Ruby Textile Mills Limited

ANNUAL REPORT 2011

BOARD OF DIRECTORS	Chairman and Chief Executive: MR. NOOR ELAHI Directors: MRS. PARVEEN ELAHI MRS. NAHEED JAVED MR. NABEEL JAVED MR. JAVED USMAN MR. FAIZAN JAVED MR. MATIUDDIN SIDDIQUI (NIT NOMINEE)
COMPANY SECRETARY	MR. ASIF PERVAIZ KHAWAJA
AUDIT COMMITTEE	MR. JAVED USMAN -CHAIRMAN MR. NABEEL JAVED -MEMBER MR. FAIZAN JAVED -MEMBER
BANKERS	M/S. STANDARD CHARTERED BANK LTD. M/S. BANK AL-HABIB LIMITED M/S. HABIB METROPOLITAN BANK LTD. M/S. NATIONAL BANK OF PAKISTAN M/S. SONERI BANK LTD. M/S. SILK BANK LTD. M/S. FAYSAL BANK LTD. M/S. MCB BANK LTD.
AUDITORS	M/S. MUSHTAQ & CO., Chartered Accountants, Room # 407-Commerce Centre, 4th Floor, Hasrat Mohani Road, Karachi-74200
LEGAL ADVISOR	M/S. MOHSIN LAW ASSOCIATES 1-TURNER ROAD, Lahore-54000
HEAD OFFICE	35-Industrial Area, Gulberg-III, Lahore. Phone: (+92-42) 3576-1243, 3576-1244 Fax: (+92-42) 3576-1222, 3571-1400 Email: rubytex@wol.net.pk
REGISTERED OFFICE	Room # 203-Faiyaz Centre, 2nd Floor, 3-A, S.M.C.H.S., Shahrah-e-Faisal, Karachi-74400. Phone: (+92-21) 3439-6600, 3438-7700 Fax: (+92-21) 3439-8800 Email: rtml@khi.wol.net.pk
MILLS	Raiwind-Manga Road, Raiwind, District Kasur. Phone: (+92-42) 3539-1031, 3539-2651, 3539-2652 Fax: (+92-42) 3539-1032 Email: rtml@lhr.wol.net.pk
SHARE REGISTRAR	M/S. CORPLINK (PRIVATE) LIMITED 1-K, (Commercial) Wings Arcade, Model Town, Lahore. Phone: (+92-42) 3583-9182, 3588-7262 Fax: (+92-42) 3586-9037

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 31st Annual General Meeting of the shareholders of RUBY TEXTILE MILLS LTD will be held at Registered Office of the Company at 203-Faiyaz Centre, 2nd Floor, 3-A S.M.C.H.Society, Shahrah-e-Faisal Karachi on Monday 31st October 2011 at 04.00 PM to transact the following business.

ORDINARY BUSINESS

1. To consider minutes of extra ordinary General Meeting held on 11th April 2011.
2. To receive, consider and adopt the Audited Annual Accounts together with Director's and Auditor's report thereon for the period ended 30th June 2011.
3. To appoint auditors for the next financial year and fix their remuneration. The present Auditors M/s. Mushtaq & Company Chartered Accountants retire and being eligible, Offer them selves for re-appointment.
4. To consider and fix Chief Executive's remuneration for the year 2011-2012.
5. To transact any other business with the permission of the Chair.

LAHORE
08th October 2011

Asif Pervaiz Khawaja
Company Secretary

NOTICE

1. The share transfer Books of the Company will remain closed from 24th October 2011 to 31st October 2011 (both days inclusive)
2. A member entitled to attend and vote may appoint another member of his/her proxy to attend the meeting and vote on his/her behalf. Proxy in order to be effected must be received at registered office of the Company at least 48 hours before the meeting.
3. CDC shares holders are requested to bring with them their original C.N.I.C or passport along with Participant's ID number and their account number at the time of Annual General Meeting in order to facilitate identification and in case of proxy must enclose an attested copy of NIC or passport along with CDC account number. Representative of corporate members should bring the usual documents required for this purpose.
4. Share holders are requested to immediate notify any change in their address to Company's Share Registrar M/s Corplink (Private) Limited, Wings Arcade, 1-K (Commercial) Model Town, Lahore

DIRECTORS REPORT

The Directors of your company are pleased to present their 31st Annual Report together with the Company's Audited Accounts for the year ended 30th June, 2011.

General Market Conditions

The financial year 2011 was as exceptional year for spinning sector of Pakistan. Both internal and external factors created adverse affect specially on spinning sector. Flood and international cotton prices caused cotton to reach at highest price in history of Pakistan. Cotton prices during the year increased from Rs. 5,000 per mound to Rs. 14,500/- per mound where as yarn prices didn't increase comparatively which created big gap between cost of good manufactured and sale prices of yarn. Adverse internal security situation is also creating problems for our financial activities and our foreigner buyers and investors are avoiding visiting Pakistan. One of other major reason for adverse situation was electricity and gas curtailments. Through out the year textile industry faced almost 3-days a week gas shutdowns causing 30% production loss during the year where as other fixed expenses were continuously charged during the year. Lower productivity of yarn and higher prices of raw cotton led to increase in yarn costs. Our domestic customers, weavers and knitters lost their overseas orders firstly because of irregular shipments caused by power supply curtailments and secondly due to higher cost of their inputs.

The following conditions have prevailed since the start of current fiscal year causing an adverse impact on your Company's performance.

- Highest prices of raw cotton without appropriate increase in yarn prices
- Historical flood in year 2010 damaged cotton crops in Punjab and Sindh
- Power and Gas crises caused major loss as production capacity was reduced by almost 30% during the year.
- Increase in Electricity and Gas prices during the year.
- Adverse internal security situation which restrict foreign customers and investors to visit Pakistan territory

Future Outlook

At the time of writing, global marketing is still uncertain and it's expected that demand for textile products will remain muted in the near term. The Company is focusing on to reduce balance sheet leverage which will help in cost efficiencies. Therefore directors of the company have inducted Rs. 390 million after the year end to reduce bank borrowing which will ultimately help to reduce future markup costs. He directors have shown full commitment towards the project to ensure its viability and reduce its financial costs by inducting fresh personal funding into the company.

Operating Results

The financial results are summarized here under

	2011 Rupees	2010 Rupees
Sales	1,624,999,524	1,379,194,325
Gross Profit	47,187,383	146,733,782
Administration Charges	(24,970,153)	(18,429,564)
Distribution Charges	(19,778,113)	(22,713,281)
Financial Charges	(110,368,625)	(69,888,923)
Profit/ (Loss) Before Tax	(109,412,047)	34,302,038
Provision for Taxation	11,901,194	(24,908,497)
Profit/ (Loss) after Taxation	(97,510,852)	9,393,541

Net Sales of the company increased to Rs. 1,625 million from Rs. 1,379 million showing increase by 17.84 % over last year. Our production capacity was curtailed almost 30% mainly due to powers and gas shortage in the country caused our plant to stay shutdown for 3-days a week during the year, which adversely affected our future sales and expected profits. Gross profit decreased from Rs 146.73 million to 47.19 million. This sharp decline is due to production capacity loss and high rates of cotton and other increased manufacturing overheads during the year. Administrative expenses have increased by Rs. 6.54 million whereas distribution cost of the company is reduced by Rs. 2.94 million. Higher cotton prices forced the company to make higher borrowings to stock cotton which caused higher financial charges during the year. Financial charges increased by Rs. 40.48 million as compare to last year. Company suffered loss after tax Rs. 97.51 Million during the year as compared to profit after tax amounting Rs. 9.39 Million in last financial year.

Auditors Report

The auditors have expressed unqualified opinion in their report.

Earning/(Loss) Per Share

Earning/(Loss) per share for the year amounted to Rs. (2.49) as against earning per share of Rs. 0.24 for the corresponding year.

