

(UN-AUDITED)

ACCOUNTS
FOR THE 1st quarter ENDING
SEPTEMBER 30, 2009



Directors' Report to the Members

On behalf of the Board of directors, I am pleased to present before you the financial statements of the company for the 1st quarter ended September 30 2009.

Operational review

During the period under review manufacturing facilities of the company were operational at their full capacity.

Operating financial results

The company has registered net sales of Rs. 623.240 million (2008: Rs. 734.466 million) showing decrease of 15.14%. The gross profit of Rs. 71.368 million (2008: Rs. 115.194 million) has also decreased by 61.4%. In the corresponding period the sales and gross profit were better due to steep devaluation of Pak rupees during that particular quarter. The operating profit of Rs. 52.163 million (2008: Rs. 86.874 million) shows a decrease of about 40%. The company has incurred loss before taxation of Rs. 20.269 million (2008: Rs. 42.387 million) due to heavy financial costs and depreciation aggregating Rs. 117.544 million (2008: Rs. 130.109 million). The net loss for the period after taxation is Rs. 19.687 million (2008: Rs. 45.352 million).

The loss for the period is mainly due to following factors:

- Pressure on sales volumes and margins owing to global recession and increased yarn prices;
- Heavy financial cost during the period owing to sharp increase in interest rates despite of reduction in borrowing of the company;
- The outsourcing /toll manufacturing operation were drastically reduced as against corresponding period due to reduced market demand during the year and the management prefer to run own manufacturing facilities to meet the orders in hand first. Outsourcing /toll manufacturing operation had yielded high gross margins in corresponding year;
- Heavy depreciation of Rs.45.112 million (2008: Rs. 48.502 million);

The operating performance of the company during the 1st quarter exhibits improved gross and operating profit as against the last quarters of preceding financial year. Further, the company has managed its borrowing rates with its lenders and effect of this reduction will come in coming quarters.

Future prospects

The past 2 – 3 years worldwide are years of recession for most business including textile sector. Severe recession in USA and Europe markets led to lower sales and tough competition for suppliers. Textile industry in Pakistan went through extremely difficult situation during the past years and is very volatile due to various reasons such as decelerated business volumes and energy crises. Further a record increase in yarn prices in first quarter of period under review alongwith steep interest rates hike had their impact on textile sector on varying degrees. The period under review was the test for the textile sector to survive as per their strength and relative positioning in the market. In a broad preview it looks like that due to recessionary trend in the global markets textile will remain depressed for medium term and situation might improve by the end of 2nd quarter of financial year 2010-11. Consequent to recovery of global market from current recession the textile sector will be benefited as well.

The directors extend their gratitude to the employees of the company for their team work, commitments, integrity and professionalism.

For and on behalf of the Board of Directors



MUSSAID HANIF
Chief Executive


Lahore
October 29, 2009

Balance sheet

as at September 30, 2009 (Un-Audited)

	Notes	Un-audited September 30, 2009 Rupees	Audited June 30, 2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 62,500,000 (2008: 62,500,000) ordinary shares of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up share capital 59,428,729 (2008: 59,428,729) ordinary shares of Rs. 10 each		594,287,290	594,287,290
UNAPPROPRIATED LOSS		(277,677,282)	(263,638,177)
		316,610,008	330,649,113
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		311,243,167	316,891,360
LONG TERM LOANS		656,694,846	694,154,846
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		-	-
DEFERRED LIABILITIES		199,188,769	149,117,855
CURRENT LIABILITIES			
Short term finances - Secured		1,232,956,088	1,320,877,321
Current portion of long term liabilities		136,375,875	98,915,875
Creditors, accrued and other liabilities		430,734,276	417,579,910
		1,800,066,239	1,837,373,106
CONTINGENCIES AND COMMITMENTS	4	-	-
		3,283,803,029	3,328,186,280
ASSETS			
NON CURRENT ASSETS			
Property plant & equipment	5	2,082,560,747	2,127,462,426
Capital work in progress		4,773,514	2,176,712
		2,087,334,261	2,129,639,138
Long term advances and deposits		2,712,322	2,712,322
CURRENT ASSETS			
Stores, spares and loose tools		57,176,878	50,665,767
Stock in trade		552,699,415	608,401,619
Trade debts		319,309,957	283,583,090
Loans and advances		130,467,995	106,341,513
Trade deposits, prepayments and other receivables		109,569,125	112,530,763
Short term investment		6,993,407	5,388,092
Cash and bank balances		17,539,669	28,923,976
		1,193,756,446	1,195,834,820
		3,283,803,029	3,328,186,280

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Profit and Loss Account

for the 1st Quarter ended September 30, 2009 (Un-Audited)

