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20th Annual Report 2009

Ahmad Hassan
TEXTILE MILLS LIMITED



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VISION 2015

To be a world class and leading organization continuously providing high quality textile products.

MISSION 2010

To be a model diversified textile organization exceeding expectations of all stakeholders. We will achieve this by utilizing best blend of state-of-the-art technologies, excellent business processes, high performing people, and synergetic organizational culture.

CORE VALUES

Our success will not be a matter of chance, but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

Integrity & Ethics

Integrity, honesty and high ethical, legal & safe standards are cornerstones of our business practices.

Quality

We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence. Our aim is;

To achieve and sustain good reputation in both domestic and international market by manufacturing quality Yarn /Fabric with organized training and implementation of quality system as per our valued customers needs to ensure the achievement of our aim.

Social Responsibility

We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our actions.

Learning & Innovation

We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.

Team Work

We believe that competent and satisfied people are the company's heart, muscle and soul. We savours flashes of genius in organization's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.

Empowerment

We flourish under an ecosystem of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.

STRATEGIC PLAN

To achieve the above objectives, the Company has made strategic plans to enhance and upgrade its installed capacity over the next 10 years to maintain and expand its market. Further plans are to excel in social responsibilities by implementing related projects and community developments.

COMPANY INFORMATION

BOARD OF DIRECTORS:

Chairman
Chief Executive
Directors

Mian Muhammad Javed Anwar
Mian Muhammad Parvez
Mr. Muhammad Haris
Mr. Muhammad Aurangzeb
Mrs. Salma Javed
Mrs. Waheeda Parvez
Mr. Syed Raza Abbas Jaffari (*Rep. N.I.T*)

AUDIT COMMITTEE:

Chairman
Members

Mr. Muhammad Aurangzeb
Mrs. Salma Javed
Mrs. Waheeda Parvez

COMPANY SECRETARY:

Mr. Shamsur Rahman

CHIEF FINANCIAL OFFICER:

Mr. M. Sohail Nadeem

HEAD OF INTERNAL AUDIT:

Mr. Najeeb Ahmed

AUDITORS:

M. Yousuf Adil Saleem & Co.,
Chartered Accountants
Multan.

BANKERS:

Habib Bank Limited
United Bank Limited
Bank Al-Habib Limited
Faysal Bank Limited
Allied Bank Limited
Meezan Bank Limited

REGISTERED OFFICE:

46 - Hassan Parwana Colony, Multan.

MILLS:

M.M. Road, Chowk Sarwar Shaheed,
Distt. Muzaffargarh.

SHARES REGISTRARS:

M/s Hameed Majeed Associates (Pvt.) Ltd.
H.M House, 7-Bank Square, Lahore.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the Company will be held at its Head Office, 46 - Hassan Parwana Colony, Multan, on Saturday 31st October, 2009, at 10:00 A.M., to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 30th October, 2008.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended June 30, 2009.
3. To appoint Auditors of the Company for the financial year 2009-2010 and to fix their remuneration. The present Auditors Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment as recommended by the Board of Directors.
4. To consider any other matter with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

(Shamsur Rahman)

Company Secretary

Multan: 07.10.2009

NOTES :

- (i) The Share Transfer Books of the Company will remain closed from 25th October, 2009 to 31st October, 2009 (both days inclusive).
- (ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered/Head Office of the Company at least 48 hours before the time of the meeting.
- (iii) Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her NIC or Passport to prove his / her identity, and in case of proxy must enclose an attested copy of his / her NIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- (vi) Members are requested to notify immediately any change in their address.
- (v) Members who have not yet submitted attested photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.

Directors' Report

In the Name of Allah, the Most Beneficent, the Merciful

Dear Shareholders

Yours Directors are pleased to present before you the 20th Annual report on the affairs of your Company and Financial Results for the year ended 30th June, 2009 together with the Directors Report and Auditors Report.

SUMMARIZED FINANCIAL RESULTS:

	2009 (Rupees) 000	2008 (Rupees) 000
Sales	2,736,385	2,556,340
Depreciations	103,000	121,000
Gross Profit	332,061	205,853
Finance Cost	(296,767)	(188,339)
Loss before Taxation	(52,869)	(103,687)
Loss after Taxation	(63,845)	(86,872)
Loss per Share	(4.43)	(6.03)

REVIEW OF OPERATIONS:

By the grace of Almighty Allah, during current year the operation of the Company was quite satisfactory and gross profit of the Company has substantially recovered from 8.05% to 12.14% even the price of yarn has not increased in accordance with cotton prices. The price of cotton varies between Rs. 4100 per maund to Rs. 3200 per maund.

