The related obligations under the lease are accounted for at net present value of liabilities. The assets so acquired are depreciated over their expected useful life at the same rates and basis as of owned assets given in Note 14. The depreciation is charged to current year's income.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

2.10 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.11 Stocks and stores

These are valued at lower of cost and net realisable value. Costs are determined using the following basis:

Stores and spare parts	- at moving average cost
Raw materials	- at average cost
Work in process	- at manufacturing cost using average cost method
Finished goods	- at average manufacturing cost .
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon.

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

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

2.12 Trade debts

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for any uncollectible amounts, if any. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

2.13 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

2.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

2.15 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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

2.16 Related party transactions

Transactions with related parties are made at arm's length prices using comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

2.17 Financial Assets And Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors, accrued and other liabilities and unclaimed dividend are stated at their nominal value. financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

2.18 Borrowing Cost

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

2.19 Offsetting of Financial Assets and Financial Liabilities

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

2.20 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

2.21 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products under a common control environment (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and returns that are different from those of other segments.

2.22 Functional and presentation currency

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

2.23 Revenue recognition

- Revenue from local sales is recognized on despatch of goods to customers and from exports at the time of bill of lading.
- Dividend income is accounted for when the right to receive dividend has been established.
- Profit / interest is accounted for on accrual basis.
- Rebates are accounted for as and when allowed.

Note 3

Issued, Subscribed and Paid up Capital

2009	2008	2009	2008
No. of shares		Rupees	Rupees
40,000,000	40,000,000	400,000,000	400,000,000
Ordinary shares of Rs. 10 each fully paid in cash			

3.1 Shares held by related parties are as follows:

	2009	2008
	No. of Shares	No. of Shares
Chakwal Textile Mills Limited	-	1,000,000
Percentage of equity held 0% (2008: 2.5%)		
Naveed Industries (Private) Limited	250,000	250,000
Percentage of equity held 0.625% (2008: 0.625%)		

Note 4

Surplus on Revaluation of Property Plant and Equipment

		2009	2008
		Rupees	Rupees
Plant and machinery			
Balance at the beginning of the year		78,755,432	83,063,585
Related deferred tax	4.1	(517,296)	(154,974)
Incremental depreciation charged on revalued plant and machinery in current year net of deferred taxation transferred to retained earnings		<u>(3,937,772)</u>	<u>(4,153,179)</u>
		<u>74,300,364</u>	<u>78,755,432</u>

4.1 This represents amount transferred (to)/from deferred tax liability due to change in proportion of local and export sales that has resulted in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

4.2 Revaluation was carried out on May 18, 1996 by an independent valuer and certified by an independent firm of Chartered Accountants.

Note 5

Long Term Financing

		2009	2008
		Rupees	Rupees
Loan from banking companies - Secured			
Habib Metropolitan Bank - Term finance	5.1	<u>42,000,000</u>	<u>42,000,000</u>
Loan from related parties - Unsecured			
Directors' loan	5.2	<u>371,256,000</u>	<u>371,256,000</u>
		<u>413,256,000</u>	<u>413,256,000</u>

5.1 This represents term finance of Rs. 42 million and is repayable in installments of Rs.125,000 per working day. The repayment of outstanding liability would commence from July 01, 2010. The finance is secured against lien over FDRs of Rs. 32.0 million held with the bank, personal deposit with the bank of Rs.10 million of director and hypothecation charge of Rs. 300 million over current assets of the Company. It carries mark up 1% over and above the rate of interest on FDRs held under bank's lien).

5.2 The directors have injected unsecured and interest free loans for the repayment of liabilities of the banks and BMR of the Company. This loan shall be repaid after the repayment of liabilities of the banks or improvement in the financial position of the Company, whichever is earlier. These loans are unsecured and interest free.

Note 6

Liabilities Against Assets Subject To Finance Lease

	2009	2008
	Rupees	Rupees
The amounts of future lease rentals are payable during:		
- 2008 - 2009	-	19,120,551
- 2009 - 2010	15,020,403	15,020,403
2010 - 2011	4,745,746	4,745,746
Security deposits	19,766,149	38,886,700
Financial charges not currently due	4,885,050	5,708,400
Present value of minimum lease payments	24,651,199	44,595,100
Current portion	(1,641,385)	(4,892,574)
	23,009,814	39,702,526
	<u>(13,671,739)</u>	<u>(16,692,712)</u>
	<u>9,338,075</u>	<u>23,009,814</u>

Reconciliation between total of minimum lease payments and their present value is as under:

Gross minimum lease payments:

- Due not later than one year	19,630,453	19,943,901
- Due later than one year but not later than five years	5,020,746	24,651,199
	<u>24,651,199</u>	<u>44,595,100</u>

Present value of minimum lease payments:

- Due not later than one year	13,671,739	16,692,712
- Due later than one year but not later than five years	9,338,075	23,009,814
	<u>23,009,814</u>	<u>39,702,526</u>

6.1 This represents finance lease arrangements entered into with Habib Metropolitan Bank and Faysal Bank Limited to acquire plant and machinery and vehicles. Financing rates of approximately 11.35% to 15.5% per annum have been used as discounting factor. Taxes, repairs, replacement and insurance costs are borne by the Company.