Related Parties

The Board of Directors has approved the policy for transaction/contract between Company and its related parties on an arms length basis and relevant rates are to be determined as per the comparable un-controlled price method.

For and on behalf of the Board of Directors

LAHORE
October 10, 2011

(NOOR ELAHI)
CHAIRMAN/CHIEF EXECUTIVE

Corporate And Financial Reporting Framework
(Code of Corporate Governance)

The Financial Statements prepared by the management of the Company present fairly state of affairs of the Company, the result of its operations, cash flows and change in equity.

Proper Books of Accounts have been maintained.

Appropriate Accounting Policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

The system of Internal Control is sound in design and has been effectively implemented and monitored.

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 the listing regulations.

Significant deviations from last year in operating results of the results of the Company and reasons thereof have been explained.

There are no outstanding statutory payments on accounts of taxes, duties, levies and charges except as shown in notes to the accounts. The amounts appearing in the accounts are of routine nature and some of these have been paid in next year while others are adjustable against receivables in the subsequent period subject to approval by authorities.

There are no significant plans for corporate restructuring, business expansion and discontinuation of operation except for improvement in the normal business activities to increase the business.

The Company is operating an unfunded Gratuity Scheme funds of which are retained for business of the Company.

Five meeting of the Board of Directors of the company during the year under review were held and were attended as follows:

Mr. Noor Elahi	5
Mrs. Parveen Elahi	5
Mrs. Naheed Javed	3
Mr. Javed Usman	4
Mr. Matiubbin Siddiqui	4
Mr. Nabeel Javed	4
Mr. Faizan Javed	0

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. The name of its members is given in the Company's profile.

The term of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors from time to time to improve the system and procedures.

Auditors

The present auditors, M/S. Mushtaq & Co, Chartered Accountants retire and being eligible has offered themselves for re-appointment.

Pattern of Shareholding

Statement showing pattern of holding of shares as on 30th June, 2011 on prescribed format is ar .exed to this report.

Acknowledgements

We record our admiration of the services of our employees and workers of the Company who have contributed their best possible talents and believe that the same spirit of devotion will continue in future. We wish to thank our banks and shareholders for their continued support and confidence on the Company.

The key operating and financial data for the last six years is annexed.

For and on behalf of the Board of Directors

LAHORE
October 10, 2011

(NOOR ELAHI)
CHAIRMAN/CHIEF EXECUTIVE

FORM 34

Pattern of holding of the shares held by the shareholders as at 30th June, 2011

No. of Shareholders	----Shareholding---- From	To	Total Shares Held
49	1	100	3,340
734	101	500	354,227
38	501	1,000	36,266
26	1,001	5,000	61,499
2	5,001	10,000	14,900
2	10,001	15,000	26,191
1	15,001	20,000	15,727
1	55,001	60,000	58,131
1	85,001	90,000	88,300
2	95,001	100,000	199,316
1	130,001	135,000	130,669
1	135,001	140,000	139,179
1	155,001	160,000	159,600
1	295,001	300,000	300,000
1	310,001	315,000	311,191
1	610,001	615,000	610,664
1	3,870,001	3,875,000	3,873,500
1	64,95,001	6,500,000	6,500,000
1	8,655,001	8,660,000	8,655,900
1	17,660,001	17,665,000	17,661,400
866	TOTAL		**39,200,000**

Categories of shareholder	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	30,504,279	77.8170%
Associated Companies, undertakings and related Parties.	6,900,500	17.6033%
N.I.T. And I.C.P.	629,591	1.6061%
Banks Development Financial Institutions, Non Banking Financial Institutions.	613,298	1.5645%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10%	37,001,779	94.3923%
General Public		
a. Local	545,333	1.3912%
b. Foregin	0	0.0000%
Others (to be specified)		
Joint Stock Companies	6,999	0.0179%

CATEGORIES OF SHARES HOLDER AS REQUIRED UNDER C.C.G., AS ON 30th JUNE 2011

NAME	HOLDING	%AGE
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mr. Noor Elahi	17,661,400	45.0546%
Mr. Noor Elahi (CDC)	139,179	0.3550%
Mrs. Parveen Elahi	8,655,900	22.0814%
Mrs. Parveen Elahi (CDC)	12,200	0.0311%
Mrs. Naheed Javed	3,873,500	9.8814%
Mrs. Naheed Javed (CDC)	159,600	0.4071%
Mr. Nabeel Javed	1,000	0.0026%
Mr. Faizan Javed (CDC)	1,000	0.0026%
Mr. Javed Usman	500	0.0013%
Mr. Matiuddin Siddiqui (NIT NOMINEE)		
	30,504,279	77.8170%
ASSOCIATED COMPANIES		
Naheed Noor Enterprises Ltd.	300,000	0.7653%
Naheed Noor (Pvt) Ltd.	100,000	0.2551%
Naheed Noor (Pvt) Ltd.	500	0.0013%
Sunrise Bottling Co. (Pvt) Ltd.	6,500,000	16.5816%
	6,900,500	17.6033%
NIT &ICP		
Investment Corporation of Pakistan	3,200	0.0082%
National Investment Trust Limited (CDC)	15,727	0.0401%
National Bank of Pakistan trustee Deptt. (CDC)	610,664	1.5578%
	629,591	1.6061%
BANKS, DEVLOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS		
Faysal Bank Limited (CDC)	99,316	0.2534%
The Bank Of Khyber (CDC)	13,991	0.0357%
The Bank Of Punjab, Treasury Division (CDC)	130,669	0.3333%
National Bank Of Pakistan (CDC)	311,191	0.7939%
National Bank Of Pakistan (CDC)	58,131	0.1483%
	613,298	1.5645%
INSURANCE COMPANIES	0	0.0000%
MODARABAS & MUTUAL FUNDS	0	0.0000%
JOINT STOCK COMPANIES		
Adam Lubricants Ltd	500	0.0013%
Ace Securities (Pvt) Ltd. (CDC)	2,299	0.0059%
Stock Master Securities (Private) Ltd.(CDC)	300	0.0008%
Msmaniar Financials (Pvt) Ltd. (CDC)	3,400	0.0087%
Wasi Securities (SMC-Pvt) Ltd. (CDC)	500	0.0013%
	6,999	0.0179%
SHARESHELD BY THE GENERAL PUBLIC	545,333	1.3912%
	39,200,000	100.0000%
SHARE HOLDER HOLDING 10% OR MORE OF TOTAL CAPITAL		
Mr. Noor Elahi	17,800,579	45.4096%
Mrs. Parveen Elahi	8,668,100	22.1125%
Mst. Naveed Javed	4,033,100	10.2885%
Sunrise Bottling Co. (Pvt) Ltd.	6,500,000	16.5816%
	37,001,779	94.3923%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows.

	SALE	PURCHASE
Mr. Noor Elahi (CDC)	-	126,079
Mst. Naveed Javed (CDC)	-	159,400

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED JUNE 30,2011

This statement is being presented to comply with the Code of Corporate Governance contained in the reglution no 37 chapter XI of listing regulations of Karachi and chapter XIII of 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 representation of independent non-executive directors and directors representine minority interests in its Board of Directors. At present the Board includes four non-executive and one directors representing minority interest shareholders.

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

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

4. There was no casual vacancy in the Board during the period.

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

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

8. The Meetings of the board were presided over by the Chairman and board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes were appropriately recorded and circulated.

9. The board arranged an orientation course for its directors to apprise them of their duties and responsibilities. More courses will follow in future.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and items and conditions of employment, as determined by the CEO.

11. The director's 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 including the Chairman of the committee.

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

17 The Board has setup and Internal Audit Function.

18 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and 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 the Institute of Chartered Accountants of Pakistan (ICAP).

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 IF AC guidelines in this regard.