During the current year the sales revenue has been increased by 180 million and out of total sales revenue i.e. 2.7 Billion, Rs. 1.27 Billion is on account of export sales in %age 47% as compared to corresponding period 50%.

During the year cost of power and fuel was revised from 4.06/per unit to Rs. 4.83/ per unit due to which about Rs. 20 million cost on electricity expense has been increased and at the same time non-supply / load management for 5 - 7 hours on daily basis has badly affected production of the Company whereas no change in fixed cost has been observed. About 42 days the operation of the Mills has been stopped cumulatively.



One of the most important segment is finance cost where an increase of about 108 million has been observed and the main reason was increase in kibar rates along with Spreads of the Banks. During the year approximate average kibar rate along with Spreads has been observed at 15.5% while in the last year it was at 10.5%. Ultimately such increase in mark up/ interest rate has put the profits of the Company at stake.

Further international as well as Country's economic situation has prolonged the period of price on floor levels.

BOARD MEETINGS AND ATTENDANCE BY DIRECTOR:

Total No. of Board Meetings held during the year under review:	5
Attendance by each Director	
Mian Muhammed Javed Anwar	4
Mian Muhammad Parvez	5
Mrs. Salma Javed	4
Mrs. Waheeda Parvez	5
Mr. Muhammed Haris	5
Mr. Muhammed Aurangzeb	5
Mr. Raza Abbas Jaffari (Nominee N. I. T.)	2

Leave of absence was granted to Directors who could not attend a Board Meeting

FUTURE OUTLOOK

At present global recession starts melt down but the threat of un-predictable prices of the raw material specially qualitative cotton along with load management and the pressure of the Financial Institutions on the Textile Industry if continues may put the Textile in adverse scenario.

Presently the Government of Pakistan took some special measures and realized the problems being faced by the textile industry and to overcome on such issues a separate Ministry of Textile Industry has been set up which at initial stage has announced a textile policy on 1st of September, 2009. According to that Notification of 5% rebate in terms of mark-up along with continuous flow of electricity to the textile sector has been announced and same is in process of finalization with the State Bank of Pakistan. The management of the Company is of the view that if both things happen well in time it will put a positive impact on the operations of the Company. Further it is also very important that in the same way Government should take proper initiatives to stop the export of cotton so that good quality crop may be available at best price in the Country. The management is also of the view that the cost of electricity should be maintained at competitive level so that textile industry can compete in the international market and become helpful to the Government in achieving its export targets.



CORPORATE GOVERNANCE

Compliance of corporate governance is attached.

AUDITORS

M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, Multan being eligible are recommended for appointment as Auditors of the Company for a term of one year as suggested by the Audit Committee.

PATTERN OF SHAREHOLDING

Pattern of holding of shares by the shareholders of the Company as on 30.06.2009, as required under Section 236(2)(d) of the Companies Ordinance, 1984, is enclosed.

ACKNOWLEDGMENT

Your Directors place on record their deep appreciation for the efforts made by the Workers and Staff of the Company for their deep devotion to work.

Your Directors would also like to express their thanks to the Shareholders and Financial Institutions for their support and assistance, particularly Habib Bank Limited, Bank Al Habib Limited, Faysal Bank Limited, Allied Bank Limited and Meezan Bank Limited.

On behalf of the Board of Directors

Mian Muhammad Javed Anwar
Chairman

Multan

Dated: 07.10.2009



Five Years Growth at Glance (2005-2009)