6.2 The lease liabilities are secured against title of leased assets, personal guarantees of the directors and security deposits amounting to Rs. 4,885,050 (2008: Rs. 5,708,400) grouped under long term deposits.

Note 7

Deferred Liabilities

		2009	2008
		Rupees	Rupees
Deferred tax - net	7.1	43,831,026	47,628,173
Gratuity payable	7.2	8,992,291	6,792,910
Long term deposit	7.3	30,000,000	30,000,000
		<u>82,823,317</u>	<u>84,421,083</u>

	2009	2008
	Rupees	Rupees
7.1 Deferred tax - net		
Credit / (debit) balance arising in respect of:		
- Accelerated tax depreciation	101,066,852	99,858,113
- Surplus on revaluation of property, plant and equipment	25,631,368	26,440,701
- Recognised losses	(86,076,116)	(80,149,317)
- Staff retirement benefits and others	3,208,922	1,478,676
	<u>43,831,026</u>	<u>47,628,173</u>
7.2 Staff Gratuity-Defined Benefit Plan		
The amounts recognized in financial statements are determined as follows :-		
7.2.1 Reconciliation of amount recognised in the balance sheet		
Present value of defined benefit obligation	9,320,743	7,118,673
Plus Actuarial gains/loss to be recongnized in later periods	(328,452)	(325,763)
	<u>8,992,291</u>	<u>6,792,910</u>
7.2.2 The amounts recognized in the profit and loss account are as follows		
Current service cost	3,722,405	3,201,073
Interest cost	854,241	568,177
	<u>4,576,646</u>	<u>3,769,250</u>
7.2.3 Movement in liability recognized in the balance sheet		
At the beginning of the year	6,792,910	5,285,145
Amount recognized during the year - as shown above	4,576,646	3,769,250
Benefit payments	(2,377,265)	(2,261,485)
	<u>8,992,291</u>	<u>6,792,910</u>
7.2.4 Allocation of charge for the year		
Cost of sales	25	3,390,500
Administrative expenses	27	1,186,146
		<u>4,576,646</u>
		<u>3,769,250</u>
7.2.5 The principal actuarial assumptions used were as follows		
Discount rate	12%	12%
Expected rate of increase in salary	11%	11%
Average expected remaining working life of employees	5 years	5 years
7.3 This represents an interest free and unsecured long term deferred advance received from a customer against the exclusive sale commitment of a particular quality of waste to him for a period of five years. The advance shall be adjusted against sale of fifth year or shall be extended / renewed for a further term as mutually agreed between the parties.		

		2009	2008
		Rupees	Rupees
Note 8			
Trade and Other Payables			
Creditors			
- Secured		8,739,785	29,093,738
- Unsecured		114,665,598	94,244,616
Accrued liabilities		19,544,952	15,171,507
Other liabilities		728,842	130,153
Advances from customers		9,060,912	6,167,474
Unclaimed dividend		289,952	289,952
Income tax payable		677,923	485,989
Workers' (profit) participation fund	8.1	458,263	401,985
		<u>154,166,227</u>	<u>145,985,414</u>

8.1 Workers' (profit) participation fund

Opening balance		401,985	5,448,358
Contribution for the year		-	401,985
Interest on funds utilized in Company's business		56,278	-
		<u>458,263</u>	<u>5,850,343</u>
Payment during the year		-	(3,008,762)
Written back		-	(2,439,596)
		<u>458,263</u>	<u>401,985</u>

The Company retained workers' (profit) participation fund for its business operations. Interest is provided at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968.