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

For and on behalf of the Board

Lahore
October 10, 2011

(NOOR ELAHI)
Chairman/Chief Executive
NIC No: 35202-2751024-3

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Tel: 32638521-4
Fax: 32639843

Branch Office:
20-B, Block-G
Gulberg-III, Lahore
Tel: 35884926, 35865618
Fax: 35843360

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the 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 **Ruby Textile Mills Limited** to comply with the Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2011.

Karachi.
October 8, 2011

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner
Shahabuddin A. Siddiqui
F.C.A

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance sheet of **Ruby Textile Mills Limited** as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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, 2011 and of the loss, total comprehensive income, 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).

Karachi.
October 8, 2011

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

BALANCE SHEET
AS AT JUNE 30, 2011

EQUITY AND LIABILITIES	Note	2011 Rupees	2010 Rupees
SHARE CAPITAL AND RESERVES			
Authorized Capital			
60,000,000 (2010 :40,000,000) Ordinary shares of Rs. 10 each		600,000,000	400,000,000
Issued, subscribed and paid up capital	5	392,000,000	392,000,000
Capital reserves	6	3,240,000	3,240,000
Accumulated loss		(344,241,133)	(262,280,793)
		50,998,867	132,959,207
Surplus on revaluation of property, plant and equipment	7	386,529,953	402,080,466
NON CURRENT LIABILITIES			
Long term financing from banking companies	8	365,625,000	424,125,000
Long term financing from directors and others	9	179,583,546	182,219,672
Deferred liabilities	10	8,293,011	36,590,743
Long term loans from others	11	33,125,884	-
CURRENT LIABILITIES			
Trade and other payables	12	203,173,100	115,553,920
Accrued mark up / interest	13	69,805,916	20,810,569
Short term borrowings	14	333,932,732	206,620,848
Current portion of long term financing from banking companies	8	60,125,000	10,963,000
Provision for taxation	15	15,697,190	12,272,865
		682,733,938	366,221,202
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		1,706,890,199	1,544,196,289

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

BALANCE SHEET
AS AT JUNE 30, 2011

ASSETS	Note	2011 Rupees	2010 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	17	1,014,032,289	1,059,407,133
Long term deposits	18	8,394,382	7,794,382
CURRENT ASSETS			
Stores, spare parts and loose tools	19	93,638,099	73,763,794
Stock in trade	20	496,813,961	324,494,572
Trade debts	21	26,588,111	13,478,267
Loans and advances	22	50,200,979	44,343,733
Trade deposits and short term prepayments	23	67,501	47,823
Other receivables	24	1,742,317	999,170
Tax refunds due from Government	25	14,599,290	17,471,131
Cash and bank balances	26	813,269	2,396,284
		684,463,528	476,994,775
TOTAL ASSETS		1,706,890,199	1,544,196,289

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	27	1,624,999,524	1,379,194,325
Cost of sales	28	(1,577,812,141)	(1,232,460,543)
Gross profit		47,187,383	146,733,782
Other operating income	29	989,737	1,432,054
Distribution cost	30	(19,778,113)	(22,713,281)
Administrative expenses	31	(24,970,153)	(18,429,564)
Other operating expenses	32	(2,502,275)	(2,832,031)
Finance cost	33	(110,338,625)	(69,888,923)
Profit / (loss) before taxation		(109,412,047)	34,302,038
Taxation	34	11,901,194	(24,908,497)
Profit / (loss) for the year		(97,510,852)	9,393,541
Earnings / (loss) per share- basic and diluted	35	(2.49)	0.24

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	36	(71,940,469)	47,638,993
Finance cost paid		(61,343,278)	(60,221,921)
Income tax paid		(9,480,872)	(4,675,829)
Staff retirement benefits - gratuity paid		(4,080,999)	(1,083,955)
Net cash used in operating activities		(146,845,619)	(18,342,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,172,332)	(5,089,703)
Proceeds from sale of property, plant and equipment		2,570,000	1,349,510
Long term deposits		(600,000)	(97,550)
Net cash used in investing activities		(3,202,332)	(3,837,743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing from banking companies - net		(9,338,001)	6,088,000
Long term fiancing from directors and associates		(2,636,126)	12,639,037
Long term financing from other		33,125,884	-
Repayment of finance lease liability		-	(1,460,688)
Net cash generated from financing activities		21,151,757	17,266,349
Net (decrease) in cash and cash equivalents		(128,896,194)	(4,914,106)
Cash and cash equivalents at the beginning of the year		(204,224,564)	(199,322,836)
Exchange gain on foreigm currency accounts		1,295	12,378
Cash and cash equivalents at the end of the year		(333,119,462)	(204,224,564)
Cash and cash equivalents			
Cash and bank balances	26	813,269	2,396,284
Short term borrowings	14	(333,932,732)	(206,620,848)
		(333,119,462)	(204,224,564)

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Capital reserves	Accumulated loss	Total
	Rupees			
Balance as at June 30, 2009	392,000,000	3,240,000	(284,562,464)	110,677,536
Total comprehensive income for the year	-	-	9,393,541	9,393,541
Surplus realized on disposal of property, plant and equipment - net of tax	-	-	-	-
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred Taxation	-	-	12,888,130	12,888,130
Balance as at June 30, 2010	392,000,000	3,240,000	(262,280,793)	132,959,207
Total comprehensive loss for the year	-	-	(97,510,852)	(97,510,852)
Surplus realized on disposal of property, plant and equipment - net of tax	-	-	3,435,625	3,435,625
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred Taxation	-	-	12,114,887	12,114,887
Balance as at June 30, 2011	392,000,000	3,240,000	(344,241,133)	50,998,867

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Profit / (loss) for the year		(97,510,852)	9,393,541
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(97,510,852)	9,393,541

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan on October 18, 1980 as a private limited company and was subsequently converted into public limited company. The registered office of the company is located at 3-A, SMC Housing Society, Shahra-e-Faisal, Karachi. The shares of the company are quoted on the Karachi and Lahore stock exchanges. The principal business of the company is manufacturing and sale of yarn. The manufacturing units are located at Manga Road, Raiwind in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the company's functional currency.

2.3 Standards, interpretations and amendments to published approved accounting standards

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

- IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company has applied IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IAS 17 (Amendment), 'Leases' is effective from annual periods beginning on or after January 1, 2010. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendment clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7-13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the company's operations.

- IAS 32 (Amendment), 'Financial Instruments: Presentation- Classification of Rights Issues is effective for annual periods beginning on or after January 1, 2010. The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers right, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an implication on the company's financial statements.

- IAS 36 (Amendment), 'Impairment of Assets' (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendment apply prospectively. The amendment is not relevant to company's operations.

- IAS 39 (Amendment),' Cash Flow Hedge Accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The company has applied IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the company's financial statements.

- IFRS 2 (Amendment), 'Share-based Payment - Group Cash-settled Share-based Payment Transactions is effective for annual periods beginning on or after January 01, 2010. The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principal even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- IFRS 5 (Amendment), 'Measurement of Non-Current Assets (or disposal group) Classified as Held-for-Sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current asset (or disposal group) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company has applied IFRS 5 (Amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IFRS 8, 'Operating segments'. The amendment provides that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. It does not have a material impact on the company's financial statements.

- IFRS 3 (amendments), 'Business combinations'. These amendments clarify that the amendments to IFRS 7 Financial instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, these amendments limit the scope of the measurement choices that only the components of NCI that are the present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value, or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. These amendments require an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether by obligation or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. These amendments do not have a material impact on the company's financial statements.

- IFRIC 19 (amendment), 'Extinguishing financial liabilities with equity instruments'. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with a paragraph 41 of IAS 39 Financial instruments: Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably measure, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. This interpretation does not have a material impact on the company's financial statements.

2.3.2 **Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective**

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a material impact on the company's financial statements.

- IAS 24, 'Related Party Disclosures (revised 2009)' (effective for annual periods beginning on or after January 1, 2011). The revised IAS amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the company's financial statements.