Particulars	2005	2006	2007	2008	2009
OPERATIONAL PERFORMANCE:					
Weaving					
Number of Looms Installed	103	112	112	130	130
Number of Looms Worked	103	112	112	130	130
Installed Capacity after conversion into 60 picks Sq Meter (000)	27,906	33,757	36,446	37,696	41,538
Actual Production after conversion into 60 picks Sq Meter (000)	25,673	31,256	34,265	35,515	33,644
Spinning					
Number of Spindles Installed	17,640	33,120	38,400	38,400	38,400
Number of Spindles Worked	17,640	33,120	38,400	38,400	38,400
No. of Shifts Worked	1,095	1,091	1,095	1,095	1,095
Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000)	4,341	11,780	12,468	12,593	12,988
Actual yarn Production (after con. 20/s count) KGS (000)	41,77	10,855	12,210	12,472	11,818
PROFIT AND LOSS:					
Net Sales Rs. (000)	1,300,434	2,032,595	2,150,014	2,556,340	2,736,385
Gross Profit Rs. (000)	139,006	199,125	180,955	205,853	332,062
Operating Profit/(loss) Rs. (000)	100,368	150,792	133,413	(103,687)	243,897
Profit/(loss) before Tax Rs. (000)	60,211	29,173	2,708	(103,687)	(52,869)
Profit/(loss) after Tax Rs. (000)	52,769	(6,071)	3,074	(86,871)	(63,844)
BALANCE SHEET:					
Share Capital and Reserves Rs. (000)					
Shareholders Equity	364,276	366,689	369,763	925,607	876,761
Property Plant & Equipment Rs. (000)					
Capital work in Process	576,781	997,581	1,119,102	2,017,040	1,954,828
Current Assets Rs. (000)	385,413	-	69,009	-	-
Current Liabilities Rs. (000)	625,661	637,216	563,368	848,140	1,005,862
Long Term Liabilities Rs. (000)	701,783	776,728	813,003	1,267,807	1,328,924
	526,377	515,321	673,553	673,553	755,004
INVERSTOR INFORMATION:					
Per Share (Rs.)					
Cash Dividend	1.25	-	-	-	-
Earning Per Share	4.21	(0.48)	0.21	(6.03)	(4.43)
FINANCIAL RATIOS:					
Gross Profit Ratio (%age)	10.70	9.78	8.41	8.05	12.14
Net Profit Ratio (%age)	4.02	-	0.14	(3.40)	(2.33)
Inventory Turnover (times)	3.11	4.24	4.62	4.03	3.80
Fixed Assets Turnover (times)	2.25	2.04	1.81	1.27	1.40
Total Assets Turnover (times)	0.82	1.22	1.16	0.89	0.92
Return on Capital Employed (%age)	0.14	0.04	0.12	0.05	0.15
Leverage Ratio	3.09	3.23	3.04	2.10	3.36
Current Ratio	0.89	0.82	0.82	0.67	0.76
Interest Coverage Ratio (times)	2.57	1.24	1.02	0.45	0.82

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of AHMAD HASSAN TEXTILE MILLS LIMITED ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

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

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

Place: ISLAMABAD
Dated: 07.10.2009

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2009

This statement is being presented by the Board of Directors (the Board) of Ahmad Hassan Textile Mills Limited (Company) to comply with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 36 (Chapter XI) of the listing regulations of the Islamabad Stock Exchange (Guarantee) Limited of Pakistan 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 representations of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and one executive director. However, none of the directors on the Board represent minority 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 DFI or an NBFIs and none of them is member of any stock exchange.
4. There has been no casual vacancy occurred in the Board during the year under review.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and key 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 the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and Executive Directors.
8. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transaction that were made on terms equivalent to those that prevails in the arm's length transaction only if such terms can be sustained.
9. The meetings of the Board were presided over by Chairman and, in his absence, by director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges. The directors are also encouraged to attend the workshops and seminars on the subject of Corporate Governance.
11. There was no new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit during the year.

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12. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors and Chief Executive Officer do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holdings.
15. The Company has complied with all corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit. It comprise of three members, all of whom are non-executive directors including the Chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Company has an effective internal audit function headed by the Head of Internal Audit. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
19. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan..
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. In compliance of the requirements of listing regulation No. 37 (Chapter XI) of Karachi Stock Exchange (Guarantee) Limited, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited of Pakistan, the related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
22. We confirm that all other material principles contained in the Code have been complied with.

On the behalf of the Board

MULTAN: 07.10.2009

Mian Muhammad Parvez
Chief Executive Officer



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AHMAD HASSAN TEXTILE MILLS LIMITED ("the Company") as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit 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 management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