	Notes	Un-audited	Un-audited
		Jul-Sept 2009 Rupees	Jul-Sept 2008 Rupees
SALES		623,239,547	734,465,528
COST OF SALES		551,871,680	619,271,875
GROSS PROFIT		71,367,867	115,193,653
OPERATING EXPENSES			
Distribution costs		13,024,837	20,277,335
Administrative		7,775,025	6,643,841
		20,799,862	26,921,176
		50,568,005	88,272,477
OTHER OPERATING EXPENSES		359,100	554,717
		50,208,905	87,717,760
OTHER OPERATING INCOME/(LOSS)		1,954,347	(844,040)
OPERATING PROFIT		52,163,252	86,873,720
FINANCE COSTS		72,432,156	129,260,565
(LOSS) / PROFIT BEFORE TAXATION		(20,268,904)	(42,386,845)
TAXATION		(581,606)	2,965,683
(LOSS) / PROFIT AFTER TAXATION		(19,687,298)	(45,352,528)
EARNING PER SHARE-BASIC & DILUTED	6	(0.33)	(0.76)

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Cash Flow Statement for the 1st Quarter ended September 30, 2009 (Un-Audited)

	Un-audited Jul-Sept 2009 Rupees	Un-audited Jul-Sept 2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the quarter before taxation	(20,268,904)	(42,386,845)
Adjustments for:		
Depreciation	45,048,848	48,378,301
Depreciation of leased assets	63,330	124,191
Loss / (Gain) on re-measurement of short term investments	(1,106,316)	-
Provision for staff gratuity	2,413,950	-
Financial charges	72,432,156	118,304,044
	<u>118,851,968</u>	<u>166,806,536</u>
	98,583,064	124,419,691
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(6,511,111)	(1,145,181)
Stock in trade	55,702,204	(67,668,566)
Trade debts	(35,726,867)	(12,832,563)
Loans and advances	(24,126,482)	(15,489,450)
Trade deposits, prepayments & other receivables	1,476,295	2,177,609
	(9,185,961)	(94,958,151)
Increase in current liabilities		
Creditors, accrued and other liabilities	16,849,025	7,047,488
Cash flow from operations	<u>106,246,128</u>	<u>36,509,028</u>
Financial charges paid	(76,125,814)	(82,643,489)
Taxes paid	(974,386)	(3,754,073)
Gratuity paid	(781,700)	(793,100)
	<u>(77,881,900)</u>	<u>(87,190,662)</u>
Net cash flow from operating activities (A)	28,364,228	(50,681,634)
CASH FLOW FROM INVESTING ACTIVITIES		
Long term advances, deposits and deferred costs	-	1,674,300
Short term investment	(500,000)	4,776,085
Fixed capital expenditure	(2,807,302)	(2,855,319)
Net cash flow from investing activities (B)	(3,307,302)	3,595,066
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	(87,921,233)	84,089,446
Repayment of lease liabilities	-	(68,865)
Deferred Liabilities	51,480,000	-
Long term loans	-	(27,870,669)
Net cash flow from financing activities (C)	<u>(36,441,233)</u>	<u>56,149,912</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(11,384,307)	9,063,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	28,923,976	2,464,460
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>17,539,669</u>	<u>11,527,804</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Statement of Changes in Equity

for the 1st Quarter ended September 30, 2009 (Un-Audited)

Description	Paid-Up Capital	Unappropriated Profit	Total
	Rupees		
Balance as at June 30, 2008	594,287,290	(139,168,390)	455,118,900
Net loss for the period	-	(45,352,528)	(45,352,528)
Balance as at September 30, 2008	594,287,290	(184,520,918)	409,766,372
Balance as at June 30, 2009	594,287,290	(263,638,177)	330,649,113
Net loss for the period	-	(19,687,298)	(19,687,298)
Current year incremental depreciation - net of tax	-	5,648,193	5,648,193
Balance as at September 30, 2009	594,287,290	(277,677,282)	316,610,008

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Notes to the Accounts

for the 1st Quarter ended September 30, 2009 (Un-Audited)

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
2. These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
3. The accounting policies adopted for the preparation of the accounts are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2009
4. Contingencies and Commitments
 - 4.1 Commitments
Commitments against irrevocable letters of credit for import of machinery and raw material as at September 30, 2009 amounting to Rs.21.26 (June 2009:Rs. 18.43 million)
 - 4.2 Others
There are no other significant activities since June 30, 2009 affecting financial Statements.
5. Following is the cost of fixed assets that have been added / disposed off during the quarter ended:

	Un-audited	Audited
	Sept 30, 2009 Rupees	June 30, 2009 Rupees
Additions in fixed assets	210,500	65,784,420
Deletions in fixed assets	-	11,381,454
Additions in Capital Work in Progress	2,596,802	26,281,834

6. EARNING PER SHARE - BASIC

Loss after tax	(19,687,298)	(150,997,067)
Weighted average number of ordinary shares	59,428,729	59,428,729
Loss per share - basic	(0.33)	(2.54)


7. DATE OF AUTHORISATION

These accounts have been approved by Board of Directors on October 29, 2009.

8. COMPARATIVE FIGURES

Have been rearranged/reclassified wherever necessary for the purpose of comparison.

Have been rounded off to the nearest rupee.


Chief Executive


Director

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