Note 9

Accrued Interest / Mark- up

		2009	2008
		Rupees	Rupees
Accrued mark up / interest on:			
- Long term loans from banking companies		1,111,562	336,498
- Short term borrowings from banking companies		9,717,551	7,166,548
		<u>10,829,113</u>	<u>7,503,046</u>

Note 10

Short Term Borrowings

Banking companies - Secured

Running / cash finance	10.1	253,929,511	222,648,555
Unpresented cheques	10.2	7,675,309	2,877,530

Related parties - Unsecured

Loan from directors	10.3	13,808,294	22,891,680
		<u>275,413,114</u>	<u>248,417,765</u>

10.1 These represent utilized portion of short term finance facilities of Rs. 375 million (2008: Rs. 375 million) available from various banks under mark up arrangements. These are secured against pledge of cotton bales, yarn, synthetic / polyester fiber of appropriate value, lien over export L/Cs and personal guarantees of directors. Mark-up on the above facilities ranges from 15 % to 19 % per annum, payable quarterly. These facilities shall expire on June 30, 2010

10.2 This represents cheques issued in excess of bank balance that have not been presented at the balance sheet date but have been cleared subsequently.

10.3 These are un-secured and interest free funds obtained to meet the working capital requirements of the Company.

Note 11

Current Portion of Non Current Liabilities

	2009	2008
	Rupees	Rupees
Liabilities against assets subject to finance lease	<u>13,671,737</u>	<u>16,692,712</u>

Note 12

Provision for Taxation - Net

	2009	2008
	Rupees	Rupees
Balance at the beginning of the year	4,377,616	4,864,159
Provision for the year	2,095,351	4,377,616
Provision for prior year	-	64,959
	<u>6,472,967</u>	<u>9,306,734</u>
Paid / adjusted during the year	<u>(2,095,351)</u>	<u>(4,929,118)</u>
Balance at the end of the year	<u>4,377,616</u>	<u>4,377,616</u>

12.1 Assessments upto and including tax year 2008 have been finalised and appeals against certain assessments are pending for adjudication before appellate forum.

Note 13

Contingencies and Commitments

Contingencies

The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 15.856 million (2008: Rs. 14.976 million) on account of payment of dues against consumption of natural gas.

The income tax assessments of the Company have been completed deemed as finalized upto tax year 2008. The Company has, however, filed appeals for the various assessments years against the set aside order of Commissioner of Income Tax (Appeals) with the Income Tax Appellate Tribunal on various issues. No provision / adjustment has been made in these accounts since in the opinion of the management there will be no financial impact because of brought forward losses.

Commitments

	2009	2008
	Rupees in million	
Commitments for:		
- Purchase of Raw materials	9.000	38.741

Note 14

Property, Plant and Equipment

Particulars	Cost / Revalued Amount					Depreciation				Written Down Value as at June 30 2009	Rate
	As at June 30 2008	Additions	Deletions	Transfer / Adjustment	As at June 30 2009	As at June 30 2008	For the year	Transfer / Adjustments	As at June 30 2009		
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
Owned											
Free-hold land	5,009,292	-	-	-	5,009,292	-	-	-	-	5,009,292	-
Factory building on freehold land	150,044,639	28,103,569	-	-	178,148,208	103,738,235	5,567,426	-	109,305,661	68,842,547	10
Colony building on freehold land	16,251,885	8,662,520	-	-	24,914,405	12,968,090	617,130	-	13,585,220	11,329,185	10
Plant and machinery	1,053,158,869	1,127,400	-	-	1,054,286,269	405,508,549	32,433,735	-	437,942,284	616,343,985	5 & 10
Power house	29,585,289	-	-	-	29,585,289	6,220,307	2,336,498	-	8,556,805	21,028,484	10
Tools and equipment	1,942,356	-	-	-	1,942,356	1,510,133	43,222	-	1,553,355	389,001	10
Office equipment	3,383,463	34,950	-	-	3,418,413	1,832,902	155,056	-	1,987,958	1,430,455	10
Furniture and Fixtures	5,281,762	40,000	-	-	5,321,762	2,979,255	233,759	-	3,213,014	2,108,748	10
Vehicles	8,274,524	-	(701,575)	4,857,600	12,430,549	4,803,264	1,900,704	2,365,484	8,701,177	3,729,372	20
Sub total	1,272,932,079	37,968,439	(701,575)	4,857,600	1,315,056,543	539,560,735	43,287,530	(368,275)	584,845,474	730,211,069	
Leased											
Gas generators	44,600,000	-	-	-	44,600,000	9,377,150	3,522,285	-	12,899,435	31,700,565	
Vehicles	9,282,100	-	(4,857,600)	-	4,424,500	3,080,139	1,240,392	(2,365,484)	1,955,047	2,469,453	
Plant and machinery	11,000,000	-	-	-	11,000,000	61,612	546,919	-	608,531	10,391,469	
Sub total	64,882,100	-	(4,857,600)	-	60,024,500	12,518,901	5,309,596	(2,365,484)	15,463,013	44,561,487	
Total Rupees 2009	1,337,814,179	37,968,439	(5,559,175)	4,857,600	1,375,081,043	552,079,636	48,597,126	-	600,308,487	774,772,556	
Total Rupees 2008	1,265,192,886	101,064,205	(28,442,910)	-	1,337,814,181	512,567,476	47,482,675	(7,970,516)	552,079,635	785,734,546	