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

M. YOUSUF ADIL SALEEM & CO.,
Chartered Accountants.

Mohammed Saleem
(Engagement Partner)
Date: 07.10.2009
Islamabad

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,949,986,594	2,017,040,206
Long-term investment	4	259,688	259,792
Long term security deposits		4,582,497	4,582,497
		1,954,828,779	2,021,882,495
CURRENT ASSETS			
Stores, spares and loose tools	5	53,704,769	51,493,295
Stock in trade	6	688,558,847	582,794,991
Trade debt	7	233,831,344	161,739,614
Loans and advances	8	13,585,565	31,891,156
Tax refunds due from government	9	9,900,838	10,011,745
Other receivables	10	4,500,618	744,612
Short term investment	11	104	8,427,813
Cash and bank balances	12	1,780,703	1,036,840
		1,005,862,788	848,140,066
		2,960,691,567	2,870,022,561
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2008: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital			
14,408,248.8 (2008: 14,408,248.8) ordinary shares of Rs. 10 each fully paid in cash	13	144,082,488	144,082,488
Capital reserve	14	32,746,284	32,746,284
Unappropriated profits		81,183,017	106,063,245
		258,011,789	282,892,017
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	513,750,750	552,715,105
NON-CURRENT LIABILITIES			
Long term financing	16	494,791,294	429,635,358
Long term loans from related parties	17	105,000,000	90,000,000
Liabilities against assets subject to finance lease	18	34,099,671	32,548,952
Long term morabaha	19	107,552,249	94,218,916
Deferred liabilities	20	118,561,055	120,204,926
		860,004,269	766,608,152
CURRENT LIABILITIES			
Trade and other payables	21	147,150,660	130,751,623
Accrued markup	22	65,383,710	58,414,938
Short term borrowings	23	1,003,870,736	897,128,670
Current portion of non current liabilities	24	99,216,423	168,329,082
Provision for taxation	25	13,303,230	13,182,974
		1,328,924,759	1,267,807,287
CONTINGENCIES AND COMMITMENTS			
	26	-	-
		2,960,691,567	2,870,022,561

The annexed notes 1 to 43 form an integral part of these financial statements.

sd/-
Mian Muhammad Javed Anwar
Chairman

sd/-
Mian Muhammad Parvez
Chief Executive Officer

sd/-
Muhammad Haris
Director

sd/-
M. Sohail Nadeem
Chief Financial Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales	27	2,736,385,752	2,556,339,761
Cost of goods sold	28	<u>(2,404,323,228)</u>	<u>(2,350,486,786)</u>
Gross profit		332,062,524	205,852,975
Other operating income	29	5,908,824	1,946,037
		<u>337,971,348</u>	<u>207,799,012</u>
Distribution cost	30	(68,646,548)	(86,516,212)
General and administration expenses	31	(24,150,531)	(21,967,705)
Other operating expenses	32	(1,276,860)	(14,662,829)
Finance cost	33	<u>(296,766,775)</u>	<u>(188,339,103)</u>
(Loss) before taxation		(52,869,366)	(103,686,837)
Taxation	34	<u>(10,975,216)</u>	<u>16,815,271</u>
(Loss) for the year		<u><u>(63,844,582)</u></u>	<u><u>(86,871,566)</u></u>
Loss per share - Basic & Dilutive	35	<u><u>(4.43)</u></u>	<u><u>(6.03)</u></u>

The annexed notes 1 to 43 form an integral part of these financial statements.

sd/-
Mian Muhammad Javed Anwar
Chairman

sd/-
Mian Muhammad Parvez
Chief Executive Officer

sd/-
Muhammad Haris
Director

sd/-
M. Sohail Nadeem
Chief Financial Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(52,869,366)	(103,686,837)
Adjustments for:		
Depreciation	103,501,505	121,313,425
Gain on remeasurement of short term investment	-	(514,774)
Gain on sale of property, plant and equipment	(248,211)	-
Loss on disposal of short term investment	1,011,260	-
Employee benefits	4,797,388	-
Workers' welfare fund written back	-	(55,270)
Balance written off	-	1,440,000
Finance cost	296,766,775	188,339,103
	405,828,717	310,522,484
Operating Cash flows before movement in working capital	352,959,351	206,835,647
(Increase)/ decrease in current assets		
Stores, spares and loose tools	(2,211,474)	8,373,720
Stock in trade	(105,763,856)	(156,674,599)
Trade debts	(72,091,730)	(59,743,504)
Loans and advances	4,473,303	13,672,270
Tax refunds due from government	2,767,500	-
Other receivables	(3,756,006)	185,466
Short term investment	7,416,449	8,087,065
Increase / (decrease) in current liabilities		
Trade and other payables	15,761,642	66,151,226
	(153,404,172)	(119,948,356)
Cash generated from operations	199,555,179	86,887,291
Gratuity paid	(4,159,993)	(6,116,807)
Income taxes paid	(9,867,156)	(15,946,561)
Net cash from operating activities	185,528,030	64,823,923
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(43,532,670)	(288,969,891)
Proceeds from disposal of property, plant and equipment	7,332,988	-
Redemption of Long term investment	104	104
Net cash used in investing activities	(36,199,578)	(288,969,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances raised	85,000,000	191,169,177
Repayment of Long term finances	(38,426,747)	(119,897,086)
Long term loans from related parties raised	15,000,000	-
Repayment of principal portion of finance lease	(20,418,483)	(42,432,766)
Repayment of long term morabaha	(18,072,972)	(36,145,950)
Short term borrowings - net	115,240,616	390,994,510
Finance cost paid	(289,798,003)	(163,477,716)
Net cash (used in)/ from financing activities	(148,584,589)	220,210,169
Net increase/(decrease) in cash and cash equivalents during the year	743,863	(3,935,695)
Cash and cash equivalents at the beginning of the year	1,036,840	4,972,535
Cash and cash equivalents at the end of the year	1,780,703	1,036,840