- IAS 34 (Amendment), 'Interim financial reporting', is effective for annual period beginning on or after January 1,2011 . The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment is not expected to have a material impact on the company's financial statements.

- IFRS 7, 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosures should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial statements. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the company.

- IFRS-9 'Financial Instruments' (effective for annual periods beginning on or after January 1, 2013). IFRS 9 is the first standard issued as a part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary classifications depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

- IFRIC 13, 'Customer Loyalty Programmes' (effective for annual periods beginning on or after January 1, 2011). The amendment clarify that the fair value of the award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

- IFRIC - 14 IAS 19- The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the company's financial statements.

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

- The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except to the extent that certain items of property, plant and equipment have been stated at revalued amount, staff retirement benefits are recognized at present value and revaluation of certain financial instruments are stated at fair value.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

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

3.2 Staff retirement benefits - gratuity

Certain actuarial assumptions have been adopted as disclosed in relevant note to the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

3.3 Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

3.4 Property, plant and equipment

The company reviews recoverable amount, useful life, residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

3.5 Stocks in trade and stores, spares and loose tools

The company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales. As the selling price of yarn has decreased substantially after the balance sheet date therefore the valuation of raw material, work in process and finished goods as on June 30, 2011 has been made using the following accounting estimates and judgments

3.5.1 Valuation of raw material

Due to erratic variation in cotton price in the month of July 2011, August 2011 and September 2011 ranging from PKR 4,800 per mound to PKR 7,500, the raw material cost can not be determined at replacement cost as recommended in the paragraph 32 of IAS 2. The valuation has been made on the basis of realization value. Amount realized on account of cotton component has been determined on the basis of sale price of yarn sold during the month of July 2011, August 2011 and September 2011. The value of raw cotton as on June 30, 2011 has been reduced by Rs. 15,442,880 due to above effect.

3.5.2 Valuation of finished goods

Finished goods have been valued at cost or net realizable value which ever is lower as defined in International Accounting Standards (IAS) "2". The value of finished goods as on June 30, 2011 has been reduced by Rs. 4,029,304 due to carrying stock at net realizable value.

3.5.3 Valuation of work in process

Work in process has been valued at value of cotton as determined above plus overhead cost.

3.5.4 Valuation of waste

Waste has been valued at net realizable value as defined in International Accounting Standards (IAS) 2 "Inventories".

3.6 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

3.6.1 Provision for doubtful debts
3.6.2 Estimation of net realizable value
3.6.3 Computation of deferred taxation
3.6.4 Disclosure of contingencies

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. The most recent actuarial valuation was carried on June 30, 2009 using the Projected Unit Credit Method.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10 percent of present value of defined benefit obligation or 10 percent of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

4.2 Taxation

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

4.2.1 Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

4.2.2 Deferred

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

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

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.3 Trade and other payable

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, whether or not billed to the company.

4.4 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made of the amount of obligation.

4.5 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of the 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 commissioning.

4.6 Property, plant and equipment - owned

Recognition

Property, plant and equipment except for freehold land are stated at cost / revaluation less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount. Cost of tangible assets consists of historical cost pertaining to erection / construction period and other directly attributable cost of bringing the asset to working condition.

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

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method using the rates specified in note 16.1. An amount equal to incremental depreciation (net of deferred tax) charged during the year on revalued amounts of property, plant and equipment has been transferred from surplus on revaluation of property, plant and equipment to accumulated profit / (loss) through statement of changes in equity.

Depreciation on additions is charged from the month in which the asset become available for uses while no depreciation is charged in the month of disposal.

Derecognition

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

4.7 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.8 Accounting for leases and assets subject to finance lease

4.8.1 Finance lease

Recognition

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net off finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non current depending upon the timing of payments.

Financial charges

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

Deferred income

Income arising from sale and lease back transaction, if any, which results in finance lease, is deferred and amortized equally over the lease period.

4.8.2 Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

4.9 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.10 Stock in trade

These are valued at lower of cost and net realizable value except stock in transit which are valued at cost comprising invoice values plus other charges incurred up to the balance sheet date. Cost is determined as under.

Raw material	Weighted average cost
Packing material	Moving average cost
Work in process and finished goods	Raw material cost plus appropriate manufacturing overheads
Waste	Net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sales.

4.11 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. The amount of provision is charged to income. Bad debts are written off as incurred. Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

4.12 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current and saving accounts and short term borrowings.

4.13 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

4.14 Revenue recognition

Sales are recorded on dispatch of goods to the customers.

Return on deposits with banks is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return

Dividend is recognized as income when the right to receive dividend is established.

4.15 Financial instruments

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

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

4.16 Off setting of financial assets and liabilities

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

4.17 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.18 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 with the exception of loan taken from related parties which is interest / mark up free.

4.19 Dividend

The dividend is recognized as a liability in the period in which it is approved by the shareholders.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011	2010		2011	2010
Number of shares			...Rupees...	
39,200,000	39,200,000	Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash	392,000,000	392,000,000
39,200,000	39,200,000		392,000,000	392,000,000

5.1 Ordinary shares of the company held by the associated companies at the year end are as follows.

Associated companies	Number of shares	
Naheed Noor Enterprises Limited	300,000	300,000
Naheed Noor (Pvt.) Limited	100,500	100,500
Sunrise Bottling Company (Pvt.) Limited	6,500,000	6,500,000
	6,900,500	6,900,500

5.2 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry 'one vote' per share without restriction.

5.3 There is no movement in share capital during the year.

6 CAPITAL RESERVES

	2011	2010
	...Rupees...	
Special National Fund Bonds (SNFB)	3,240,000	3,240,000

6.1 The balance on this account represents reserves created on acquisition of special national fund bonds.

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book values resulting from revaluation of property, plant and equipment carried out on June 30, 2008 (previously these were revalued on September 30, 2001 and September 30, 2004), adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation

	2011	2010
Surplus on revaluation at the beginning of the year	533,936,486	553,764,378
Addition during the year	-	-
Transfer to unappropriated profit in respect of :		
Incremental depreciation	12,114,887	12,888,130
Disposal of property plant and equipment	3,435,625	-
Related deferred tax liability	8,373,353	6,939,762
	23,923,865	19,827,892
Surplus on revaluation at the beginning of the year	510,012,621	533,936,486
Related deferred tax liabilities on:		
Revaluation at the beginning of the year	131,856,020	138,795,782
Provided during the year	-	-
Incremental depreciation on revalued assets	(6,523,401)	(6,939,762)
Disposal of property, plant and equipment	(1,849,952)	-
	123,482,667	131,856,020
	386,529,953	402,080,466

7.1 Depreciation attributable to incremental value arising due to revaluation of property, plant and equipment is adjusted against the surplus arising due to revaluation of property, plant and equipment and charged to accumulated profit / (loss) through statement of changes in equity.

		Note	2011	2010
8	LONG TERM FINANCING FROM BANKING COMPANIES		..........Rupees..........	
	Secured - from banking companies			
	Bank Al Habib Limited			
	Term finance	8.1	-	6,088,000
	Term finance	8.2	35,750,000	39,000,000
	Habib Metropolitan Bank Limited			
	Commercial loan	8.4	390,000,000	390,000,000
			425,750,000	435,088,000
	Current portion		(58,500,000)	(10,963,000)
	Over due portion		(1,625,000)	-
			(60,125,000)	(10,963,000)
			365,625,000	424,125,000

8.1 Overdue markup on various credit facilities from December quarter 2008 to June 2009 has transferred and converted into term finance. The loan is interest free and is repayable in twelve monthly installments commenced from January 2010, without any grace period. The loan is paid during the year.

8.2 The company has rescheduled its term finance loan previously obtained for retirement of import documents of machinery. The loan is repayable in 48 equal monthly installments of Rs. 812,500 commencing from January 2011 with one year grace period. The loan is subject to markup at the rate of three months KIBOR plus 1% (June 30, 2010: with floor and cap of 8.5%) per annum.