14.1 Revaluation of plant and machinery was carried out as on may 18, 1996 by an independent valuer on replacement cost basis. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

As at June 30, 2009		
Cost	Accumulated depreciation	Written Down Value
Rupees	Rupees	Rupees
Plant and machinery	845,454,797	328,253,280
		517,201,517

14.2 The depreciation charge for the year has been allocated as under

Note	2009 Rupees	2008 Rupees
Cost of sales	26	45,067,216
Administrative expenses	28	3,529,911
		48,597,127
		47,482,675

14.3 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicle Honda CD 70	54,000	31,882	22,118	45,360	23,242	As per company policy	Muhammad Iftikhar (Employee)
Vehicle Suzuki Cultus	647,575	336,393	311,182	466,775	155,593		Muhammad Anwar Sheikh (Ex-employee)
	701,575	368,275	333,300	512,135	178,835		

Pursuant to resolution passed in Extra Ordinary General Meeting held on April 29, 2008 the Company has sold its land and building measuring 16 Kanal 1 marla, situated at 4 Kilometer Raiwind Manga Road, Hadbast bhuchoki Tehsile and District Kasur for an total consideration of Rs. 23,500,000 million to Mr. Babar Saleem S/o Muhammad Saleem Faisal Town, Lahore and Muhammad Alamgir S/o Muhammad Ramzan Johar Town, Lahore.

14.4 Certain property, plant and equipments are under charge by way of mortgage against financing from banks (refer to Note 5).

Note 15

Capital Work in Progress

	2009	2008
	Rupees	Rupees
Plant and machinery		
Opening balance	-	32,754,810
Additions during the year	-	35,419,897
	-	68,174,707
Transferred to plant and machinery	-	(68,174,707)
	-	-

Note 16

Long Term Loans

Loans to employees - Unsecured and considered good	16.1	3,111,104	2,663,268
Current portion		(338,000)	(455,768)
		<u>2,773,104</u>	<u>2,207,500</u>

16.1 These represent interest free long term loans given to employees (other than chief executive, directors and executives) as per the policy of the Company, as house building finance.

Note 17

Long Term Deposits

	2009	2008
	Rupees	Rupees
Deposits against:		
- Liabilities against assets subject to finance lease	4,885,050	5,708,400
- Utilities	2,151,246	2,101,246
- Margin on letter of guarantee	2,346,328	1,788,964
	<u>9,382,624</u>	<u>9,598,610</u>

Note 18

Stores and Spares

Stores	7,528,124	6,458,466
Spares	2,504,652	2,319,685
	<u>10,032,776</u>	<u>8,778,151</u>

18.1 Stores and spares include items which may result in capital expenditure but are not distinguishable.

Note 19

Stock in Trade

	2009	2008
	Rupees	Rupees
Raw materials	151,923,340	146,343,137
Work in process	23,053,374	20,251,977
Finished goods	35,392,298	39,670,759
	<u>210,369,012</u>	<u>206,265,873</u>

19.1 Raw materials and finished goods are under first charge by way of pledge as security for certain short term borrowings (refer to Note 10).

Note 20

Trade Debts

		2009	2008
		Rupees	Rupees
Local - Unsecured and considered good	20.1	44,945,780	39,239,942
Foreign - Secured and considered good		-	3,964,893
		<u>44,945,780</u>	<u>43,204,835</u>
Local - Unsecured and considered doubtful		1,132,113	-
Less: Provision for doubtful debts		(1,132,113)	-
		<u>44,945,780</u>	<u>43,204,835</u>

20.1 This includes Rs. 379,487 (2008: Rs. 379,487) due from Yousaf Weaving Mills Limited, an associated undertakings on account of sale of materials.

Note 21

Loans and Advances

		2009	2008
		Rupees	Rupees
Current portion of loans to employees	16	338,000	455,768
Advances - Considered good			
- Suppliers and contractors	21.1	19,687,084	37,136,880
- Employees	21.2	378,671	125,577
- Letters of credit		-	1,205,630
- Sales tax and federal excise duty		7,087,854	6,483,761
- Income tax		13,493,458	8,989,519
		<u>40,985,067</u>	<u>54,397,135</u>

21.1 This includes Rs. 371,253 (2008: Rs. 371,253) due from Chakwal Textile Mills Limited (associated undertaking) on account of purchase of raw material.