The annexed notes 1 to 43 form an integral part of these financial statements.

sd/-
Mian Muhammad Javed Anwar
Chairman

sd/-
Mian Muhammad Parvez
Chief Executive Officer

sd/-
Muhammad Haris
Director

sd/-
M. Sohail Nadeem
Chief Financial Officer



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Capital Reserves Share premium	Unappropriated profit	Total equity
	(R U P E E S)			
Balance as at July 01, 2007	144,082,488	32,746,284	192,934,811	369,763,583
Loss for the year	—	—	(86,871,566)	(86,871,566)
Balance as at June 30, 2008	144,082,488	32,746,284	106,063,245	282,892,017
Balance as at July 01, 2008	144,082,488	32,746,284	106,063,245	282,892,017
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	—	—	38,964,355	38,964,355
Loss for the year	—	—	(63,844,582)	(63,844,582)
Balance as at June 30, 2009	144,082,488	32,746,284	81,183,017	258,011,789

The annexed notes 1 to 43 form an integral part of these financial statements.

sd/-
Mian Muhammad Javed Anwar
Chairman

sd/-
Mian Muhammad Parvez
Chief Executive Officer

sd/-
Muhammad Haris
Director

sd/-
M. Sohail Nadeem
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1. LEGAL STATUS AND OPERATIONS

- 1.1 Ahmed Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on 03 December, 1989 as a Public Limited Company under the Companies Ordinance 1984. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn and fabric. The registered office of the Company is situated in Multan. The Mill is located at District Muzaffargarh.
- 1.2 The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Adoption of new International Financial Reporting Standards and IFRS interpretations

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

IFRS 7 - Financial Instruments: Disclosure

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

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

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company has not yet determined the potential effect of the interpretation.



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

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

IFRS 8 - Operating Segments

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

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 15 will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete. It provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. Since the Company is not involved in Construction of Real Estate, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. Since the Company has no investment in a foreign operation, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 17 - Distributions of Non-cash Assets to Owners

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

IFRIC 18 - Transfer of Assets from Customers

July 01, 2009

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

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

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

IFRIC 12 - Service Concession in Agreements

January 01, 2008

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure

for public sector services. Since the Company is not involved in public sector services, the implementation of this interpretation does not affect its financial statements.

IFRIC 13 - Customer Loyalty Programs

July 01, 2008

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. Since the Company is not involved in selling products with a customer loyalty incentive, therefore the implementation of this interpretation does not affect the financial statements and has not led to any change in the timing of recognition of revenue at the time of making sale

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.6
- property, plant and equipment as stated in note 2.7, and
- short term investment as stated in note 2.16

2.4 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of operating assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.


2.5 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits rebates and exemption available, if any, or minimum tax at the rate of 0.5 % of turnover, whichever is higher. However, for income under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation



of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

2.6 Foreign currency translations

Translations in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

2.7 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost or revaluation less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and capital work in progress is stated at cost. Borrowings costs pertaining to erection/ construction are capitalized as part of the historical cost as stated in note 2.15.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 3.1. Depreciation is charged on additions from the month in which an asset is acquired or capitalized and no depreciation is charged for the month in which asset is disposed. Gain/ loss on disposal of operating assets are taken to profit and loss account.

Surplus arising on revaluation of operating assets is credited to surplus on revaluation of operating assets account. The surplus on revaluation of operating assets to the extent of incremental depreciation charged on the related assets is transferred by the company to its unappropriated profit.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand-by, are retired.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal for each period.