8.3 The above loans (8.1 and 8.2) are secured against registered hypothecation charge over stocks for Rs. 100 million(first pari passu charge up to Rs. 50 million), parri passu charge over book debts of Rs. 50 million, first mortgage charge over industrial land measuring 56 kanal situated at Manga Raiwind road Lahore, ranking registered hypothecation charge over plant and machinery for Rs. 160 million, lien over export LC's and documents of equalent amount and counter guarantee.

8.4 Term finance was obtained for restructuring and rescheduling of existing outstanding term loans. The term finance is secured against legal mortgage of Rs. 5.5 million and equitable mortgage on fixed assets of the company including land (measuring 74 Kanal & 13 marlas), building and plant and machinery (valuing Rs. 645 millions), charges over stocks, receivable, lien over export documents, L/C and personal guarantees of sponsoring directors. It is repayable in 10 years with 2 years grace period commencing from September 2011. It carries mark up rate 7.5% per annum for first year after first year three months KIBOR plus 1%.

		Note	2011	2010
9	**LONG TERM FINANCING FROM DIRECTORS AND OTHERS**			
	Unsecured - from related parties			
	Directors	9.1	170,128,790.00	170,128,790
	Associated companies		9,454,755.98	12,090,882
			179,583,546	182,219,672

9.1 These are unsecured, interest free loans and not repayable in next twelve months. These are subordinated to loan from banking companies

10 DEFERRED LIABILITIES	Note	2011	2010
		............Rupees............	
Staff retirement benefits - gratuity	10.1	3,667,811	3,103,415
Deferred taxation	10.10	4,625,200	33,487,328
		8,293,011	36,590,743

10.1 Staff retirement benefits - gratuity

10.2 Movement in the net liability recognized in the balance sheet

	Note	2011	2010
Opening net liability		3,103,415	1,392,577
Expense for the year	10.6	4,645,395	2,794,793
		7,748,810	4,187,370
Benefits paid		(4,080,999)	(1,083,955)
Closing net liability		3,667,811	3,103,415

10.3 Movement in present value of defined benefit obligation

	2011	2010
Present value of defined benefit obligation - opening	7,446,061	6,552,023
Current service cost	3,577,635	1,655,140
Interest cost	692,364	666,212
Actuarial loss / (gain)	1,580,398	(343,359)
Benefits paid	(4,080,999)	(1,083,955)
Present value of defined benefit obligation - closing	9,215,459	7,446,061

10.4 Historical information

	2011	2010	2009	2008	2007
			Rupees		
Present value of defined benefit obligation	9,215,459	7,446,061	6,552,023	10,159,691	7,842,568
Experience adjustments on plan liabilities	(1,580,398)	343,359	214,028	(2,773,775)	(878,643)

10.5 Reconciliation

	2011	2010
	............Rupees............	
Present value of obligation	9,215,459	7,446,061
Unrecognized actuarial loss	(5,547,648)	(4,342,647)
	3,667,811	3,103,414

10.6 Expense recognized in profit and loss account

	2011	2010
Service cost	3,577,635	1,655,140
Interest cost	692,364	666,212
Net actuarial loss recognized	375,396	473,441
	4,645,395	2,794,793

10.7 Principle actuarial assumptions

	2011	2010
Discount factor used	14%	13%
Expected rate of salary increases	10%	10%

10.8 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made on the basis of actuarial valuation carried on using Projected Unit Credit Method.

10.9 Expected gratuity expense for the year ending June 30, 2012 works out to Rs. 5,289,809

10.10 Deferred taxation

The net liability for deferred taxation comprises of temporary differences.

Taxable temporary difference	Note	2011	2010
		..........Rupees.........	
Accelerated tax depreciation allowance - own assets		197,084,754	194,099,193
		197,084,754	194,099,193
Deductible temporary differences			
Provision for doubtful debt		(356,763)	(345,087)
Staff retirement benefits - gratuity		(1,179,153)	(965,056)
Tax losses		(190,923,638)	(159,301,722)
		(192,459,554)	(160,611,865)
		4,625,200	33,487,328

11 LONG TERM LOANS FROM OTHERS

These are unsecured interest free loans from parties and the parties have agreed that they have no intention to demand such loans within next twelve months, therefore not shown under current liabilities.

12 TRADE AND OTHER PAYABLES

	Note	2011	2010
Creditors		132,458,356	58,206,080
Accrued liabilities		28,557,350	23,520,85
Advance from customers		20,570,924	19,767,461
Retention money		200,000	200,000
Unclaimed dividend		402,570	402,570
Other liabilities		18,819,708	10,697,751
Workers' profit participation fund payable	12.1	2,164,191	1,853,062
Workers' welfare fund payable		-	906,145
		203,173,100	115,553,920

12.1 Workers' profit participation fund payable

		2011	2010
Opening balance		1,853,062	-
Interest on funds utilized in the company's business		311,129	-
Provided during the year		-	1,853,062
		2,164,191	1,853,062
Paid during the year		-	-
Closing balance		2,164,191	1,853,062

	Note	2011	2010
		........Rupees........	
13 ACCRUED MARK UP / INTEREST			
Mark up / interest accrued on secured loans			
Long term financing		56,214,522	14,381,765
Liabilities against assets subject to finance lease		-	-
Short term borrowings		13,591,395	6,428,804
		69,805,916	20,810,569
14 SHORT TERM BORROWINGS			
Secured - from banking companies			
Short term running finances	14.1	333,932,732	203,479,425
Unsecured			
Temporary book overdraft	14.2	-	3,141,423
		333,932,732	206,620,848

Short term running finances are available from commercial banks under mark up arrangements amounting Rs. 495 million (2010 : Rs. 495 million). These are secured against pledge / hypothecation of raw material and cotton yarn, lien on export bills sent for collection against confirmed LC's, current assets, receivables and personal guarantees of chief executive and sponsoring directors. These carries mark up ranging from 13.29% to 15.29% per annum (2010 : 13.55% to 14.50% per annum). The facilities will expire on various dates by September 2011.

This represent temporary book overdraft due to issuance of cheques in excess of balances in bank accounts.

	Note	2011	2010
15 PROVISION FOR TAXATION			
Opening balance		12,272,865	6,034,951
Provision for the year	34	16,960,933	7,554,030
Adjusted during the year		(13,536,607)	(1,316,116)
		15,697,190	12,272,865

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 Departmental appeal by Collector of Customs against the company is pending before the Lahore High Court, regarding sale of scrap and fixed assets, however, there is no liability against the company.

16.1.2 Application by Collector of Customs for recovery of custom duty amounting to Rs. 3.4 million is pending before Lahore High Court. However, the company has already furnished a bank guarantee of Rs. 3.4 million in the regard.

16.1.3 Letter of guarantee issued by bank on behalf of company amounting to Rs. 24.38 million (2010 : Rs. 24.38 million).

16.1.4 Local bills discounted with commercial banks amounting to Rs. Nil (2010 : Rs. 88.129 million).

16.1.5 Foreign bills discounted with commercial banks amounting to Rs. Nil (2010 : Rs. 57.364 million).

16.1.6 The company has obtained stay order from Lahore High Court against the payment of electric duty to LESCO. An amount of Rs. 472,490 has been provided in the accounts on account of electric duty.

16.1.7 Company has provided finance cost as claimed by the Habib Metropoliton Bank Limited. However, the company does not agree with these balances. Correspondence with bank is in process in this respect and the outcome of the correspondence is not ascertainable as at June 30, 2011.

16.2 Commitments

16.2.1 Committed for other than capital expenditure of amounting Rs. 2.990 million (2010 : 0.647 million) at balance sheet date.