21.2 Amount due from directors, chief executive and executives of the Company is Nil (2008: Nil)

Note 22

Trade Deposits, Prepayments, and Other Receivables

	2009	2008
	Rupees	Rupees
Margin against import letter of credit	4,030,000	12,280,003
Prepayments	420,145	722,448
Interest receivable	2,615,233	232,769
Other receivable		453,873
	<u>7,065,378</u>	<u>13,689,093</u>

Note 23

Cash and Bank Balance

Cash in hand		66,501	45,978
With banks			
- Current accounts		370,162	2,340,843
- Deposit account	23.1	32,000,000	32,000,000
		<u>32,370,162</u>	<u>34,340,843</u>
		<u>32,436,663</u>	<u>34,386,821</u>

23.1 This represents deposit amounting to Rs. 32.0 million (2008: 32.0 million) under lien of the bank (refer to Note 5.2). The deposit yields 8.2% (2008: 4.5%), approximately, per annum.

Note 24

Sales

	2009	2008
	Rupees	Rupees
Local	865,363,362	775,808,038
Export	<u>132,928,867</u>	<u>99,715,075</u>
	998,292,229	875,523,113
Export rebate	<u>24,266</u>	<u>19,252</u>
	998,316,495	875,542,365
Commission to selling agents and discount allowed	<u>(8,471,188)</u>	<u>(4,914,269)</u>
	<u><u>989,845,307</u></u>	<u><u>870,628,096</u></u>

Note 25

Cost of Sales

Raw materials consumed	25.1	649,737,990	545,059,469
Fuel and power		102,175,535	75,825,582
Salaries, wages and benefits	25.2	86,383,945	86,481,924
Store and spares consumed		37,494,262	33,052,627
Packing material		20,737,977	15,321,966
Repairs and maintenance		6,605,419	4,990,176
Insurance		2,852,904	2,571,926
Dépreciation	14.2	<u>45,067,216</u>	<u>44,650,186</u>
		951,055,248	807,953,856
Work in process			
- Opening		<u>17,994,418</u>	<u>10,968,065</u>
- Closing		<u>(23,053,374)</u>	<u>(17,994,418)</u>
		<u>(5,058,956)</u>	<u>(7,026,353)</u>
Cost of goods manufactured		945,996,292	800,927,503
Finished goods			
- Opening stock		<u>39,670,759</u>	<u>42,889,859</u>
- Purchases		-	-
- Closing stock		<u>(35,392,298)</u>	<u>(39,670,759)</u>
		<u>4,278,461</u>	<u>3,219,100</u>
		<u><u>950,274,753</u></u>	<u><u>804,146,603</u></u>

25.1 Raw Material Consumed

Opening Stock	148,600,696	96,914,055
Purchases	<u>670,938,058</u>	<u>596,779,445</u>
	819,538,754	693,693,500
Sales	<u>(17,877,424)</u>	<u>(33,335)</u>
Closing Stock	<u>(151,923,340)</u>	<u>(148,600,696)</u>
	<u><u>649,737,990</u></u>	<u><u>545,059,469</u></u>

25.2 This includes Rs. 3,390,500 (2008: Rs. 3,217,598) in respect of employee benefits - gratuity scheme.

Note 26

Distribution Cost

Export expenses	7,104,529	4,951,274
Freight and octroi	<u>1,558,090</u>	<u>727,905</u>
	<u><u>8,662,619</u></u>	<u><u>5,679,179</u></u>

Note 27

Administrative Expenses

		2009	2008
		Rupees	Rupees
Salaries, wages and benefits	27.1	7,103,112	5,532,370
Director' remuneration		1,200,000	1,200,000
Travelling and conveyance		1,658,325	1,208,276
Rent, rates and taxes		1,200,000	1,302,000
Postage, fax and telephone		1,560,301	1,583,985
Repairs and maintenance		648,084	707,339
Insurance		1,264,930	1,567,009
Utilities		1,188,379	1,008,801
Printing and stationery		1,005,337	719,832
Entertainment		1,323,418	1,701,637
Vehicle running and maintenance		2,568,164	2,230,111
Fees and subscriptions		412,990	782,034
Legal and professional charges		467,041	259,389
Advertisement and publicity		34,600	198,100
Donations	27.2	-	29,000
Provision for doubtful debts		1,132,113	-
Depreciation	14.2	3,529,911	2,832,489
Miscellaneous		65,200	34,512
		<u>26,361,905</u>	<u>22,896,884</u>