Depreciation is charged to income at the rates stated in note 3.1 applying reducing balance method to write-off the cost of the assets over their estimated useful life in view of certainty of ownership of the assets at the end of lease period.

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Finance cost and depreciation on leased assets are charged to current year income.

2.8 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

2.9 Long term investments

Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method. These are investments with fixed or determinable receipts and fixed maturity.

2.10 Stores, spares and loose tools

These are valued at cost, determined on basis of moving average cost less allowance for obsolete and slow moving items, except for items-in-transit which are valued at cost accumulated to the balance sheet date.

2.11 Stock-in-trade

Basis of valuation is as follows:

Raw materials at warehouse	At lower of weighted average cost and net realizable value.
Work in process	At manufacturing cost
Finished goods	At lower of cost and net realizable value
Waste	At net realizable value

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to such sale.



2.12 Trade debts and other receivables

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

2.13 Trade and other payables

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

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Direct local sales are recorded when goods are delivered to customers and invoices are raised.
- Local sales through agents are booked on intimation from the agents.
- Export sales are booked on shipment basis.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.16 Short term investments

Short term investments are designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. Regular way purchase or sale of held for trading investments is recognized using trade date accounting. A trade date is the date that an enterprise commits to purchase or sell an asset. All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.17 Provisions

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

2.18 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

All purchases and sales of financial assets are recognized on the trade date when the Company become the party to the contractual provision.

2.19 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.20 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.22 Related party transactions

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

2.23 Government grants

Government grants that compensates the Company for expenses incurred is recognized in the profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted in reporting the related expense.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Operating assets	3.1	1,949,986,594	1,923,000,949
Capital work in progress	3.2	-	94,039,257
		<u>1,949,986,594</u>	<u>2,017,040,206</u>

3.1 Operating assets Year end June 30, 2008

Particulars	Cost				
	As at July 01, 2008	Revaluation Surplus	Additions during the year	Disposals during the year	As at June 30, 2009
R U P E E S					
<i>Owned:</i>					
Land - Freehold	57,562,500	-	-	-	57,562,500
Buildings on freehold land					
- Factory	375,166,285	-	19,245,374	-	394,411,659
- Residential	86,028,024	-	-	-	86,028,024
	461,194,309	-	19,245,374	-	480,439,683
Plant and machinery	1,904,107,355	-	46,648,608	(6,785,000)	1,943,970,963
Generator	14,867,784	-	-	-	14,867,784
Electric installation	56,672,010	-	75,000	-	56,747,010
Grid Station	-	-	64,747,312	-	64,747,312
Factory equipment	257,199	-	222,000	-	479,199
Office equipment	3,114,280	-	217,100	-	3,331,380
Telephone installation	397,224	-	-	-	397,224
Furniture and fixtures	2,716,867	-	-	-	2,716,867
Arms and ammunition	27,800	-	-	-	27,800
Weighing scales	643,982	-	-	-	643,982
Tube well	345,649	-	-	-	345,649
Fire extinguishing equipment	263,497	-	-	-	263,497
Vehicles	18,511,586	-	6,416,533	(8,272,270)	16,655,849
	2,520,682,042	-	137,571,927	(15,057,270)	2,643,196,699
<i>Leased</i>					
Plant and machinery	129,544,779	-	-	-	129,544,779
Vehicles	1,232,000	-	-	-	1,232,000
	130,776,779	-	-	-	130,776,779
	<u>2,651,458,821</u>	-	<u>137,571,927</u>	<u>(15,057,270)</u>	<u>2,773,973,478</u>