	Note	2011	2010
17 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	17.1	1,014,032,289	1,059,407,133
		1,014,032,289	1,059,407,133

17.1 Property plant and equipment

	Owned assets											Leased assets	Total
	Freehold land	Building on freehold land	Plant and machinery	Electric installation	Fire fighting equipment	Tube well	Office equipment	Furniture and fixture	Vehicle	Weigh bridge	Sub total	Vehicle	
	Rupees												
Cost													
Balance as at July 01, 2009	163,312,500	176,605,683	796,349,975	16,141,875	584,897	1,026,623	3,829,150	865,607	5,170,037	1,602,508	1,165,495,055	4,116,460	1,169,612,315
Additions during the year	-	489,592	6,545,409	-	250,000	-	460,850	-	3,024,000	-	9,569,891	-	9,569,891
Disposals									(2,623,810)		(2,623,810)	-	(2,623,810)
Transfer											-	-	-
Revaluation surplus / (deficit)											-	-	-
Adjustment									4,116,460		4,116,460	(4,116,460)	-
Balance as at June 30, 2010	163,312,500	177,095,275	802,895,424	16,141,875	834,897	1,026,623	4,290,000	865,607	8,495,687	1,602,508	1,176,558,396	-	1,176,558,396
Balance as at July 01, 2010	163,312,500	177,095,275	802,895,424	16,141,875	834,897	1,026,623	4,290,000	865,607	8,495,687	1,602,508	1,176,558,396	-	1,176,558,396
Additions during the year		1,394,263	3,545,124				92,300		140,625		5,172,332	-	5,172,332
Disposals			(5,500,642)						(330,000)		(5,830,642)	-	(5,830,642)
Transfer											-	-	-
Revaluation surplus / (deficit)											-	-	-
Adjustment											-	-	-
Balance as at June 30, 2011	163,312,500	178,489,538	800,939,906	16,141,875	834,897	1,026,623	4,382,300	865,607	8,306,312	1,602,508	1,175,900,086	-	1,175,900,086
Depreciation													
Balance as at July 01, 2009	-	8,830,184	39,794,817	11,418,834	448,416	498,353	1,898,219	572,173	4,491,001	1,200,801	69,151,418	1,614,087	70,765,505
Charge for the year		8,390,715	37,873,831	472,302	26,148	51,027	201,630	29,343	543,333	40,171	47,632,720	-	47,632,720
Depreciation on disposal									(1,246,962)		(1,246,962)	-	(1,246,962)
Adjustment									1,614,087		1,614,087	-	-
Balance as at June 30, 2010	-	17,220,899	77,668,648	11,891,136	474,564	549,380	2,099,849	601,516	5,404,259	1,240,972	117,151,263	(1,614,087)	117,151,263
Balance as at July 01, 2010	-	17,220,899	77,668,648	11,891,136	474,564	549,380	2,099,849	601,516	5,404,259	-	117,151,263	-	117,151,263
Charge for the year		7,999,428	36,159,217	425,073	36,033	47,734	224,183	26,409	630,426	1,240,972	45,564,646	-	45,564,646
Depreciation on disposal			(598,367)						(269,745)	36,154	(868,112)	-	(868,112)
Adjustment											-	-	-
Balance as at June 30, 2011	-	25,220,327	113,229,497	12,316,209	510,597	597,114	2,324,032	627,925	5,764,940	1,277,126	161,847,797	-	161,847,797
Written down value as at June 30, 2010	163,312,500	159,872,376	725,226,776	4,250,739	360,333	477,243	2,190,151	264,091	3,091,428	361,536	1,059,407,133	-	1,059,407,133
Written down value as at June 30, 2011	163,312,500	153,267,211	687,710,409	3,825,647	324,300	429,509	2,058,268	237,682	2,541,372	325,383	1,014,052,289	-	1,014,052,289
Rate of depreciation	0%	5%	5%	10%	10%	10%	15%	15%	20%	10%	-	20%	

17.1.1 **Disposal of property, plant and equipment**

Detail of property, plant and equipment disposed off during the year is as follows:

Description	Revalued amount	Accumulated Depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of Disposal		Particulars of buyers
	Rupees							
Vehicles	330,000	269,745	60,255	170,000	109,745	Negotiation		Muhammad Nasir CNIC No. [illegible] H No 12 Street No 4 Usman Town Ghaziabad Lahore Cantt
Plant and machinery	5,500,642	598,367	4,902,275	2,400,000	(2,502,275)	Negotiation		Mr. Zaka ullah CNIC No. [illegible] H No P-49/9 Gali No 5 Mohala Muhgal pura Faisalabad
	5,830,642	868,112	4,962,530	2,570,000	(2,392,530)			

17.1.2 Depreciation has been allocated as follows.

	Note	2011	2010
		............Rupees............	
Cost of sales	28.1	44,703,628	44,642,620
Administrative expenses	31	881,018	1,046,879
		45,584,646	45,689,499

17.1.3 Revaluation of property, plant and equipment

Had there been no revaluation the original cost and accumulated depreciation of revalued assets would have been as follows as on June 30, 2011.

Particulars	Cost	Accumulated depreciation	Book value
	Rupees		
Freehold land	6,106,500	-	6,106,500
Factory building	176,797,166	51,003,306	125,793,860
Plant and machinery	731,256,401	234,786,523	496,469,878
Total (2011)	914,160,067	285,789,829	628,370,238
Total (2010)	914,160,067	253,544,629	660,615,438

Freehold land, building, plant and machinery were revalued as on June 30, 2008 (previously these were valued on September 30, 2001and September 30, 2004) by independent valuers "M/S. BFA (Pvt.) Limited, Valuers and Engineers, Lahore". This valuation resulted in surplus on revaluation of property, plant and equipment amounting to Rs. 135,175,578 which was credited to surplus on revaluation of property, plant and equipment to comply with the requirements of section 235 of Companies Ordinance, 1984. The valuation was based on fair value determined on present depreciated value method.

	Note	2011	2010
		..........Rupees..........	
18 LONG TERM DEPOSITS			
Bank guarantees		8,264,682	7,764,682
Security deposits		129,700	29,700
		8,394,382	7,794,382
19 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		55,047,155	41,967,375
Spare parts		38,589,695	31,795,169
Loose tools		1,250	1,250
		93,638,099	73,763,794
20 STOCK IN TRADE			
Raw material		431,759,317	261,972,170
Work in process		30,401,721	28,603,157
Finished goods and waste		34,652,92	33,919,245
		496,813,961	324,494,572

20.1 Carrying value of raw material and finished goods include Rs. 124,588,795 (2010 : 90,611,345 pledge with bank.

20.2 The cost of raw cotton stock is Rs. 447,202,197 which has been writtten down by Rs. 15,442,880 and cost of finished goods (yarn) is Rs. 38,682,227 which has been written down by Rs. 4,029,304 due to NRV adjustment.

	Note	2011	2010
		..........Rupees..........	
21 TRADE DEBTS			
Unsecured - Considered doubtful			
Local yarn debtors		16,324,034	9,924,932
Local waste debtors		11,373,804	4,663,063
		27,697,838	14,587,994
Less : Provision for doubtful debts		(1,109,727)	(1,109,727)
		26,588,111	13,478,267
22 LOANS AND ADVANCES			
Considered good			
Advances to :			
Suppliers		22,388,730	14,976,905
Purchaser		208,486	57,644
Employees against Salary & Wages		723,097	947,296
Letters of credit		26,880,666	28,361,888
		50,200,979	44,343,733
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin deposits for : Export bills		67,501	47,823
		67,501	47,823
24 OTHER RECEIVABLES			
Considered good			
Export rebate receivable		379,001	379,001
		1,363,316	620,169
		1,742,317	999,170
Considered doubtful			
Karachi Metropolitan Corporation		1,396,700	1,396,700
Provision for doubtful receivables		(1,396,700)	(1,396,700)
		-	-
		1,742,317	999,170
25 TAX REFUNDS DUE FROM GOVERNMENT			
Sale tax receivable		4,021,293	2,837,399
Advance income tax		10,577,996	14,633,732
		14,599,290	17,471,131
26 CASH AND BANK BALANCES			
Cash in hand		45,091	1,239,625
Cash with banks in:			
Local currency current account		521,059	910,835
Foreign currency current account		247,119	245,824
		813,269	2,396,284