27.1 This includes Rs. 1,186,146 (2008: Rs. 551,652) in respect of employee benefits - gratuity scheme.

27.2 None of the directors or their spouses had any interest in any of the donees.

Note 28

Finance Cost

Interest / mark-up on:

- Long term financing		3,846,740	2,466,825
- Finance lease		4,240,864	4,036,232
- Short term borrowings		39,331,588	24,847,759
- Workers' (profit) participation fund		56,278	-
L/C discounting charges		4,775,426	1,430,165
Bank charges and commission		2,467,142	1,591,468
		<u>54,718,038</u>	<u>34,372,449</u>

Note 29

Other Operating Expenses

Auditors' remuneration	29.1	425,000	400,000
Foreign exchange loss		79,610	-
Workers' (profit) participation fund		-	401,985
		<u>504,610</u>	<u>801,985</u>

29.1 Auditors' remuneration

Audit fee		335,000	300,000
Reviews and certifications		90,000	100,000
		<u>425,000</u>	<u>400,000</u>

Note 30

Other Operating Income

	2009	2008
	Rupees	Rupees
Income from financial assets		
Interest on bank deposits	3,080,062	1,448,329
Income from non financial assets		
Profit on sale of property, plant and equipment	178,835	3,027,606
Unclaimed liabilities written back	4,572	3,372,377
Miscellaneous	-	86,013
	<u>183,407</u>	<u>6,485,996</u>
	<u>3,263,469</u>	<u>7,934,325</u>

Note 31

Taxation

		2009	2008
		Rupees	Rupees
Current			
- For the year	31.1	2,095,351	4,377,616
- Prior years		-	64,959
		<u>2,095,351</u>	<u>4,442,575</u>
Deferred			
		<u>(4,314,443)</u>	<u>5,130,286</u>
		<u>(2,219,092)</u>	<u>9,572,861</u>

31.1 This represents liability provided under section 154 of the Income Tax Ordinance, 2001 under the presumptive tax regime on the basis of export realization during the year.

31.2 The income tax assessment of the company has been finalized upto and including tax year 2008 by deeming provisions of income tax ordinance 2001.

31.3 Numerical tax reconciliation has not been given due to tax losses during the year.

Note 32

(Loss)/Earnings per Share - Basic

		2009	2008
(Loss)/profit after taxation	Rupees	(45,194,057)	1,092,460
Number of shares			
Weighted average ordinary shares outstanding during the year	Number	40,000,000	40,000,000
(Loss)/Earnings per share - basic	Rupees	<u>(1.13)</u>	<u>0.03</u>

32.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 33

Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2009	2008
	Directors	Directors
	Rupees	Rupees
Managerial Remuneration	800,000	800,000
House rent allowance	320,000	320,000
utilities	80,000	80,000
Staff retirement benefits	-	-
	<u>1,200,000</u>	<u>1,200,000</u>
Number of persons	<u>1</u>	<u>1</u>

33.1 No fee has been charged by the directors for attending the board meetings.

33.2 Executives are defined as employees with basic salary exceeding Rs. 500,000. No employee of the Company qualified as an executive during the year.

33.3 Directors are provided with Company maintained cars.

Note 34

Transactions with Related Parties

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Transactions with related parties undertaken during the year were as follows:

	2009	2008
	Rupees in million	
Associates		
Purchase of Raw Material (Yousaf Weaving Mills Ltd)	0.366	1.583
Sales of Raw Material (Kohinoor Spinning Mills Ltd)	19.448	7.418
Directors		
Short term funds repaid to / (received from) directors	9.083	(22.099)

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 35

Financial Risk Management

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

- Market Risk
- Credit Risk
- Liquidity Risk

The 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.

a) Market Risk**i) Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures. Primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2009	2008
	Rupees in million	
Trade debts	-	3.965
Gross balance sheet exposure	-	3.965
Outstanding letters of credit	-	(10.321)
Net exposure	-	(6.356)

The following significant exchange rates were applied during the year.