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Depreciation				Book Value as at June 30, 2009	Rate %
As at July 01, 2008	For the year	Adjustment on disposals	As at June 30, 2009		
R U P E E S					
-	-	-	-	57,562,500	
70,769,010	15,300,478	-	86,069,488	308,342,171	5%
14,993,474	3,551,728	-	18,545,202	67,482,822	5%
85,762,484	18,852,206	-	104,614,690	375,824,993	
538,754,400	69,512,106	(3,588,584)	604,677,922	1,339,293,041	10%
9,742,784	512,500	-	10,255,284	4,612,500	10%
30,701,174	3,896,563	-	34,597,737	22,149,273	15%
-	3,776,927	-	3,776,927	60,970,385	10%
185,262	27,544	-	212,806	266,393	10%
1,050,137	218,808	-	1,268,945	2,062,435	10%
287,587	10,964	-	298,551	98,673	10%
1,415,884	130,098	-	1,545,982	1,170,885	10%
10,606	1,719	-	12,325	15,475	10%
421,646	22,234	-	443,880	200,102	10%
247,125	9,852	-	256,977	88,672	10%
169,222	9,428	-	178,650	84,847	10%
8,373,870	2,425,301	(4,383,909)	6,415,262	10,240,587	20%
677,122,181	99,406,250	(7,972,493)	768,555,938	1,874,640,761	
50,925,025	3,930,988	-	54,856,013	74,688,766	5%
410,666	164,267	-	574,933	657,067	20%
51,335,691	4,095,255	-	55,430,946	75,345,833	
728,457,872	103,501,505	(7,972,493)	823,986,884	1,949,986,594	

For comparative period

Particulars	Cost			
	As at July 01, 2007	Additions during the year	Revaluation Surplus	As at June 30, 2008
	R U P E E S			
<i>Owned:</i>				
Land - Freehold	2,577,758	-	54,984,742	57,562,500
Buildings on freehold land				
- Factory	155,965,998	2,907,446	216,292,841	375,166,285
- Residential	34,067,387	5,846,045	46,114,592	86,028,024
Plant and machinery	190,033,385	8,753,491	262,407,433	461,194,309
Generator	1,307,592,517	252,758,506	343,756,332	1,904,107,355
Electric installation	14,744,086	-	123,698	14,867,784
Factory equipment	56,672,010	-	-	56,672,010
Office equipment	257,199	-	-	257,199
Telephone installation	2,754,080	360,200	-	3,114,280
Furniture and fixtures	397,224	-	-	397,224
Arms and ammunition	2,668,567	48,300	-	2,716,867
Weighing scales	27,800	-	-	27,800
Tube well	643,982	-	-	643,982
Fire extinguishing equipment	345,649	-	-	345,649
Vehicles	263,497	-	-	263,497
	16,492,166	2,019,420	-	18,511,586
	1,595,469,920	263,939,917	661,272,205	2,520,682,042
<i>Leased:</i>				
Plant and machinery	129,544,779	-	-	129,544,779
Vehicles	1,232,000	-	-	1,232,000
	130,776,779	-	-	130,776,779
	1,726,246,699	263,939,917	661,272,205	2,651,458,821

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Depreciation			Book Value as at June 30, 2008	Rate %
As at July 01, 2007	For the year	As at June 30, 2008		
R U P E E S				
-	-	-	57,562,500	
61,006,550	9,762,460	70,769,010	304,397,275	10%
12,278,721	2,714,753	14,993,474	71,034,550	10%
73,285,271	12,477,213	85,762,484	375,431,825	10%
446,623,077	92,131,323	538,754,400	1,365,352,955	10%
9,187,084	555,700	9,742,784	5,125,000	10%
26,118,085	4,583,089	30,701,174	25,970,836	15%
177,269	7,993	185,262	71,937	10%
844,609	205,528	1,050,137	2,064,143	10%
275,405	12,182	287,587	109,637	10%
1,273,588	142,296	1,415,884	1,300,983	10%
8,695	1,911	10,606	17,194	10%
396,942	24,704	421,646	222,336	10%
236,178	10,947	247,125	98,524	10%
158,747	10,475	169,222	94,275	10%
6,164,667	2,209,203	8,373,870	10,137,716	20%
564,749,617	112,372,564	677,122,181	1,843,559,861	
42,189,497	8,735,528	50,925,025	78,619,754	10%
205,333	205,333	410,666	821,334	20%
42,394,830	8,940,861	51,335,691	79,441,088	
607,144,447	121,313,425	728,457,872	1,923,000,949	



3.1.1 Depreciation for the year has been allocated as under:

	Note	2009 Rupees	2008 Rupees
Cost of sales	28	100,551,883	118,538,679
General and administration expenses	31	2,949,622	2,774,746
		<u>103,501,505</u>	<u>121,313,425</u>

3.1.2 Revaluation of freehold land was carried out as on December 31, 2007 by an independent valuer M/s Consultancy Support & Services, Multan on the basis of market value. Revaluation surplus has been credited to surplus on revaluation of fixed assets.