	Note	2011	2010
		...........Rupees..........	
27 SALES - NET			
Yarn			
Local sales		1,439,372,559	1,210,949,058
Export sales		126,374,251	131,611,624
		1,565,746,810	1,342,560,682
Waste		59,252,714	36,633,643
		1,624,999,524	1,379,194,325
28 COST OF SALES			
Cost of goods manufactured	28.1	1,578,545,819	1,238,663,813
Finished goods and waste			
Opening stock		33,919,245	27,715,975
Closing stock		(34,652,923)	(33,919,245)
		(733,678)	(6,203,270)
		1,577,812,141	1,232,460,543
28.1 Cost of goods manufactured			
Raw material consumed	28.1.1	1,301,742,984	980,900,650
Stores, spare parts and loose tools consumed		19,865,555	13,586,896
Packing materials consumed		14,374,648	16,314,813
Salaries, wages and other benefits	28.1.2	91,184,783	84,459,649
Fuel and power		95,642,198	94,129,956
Vehicle running and maintenance		837,303	731,908
Repair and maintenance		4,152,513	5,043,968
Yarn Processing Charges		-	1,837,800
Telephone, postage and telegram		162,189	121,908
Traveling and conveyance		166,379	293,517
Printing and stationery		75,015	104,103
Entertainment		248,371	454,950
Fee and subscription		50,000	145,000
Textile cess		-	17,856
Insurance		5,348,963	4,577,364
Depreciation	17.1.2	44,703,628	46,831,463
Others		1,789,855	1,374,287
		1,580,344,383	1,250,926,088
Work in process			
Opening stock		28,603,157	16,340,882
Closing stock		(30,401,721)	(28,603,157)
		(1,798,564)	(12,262,275)
		1,578,545,819	1,238,663,813
28.1.1 Raw material consumed			
Opening stock		261,972,170	176,203,213
Purchases		1,464,252,420	1,056,403,980
Purchase expenses		7,277,710	10,265,626
		1,471,530,131	1,066,669,607
		1,733,502,301	1,242,872,820
Closing stock		(431,759,317)	(261,972,170)
		1,301,742,984	980,900,650

	Note	2011	2010
		...........Rupees.........	
29 OTHER OPERATING INCOME			
From financial assets			
Profit on bank deposits		369,633	-
From non financial assets			
Gain on sale of property, plant and equipment		109,745	45,485
Weigh bridge income		-	869,610
Exchange gain on foreign currency account		1,295	12,378
Others		509,064	504,582
		620,104	1,432,054
		989,737	1,432,054
30 DISTRIBUTION COST			
Commission on :			
Export sales		3,153,993	4,652,760
Local sales		5,360,100	4,087,902
		8,514,093	8,740,662
Freight and carriage on :			
Export sales		2,334,507	3,006,552
Local sale		53,350	271,520
		2,387,857	3,278,072
Other expenses on :			
Export sales		2,012,428	1,573,805
Local sales		6,863,735	9,120,742
		8,876,163	10,694,547
		19,778,113	22,713,281
31 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	31.1	12,453,188	9,889,615
Fees and subscription		1,939,472	585,693
Traveling and conveyance		716,171	666,182
Vehicle running		1,682,306	1,219,321
Telephone, postage and telegram		667,222	728,552
Printing and stationery		342,967	260,313
Director Remuneration		800,000	-
Repair and maintenance		554,554	344,920
Electricity, gas and water		96,556	98,608
Insurance		125,000	25,027
Rent, rates and taxes		287,418	288,919
Entertainment		154,787	242,485
Legal and professional charges		910,795	395,410
Auditors' remuneration	31.2	622,500	632,100
Depreciation	17.1.2	881,018	801,257
Advertisement		112,030	107,273
Others		2,426,732	2,143,889
		24,970,153	18,429,564

31.1 This includes Rs. 2,340,702 (2010 : Rs. 1,384,626) on account of staff retirement benefits - gratuity.

	Note	2011	2010
		........Rupees........	
31.2 Auditors' remuneration			
Statutory audit fee		500,000	500,000
Half yearly and other reviews		82,500	92,100
Review of code of corporate governance		40,000	40,000
		622,500	632,100
32 OTHER OPERATING EXPENSES			
Loss on disposal of property, plant and equipment		2,502,275	72,823
WPPF		-	1,853,062
WWF		-	906,145
		2,502,275	2,832,031
33 FINANCE COST			
Mark up on:			
Long term financing		59,660,600	33,910,855
Short term borrowings		46,702,365	32,532,858
Assets subject to finance lease		-	21,558
Bank charges and commission		2,896,471	3,170,210
Guarantee commission fee		768,061	253,443
Interest on WPPF		311,129	-
		110,338,625	69,888,923
34 TAXATION			
Current		16,960,933	7,554,030
Prior year		-	-
		16,960,933	7,554,030
Deferred		(28,862,127)	17,354,467
		(11,901,194)	24,908,497

34.1 The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001.

34.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements, as the total income of the company (accounting loss) falls under presumptive tax regime of the Income Tax Ordinance, 2001.

35 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

35.1 Basic (loss) / earnings per share

		2011	2010
Profit / (loss) for the year	Rupees	(97,510,852)	9,393,541
Weighted average number of ordinary shares outstanding during the year	Numbers	39,200,000	39,200,000
Earnings/(loss) per share	Rupees	(2.49)	0.24

35.2 There is no dilutive effect on the basic earnings / (loss) per share

36 CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		..........Rupees..........	
Profit / (loss) for the year before taxation		(109,412,047)	34,302,038
Adjustments for :			
Depreciation		45,584,646	47,632,720
Provision for staff retirement benefits - gratuity		4,645,395	2,794,793
Finance cost		110,338,625	69,888,923
Exchange gain on foreign currency accounts		(1,295)	(12,378)
Gain on disposal of property, plant and equipment		(109,745)	(45,485)
Loss on disposal of property, plant and equipment		2,502,275	72,823
		162,595,901	120,331,397
Profit before working capital changes		53,547,854	154,633,435
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(19,874,306)	(11,207,701)
Stock in trade		(172,319,389)	(107,556,960)
Trade debts		(13,109,844)	4,297,101
Loans and advances		(5,857,246)	2,059,567
Trade deposits and short term prepayments		(19,678)	(33,754)
Other receivables		(1,927,041)	(49,229)
		(213,107,504)	(112,490,976)
Increase / (decrease) in current liabilities			
Trade and other payables		87,619,180	5,496,535
		(71,940,469)	47,638,993

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated companies, directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements.

Balances with related parties

	Note	2011	2010
Long term financing from directors	9	170,128,790	170,128,790
Long term financing from associated companies	9	9,454,756	12,090,882

There are no transactions with key management personnel.

The company has related party relationship with its associated undertakings, its directors and executives officers. Transactions with related parties essentially entail sale and purchase of goods and / or services from the aforementioned concerns. All transactions are carried out on commercial basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all members of their management team, including the chief executive officer and directors to be its key management personnel. There are no transactions with key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements.

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

38.1 Credit risk
38.2 Liquidity risk
38.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

38.1 Credit risk

38.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 29.617 million (2010 : Rs. 17.851 million), financial assets which are subject to credit risk aggregate to Rs. 28.804 million (2010 : Rs. 15.454 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows

	2011	2010
	........Rupees........	
Long term deposits	129,700	29,700
Trade debts	26,588,111	13,478,267
Loans and advances	723,097	947,296
Other receivables	1,363,316	999,170
Cash and bank balances	813,269	2,396,284
	29,617,494	17,850,718

38.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

Domestic	26,588,111	13,478,267
	26,588,111	13,478,267

38.1.3 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

Yarn	15,214,307	8,815,205
Waste	11,373,804	4,663,063
	26,588,111	13,478,267

38.1.4 The aging of trade debtors at the balance sheet date is as follows.

	Gross debtors	
	2011	2010
	........Rupees........	
Past due 0 - 30 days	16,750,510	8,491,308
Past due 31 - 90 days	6,647,028	3,369,567
More than one year	3,190,573	1,617,392
	26,588,111	13,478,267

Based on the past experience, sales volume, consideration of financial position, past track records and recoveries and economic conditions, the company believes that there is no need for provision of balance outstanding more than one year.