Average rate (Rupees per US Dollar)	80.00	65.00
Reporting date rate (Rupees per US Dollar)	81.34	68.20

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rs. Nil (2008: Rs. 0.198 million) respectively higher / lower, mainly as a result of exchange gains / (losses) on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) Other Price Risk

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

iii) Interest Rate Risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2009	2008
	Rupees	Rupees
Floating rate instruments		
Financial Liabilities		
Long term financing	42,000,000	42,000,000
Liabilities against assets subject to finance lease	23,009,814	39,702,526
Short term borrowings	253,929,511	222,648,555

Financial Assets

Bank Balances - Saving Accounts

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 3.19 million (2008: Rs. 3.04 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. The analysis is prepared assuming the amounting of liabilities outstanding at balance sheet dates were outstanding for the whole year.

b) Credit Risk

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

	2009	2008
	Rupees	Rupees
Long term loans	2,773,104	2,207,500
Long term deposits	9,382,624	9,598,610
Trade debts	44,945,780	43,204,835
Advances, trade deposits and other receivables	27,469,133	51,407,318
Cash and bank balances	32,436,663	34,386,821

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 375 million worth short term borrowing limits available from financial institutions and Rs. 32.437 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2009:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Long-term finances	42,000,000	46,939,200	41,910,000	5,029,200	-
Liabilities against leased assets	18,124,764	19,766,149	15,020,403	4,745,746	-
Trade and other payables	145,105,315	145,105,315	145,105,315	-	-
Accrued interest	9,717,551	9,717,551	9,717,551	-	-
Short term finances	261,604,820	300,243,852	300,243,852	-	-

Contractual maturities of financial liabilities as at June 30, 2008:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Long-term finances	42,000,000	50,785,940	3,846,740	46,939,200	-
Liabilities against leased assets	33,994,126	38,886,700	19,120,551	19,766,149	-
Trade and other payables	139,817,940	139,817,940	139,817,940	-	-
Accrued interest	7,166,548	7,166,548	7,166,548	-	-
Short term finances	225,526,085	264,857,673	264,857,673	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 5, Note 6 and Note 10 to these financial statements.

35.2 Fair values of financial assets and liabilities

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

Note 36

Segment Information

The entire revenue and expenses of the Company are due to manufacturing and sales of yarn. There are no reportable segments of the Company and, therefore, segment information has not been prepared.

Note 37

Plant Capacity and Production

	2009	2008
Number of spindles installed	33,468	33,468
Number of shifts worked	1,095	1,095
Installed capacity in 20's count based on triple shift for 365 days (2008: 365) days (Kgs) - approximately	10,610,970	10,610,970
Actual production after conversion into 20's count (Kgs)	<u>8,271,004</u>	<u>9,198,133</u>

It is difficult to describe precisely the under utilization of production capacity in spinning since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, etc. It also varies according to the pattern of production adopted in particular year.

Note 38

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total long term borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2009	2008
	Rupees	Rupees
Long term financing	413,256,000	413,256,000
Cash and bank balances	(32,436,663)	(34,386,821)
Net Long Term Debt	<u>380,819,337</u>	<u>378,869,179</u>
Equity	94,587,397	135,843,682
Gearing Ratio	80.10%	73.61%

Note 39

Authorization of Financial Statements

These accounts have been authorized for issue by the Board of Directors of the Company on October 10, 2009

Note 40

General

- Figures have been rounded off to the nearest Rupee.

Lahore:
October 10, 2009


(Khawaja Mohammad Jahangir)
Chief Executive


(Khawaja Mohammad Kaleem)
Director

KEY FINANCIAL DATA OF LAST SIX YEARS

(Rupees in '000)

	2009	2008	2007	2006	2005 9 Months	2004
Sales	989,845,307	870,628	847,459	705,391	568,413	681,204
Gross Profit	39,570	66,481	69,824	28,573	43,437	21,453
(Loss)/Profit Before Taxation	(47,413)	10,665	5,789	(20,975)	6,212	(10,739)
Tax	2,219	9,573	1,207	11,693	3,104	730
(Loss)/Profit After Taxation	(45,194)	1,092	4,583	11,693	3,108	(10,009)
Total Assets	1,132,763	1,158,263	1,085,729	977,393	817,074	978,304
Current Liabilities	458,458	422,977	401,007	315,072	353,399	488,689
	674,305	735,286	684,722	662,321	463,675	489,615
Share Capital	400,000	400,000	400,000	400,000	113,256	113,256
Investment revaluation surplus	-	-	-	-	-	-
Accumulated (Loss)/Profit	(305,413)	(264,156)	(269,402)	(278,069)	(249,701)	(257,638)
Equity	94,587	135,844	130,598	121,931	(136,445)	(144,382)
Surplus on Revaluation of Fixed Assets	74,300	78,755	83,064	79,551	83,852	88,680
Deposit for Shares	-	-	-	-	-	-
Long Term Loans Leases	413,256	413,256	394,506	365,744	460,236	490,057
Finance Lease	9,338	23,010	28,926	36,825	-	-
Deferred Liability	82,823	84,421	47,628	58,270	56,032	55,260
	674,304	735,286	684,722	662,321	463,675	489,615