38.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Non - derivative Financial liabilities	2011					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term financings from banking companies	365,625,000	642,516,616	62,810,516	58,103,703	449,964,531	71,637,866
Long term financings from directors	179,583,546	212,254,369	-	-	-	212,254,369
Long term financings from others	33,125,884	33,125,884	-	-	33,125,884	-
Trade and other payables	180,437,985	179,425,495	179,425,495	-	-	-
Accrued mark up / interest	69,805,916	69,805,916	69,805,916	-	-	-
Short term borrowings	333,932,732	358,142,855	358,142,855	-	-	-
	1,162,511,063	1,495,271,135	670,184,782	58,103,703	483,090,415	283,892,235

Non - derivative Financial liabilities	2010					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term financings from banking companies	424,125,000	717,802,251	7,745,500	36,934,625	228,041,938	445,080,188
Long term financings from directors	182,219,672	182,219,672	-	-	-	182,219,672
Long term financings from others	-	-	-	-	-	-
Trade and other payables	93,027,251	93,027,251	93,027,251	-	-	-
Accrued mark up / interest	20,810,569	20,810,569	20,810,569	-	-	-
Short term borrowings	206,620,848	221,373,106	221,373,106	-	-	-
	926,803,340	1,235,232,850	342,956,427	36,934,625	228,041,938	627,299,860

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

38.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

38.3.1 Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar and Euro. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company is not exposed to foreign currency risk as at year end.

	US Dollar	Euro	Others	Rupees
Trade debts 2011	-	-	-	-
Trade debts 2010	-	-	-	-

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2011	2010	2011	2010
US Dollar to Rupee	85.63	76.70	85.85	85.40

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2011	2010
	Rupees	
US Dollar	-	-
Euro	-	-

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the company.

38.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2011	2010
	Rupees	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	699,557,732	630,745,848

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 and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2010.

	Profit and loss		Equity	
	100 bp Increase	100 bp descrease	100 bp Increase	100 bp descrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2011	(1,063,630)	1,063,630	-	-
Cash flow sensitivity - variable rate instruments 2010	(664,653)	664,653	-	-

38.4 Fair value of financial assets and liabilities

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

38.5 Off balance sheet items	2011	2010
	Rupees	
Bank guarantees	28.25	173.34
Letters of credit	2.99	0.65

38.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

39 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2011	2010
Borrowings	Rupees	699,557,732	630,745,848
Total equity	Rupees	50,998,867	132,959,207
Total capital employed	Rupees	750,556,599	763,705,055
Gearing ratio	Percentage	93.21	82.59

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The directors have waived their remuneration and meeting fees for the year. The chief executive is entitled to free use of company maintained car. No employee of the company falls under the definition of executives as defined in Companies Ordinance, 1984.

	2011	2010
	Executive	
Managerial remuneration	3,292,526	2,492,526
	3,292,526	2,492,526
Number of persons	5	4

41 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of better presentation and comparison. No significant reclassification were made in these financial statements.

Note	Reclassification		Nature	Purpose	Rupees
	From	To			
19	Stock in trade	Stores, sapres and loose tools	Packng material	Better Presentation	6,783,203

42 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 10, 2011 by the board of directors of the company.

43 CAPACITY AND PRODUCTION

	2011	2010
Spindles installed (numbers)	33,072	33,072
Spindles worked (numbers)	29,951	29,951
Installed capacity converted in to 20/s (Kgs.)	7,344,911	7,344,911
Actual production of yarn converted in to 20/s (Kgs.)	5,141,460	5,777,927
Number of shifts worked per day	3	3

13.1 It is difficult to determine precisely described production capacity and the resultant production converted into single count in the textile industry, since it fluctuates widely depending on various factors such as type of yarn produced and raw material used etc. It would also vary according to the trend of production adopted in a particular period.

44 GENERAL

44.1 Figures have been rounded off to the nearest of Rupee.

44.2 Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. However, no major reclassification / rearrangement was made in these financial statements.

45 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

KEY OPERATION AND FINANCIAL DATA
FOR THE LAST SIX YEARS
RS (000's)

PARTICULARS	2011	2010	2009	2008	2007	2006
BALANCE SHEET SUMMARY						
Piad up Capital	392,000	392,000	392,000	392,000	196,000	196,000
Reserve & Accumulated Losses	(341,001)	(259,041)	(281,322)	(190,927)	(149,132)	(149,132)
Surplus on Revaluation of fixed Assets	386,530	402,080	414,969	424,514	314,781	314,781
Long Term Liabilities	578,334	606,345	583,935	360,310	488,905	488,905
Deerred Liabilites	8,293	36,591	17,525	27,868	21,868	21,868
Current Liailies	682,734	366,221	343,619	494,953	400,501	400,501
	1,706,890	1,544,196	1,470,727	1,508,718	1,272,923	1,272,923
REPRESENTED BY						
Fixed Assets	1,014,032	1,059,407	1,103,327	1,148,843	988,503	628,999
Long Term Deposit	8,394	7,794	404	404	320	-
Current Assets	684,464	476,995	366,995	359,470	284,100	253,473
	1,706,890	1,544,196	1,470,727	1,508,717	1,272,923	882,472
PROFIT AND LOSS - SUMMARY						
Sales	1,625,000	1,379,194	856,602	1,081,060	896,752	643,109
Cost of Sales	(1,577,812)	(1,232,461)	(830,094)	(1,029,102)	(870,066)	(613,078)
Goss Profit	47,187	146,734	26,508	51,958	26,686	30,031
Other Operating Expenses	(47,251)	(43,975)	(31,544)	(30,190)	(23,807)	(22,198)
Financial Charges	(110,339)	(69,889)	(104,720)	(78,852)	(61,213)	(25,162)
Other Income	990	1,432	2,764	3,105	1,895	1,172
Profit / loss Before Taxation	(109,412)	34,302	(106,992)	(53,979)	(56,439)	(16,157)
Provion for Taxation	11,901	(24,908)	7,051	(2,119)	(4,484)	(7,088)
Profit / loss After Taxation	(97,511)	9,394	(99,941)	(56,098)	(60,923)	(23,245)
Earning per share	(2.49)	0.24	(2.55)	(2.76)	(3.11)	(0.22)
Dividend	-	-	-	-	-	-

FORM OF PROXY

The Company Secretary,
RUBY TEXTILE MILLS LIMITED,
203-Faiyaz Centre, 2nd Floor,
3-A, S.M.C. Housing Society
Shahrah-e-Faisal,
Karachi-74400.

PLEASE QUOTE:

Folio No.	No. of Shares held

I/We of ____

being a member of Ruby Textile Mills Limited hereby appoint ____________________

of ____

____

____

who is also member if Company vide Registered Folio No.............as my / our proxy to attend, act and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at 203-Faiyaz Centre, 2nd Floor, 3-A, S.M.C. Housing Society, Shahrah-e-Faisal, Karachi-74400 on Monday October 31st, 2011 at 4:00 p.m.

In witness whereof I have set my hand this ______________ day of __________ 2011.

Date: ____________________

Place: ____________________

Member's Signature:

Notes:

1. This proxy form must be deposited duly completed in the Company's Registered Office at least 48 hours before the meeting.
2. A proxy must be member of the Company.
3. Member's Signature should agree with the specimen registered with the Company.