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

CATEGORIES OF SHARES HOLDERS	NUMBER OF SHARES HOLDERS	NUMBER OF SHARES HELD	%
1. INDIVIDUALS	863	37,928,900	94.82
2. INVESTMENT COMPANIES	3	41,400	0.10
3. INSURANCE COMPANIES	4	114,300	0.29
4. JOINT STOCK COMPANIES	9	261,100	0.65
5. FINANCIAL INSTITUTIONS	4	1,538,900	3.85
6. MODARABA COMPANIES	2	3,000	0.01
7. FOREIGN COMPANIES	3	92,400	0.23
8. CHARITABLE TRUST	1	10,000	0.03
9. OTHERS	1	10,000	0.03
TOTAL	890	40,000,000	100

Detail of Pattern of Shareholding as per Requirements of Code of Corporate Governance

Associated Companies Undertakings & Related Parties

i Naveed Industries (Pvt.) Limited	250,000
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NIT / ICP

i National Bank of Pakistan - Trustee Wing	1,534,400
ii Investment Corporation of Pakistan	3,500

Directors, Chief Executive, their Spouse and Minor Children

i Khawaja Mohammad Jawed	2,462,979	
ii Khawaja Mohammad Jahangir	2,800,500	
iii Khawaja Mohammad Tanveer	2,501,000	
iv Khawaja Mohammad Kaleem	24,005,500	
v Khawaja Mohammad Nadeem	2,867,900	
vi Khawaja Mohammad Naveed	1,424,792	
vii Mr. Muhammad Aman	868,800	
viii Mrs. Kausar Tasneem W/o Kh. M. Jawed	400	
ix Mrs. Rubina Khanum W/o Kh. M. Jahangir	2,500	
		36,934,371

Executives

Public Sector Companies & Corporations

i State Life Insurance Corporation	52,000
ii National Development Finance Corporation	4,500

Banks, Development Finance Institutions and Non Banking Finance

Institutions Insurance Companies, Madaraba & Mutual Funds	103,200
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General Public

Joint Stock Companies	994,529
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Foreign Companies	261,100
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Others	92,400
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10,000

40,000,000

Shareholders holding 10% and above Voting Interests

Khawaja Mohammad Kaleem	24,005,500
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THE COMPANIES ORDINANCE, 1984 FORM-34
(Section 236(1) and 464)

01. Incorporation Number 0017425
 02. Name of Company CHAKWAL SPINNING MILLS LTD.
 03. Pattern of shareholding held by the shareholders as at 30-06-2009

NUMBER OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARE HELD
	FROM		TO	
131	1	-	100	12753
545	101	-	500	218078
73	501	-	1000	70300
84	1001	-	5000	233900
23	5001	-	10000	193200
9	10001	-	15000	115598
3	15001	-	20000	56000
3	20001	-	25000	68800
1	25001	-	30000	29000
1	35001	-	40000	37500
1	40001	-	45000	45000
1	50001	-	55000	52000
1	55001	-	60000	57000
2	60001	-	65000	127200
1	90001	-	95000	91500
1	110001	-	115000	111500
1	245001	-	250000	250000
1	750001	-	755000	754008
1	775001	-	780000	776692
1	865001	-	870000	868800
1	1365001	-	1370000	1367792
1	2350001	-	2355000	2351479
1	2500001	-	2505000	2501000
2	2800001	-	2805000	5605400
1	24005001	-	24010000	24005500
890				40,000,000

Proxy Form

The Corporate Secretary
Chakwal Spinning Mills Limited
 Kashana-e-Yousaf,
 Khawaja Street,
 Chakwal.

Folio No. /CDC A/C No.	
Shares Held	

I/We _____ of _____
 being a member (s) of **CHAKWAL SPINING MILLS LIMITED** hereby appoint
 Mr./Mrs./Miss _____ of _____
 (being member(s) of Company) as my/our Proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 31, 2009 at 09:00 a.m. at premises of Kohinoor Spinning Mills Limited, Unit No. 1, Pindi Road, Aminabad, Chakwal and at every adjournment thereof.

Signed this _____ day _____ of 2009.

1. Witness: _____
 Signature: _____
 Name: _____
 Address: _____



2. Witness: _____
 Signature: _____
 Name: _____
 Address: _____

Signature: _____

(Signature appended above should agree with the specimen signatures registered with the Company.)

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed on the instrument.
3. CDC shareholders are requested to bring with them their Computerized National Identity Cards alongwith the participants' ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
4. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or notarially certified copy thereof, should be deposited at the Company's office not later than 48 hours before the time of holding the meeting.