3.1.3 Revaluation of buildings on freehold land and plant and machinery was carried out as on June 30, 2008 by an independent valuer M/s Consultancy Support & Services, Multan on the basis of evaluated present values. Revaluation surplus has been credited to surplus on revaluation of fixed assets.

3.1.4 Had there been no revaluation the related figures of freehold land, building, plant and machinery and generator at June 30, 2009 would have been as follows:

	Carrying Value	
	2009 Rupees	2008 Rupees
Freehold land	57,562,500	2,577,758
Building on freehold land	388,945,364	113,024,392
Plant and machinery	1,373,668,674	1,021,596,623
Generator	4,624,870	5,001,302
	<u>1,824,801,408</u>	<u>1,142,200,075</u>

3.1.5 In 2008, Company has installed 18 new air jet looms during the year. Loss on trial run operation of these looms has been capitalised by the company. Detail of trial run operation is as follows:

Sales	80,254,972
Cost of sales	
Raw material consumed	82,441,577
Power and fuel	6,706,656
Store consumed	4,466,692
Salaries and Wages	3,956,541
Manufacturing cost	97,571,466
Opening finished goods	—
Closing finished goods	(8,889,836)
	(8,889,836)
Cost of sales	88,681,630
Gross loss	(8,426,658)
Finance cost	4,602,665
Net loss	(13,029,323)
Charged to plant and machinery	13,029,323
	<u>—</u>

3.1.6 The following assets were disposed off during the year

Description	Cost	Accumulated depreciation	Carrying Value	Sale Proceeds	Gain/ (Loss)	Particulars of Buyers
Plant and machinery						
Compressor	6,785,000	3,588,584	3,196,416	3,100,000	(96,416)	Air Plus Engineering
Vehicles						
Land Cruiser LEA 712	3,611,000	1,356,934	2,254,066	2,454,066	200,000	HH Enterprises
Toyota GLI MLD 3711	939,000	537,158	401,842	307,692	(94,150)	Mr. Zahir Khan
Suzuki Khyber MLD 4711	428,690	368,575	60,115	46,030	(14,085)	Muhammad Ishfaq
Toyota Car MLD 5611	939,000	530,347	408,653	525,000	116,347	Mr. Tariq
Suzuki Baleeno Car MLB 8111	776,000	505,828	270,172	300,000	29,828	Faheem Ahmad
Vehicle ML 89	1,100,580	848,704	251,876	296,000	44,124	Saleem Ahmad
Honda Motor Cycle MLK5411	54,000	19,200	34,800	45,000	10,200	Habib Insurance Company
Motorcycles transferred to employees	424,000	217,163	206,837	259,200	52,363	Employees
	15,057,270	7,972,493	7,084,777	7,332,988	248,211	

3.2 Capital work in progress

	Note	2009 Rupees	2008 Rupees
Factory buildings			
Civil work		-	8,309,401
Advance payments		-	7,711,624
		-	16,021,025
Non-factory buildings			
Plant and machinery			
Cost and expenses		-	13,822,051
Electric fittings and installations			
Cost and expenses		-	64,069,945
Advance payments		-	126,236
		-	64,196,181
		-	94,039,257

4. LONG TERM INVESTMENT

Held to maturity

Term finance certificates	4.1	259,792	259,896
Less: Current maturity shown under short term investment	11	(104)	(104)
		259,688	259,792

4.1 The market value of term finance certificates (TFCs) as at June 30, 2009 was Rs. 263,483 (2008: Rs. 263,588).



The Company during 2007 had purchased second trench of TFCs of Bank Al Habib Limited amounting to Rs. 260,000 on March 07, 2007 having final maturity date of February 07, 2015. These certificates carry mark up at a rate of KIBOR+1.5% per annum and are redeemable at half yearly basis starting from August 07, 2007. First fourteen certificates are redeemable at a principal amount of Rs. 52 each and the last two Rs. 129,636 each.

5. STORES, SPARES AND LOOSE TOOLS

	Note	2009 Rupees	2008 Rupees
Stores	5.1	48,417,046	21,379,395
Spares		5,287,723	29,992,198
Loose tools		—	121,702
		<u>53,704,769</u>	<u>51,493,295</u>

5.1 This includes spares in transit of Rs. 5,287,723 (2008: Rs. 4,991,868).

6. STOCK IN TRADE

Raw material	411,934,112	340,027,628
Work in process	35,523,496	31,129,157
Finished goods	241,101,239	211,638,206
	<u>688,558,847</u>	<u>582,794,991</u>

7. TRADE DEBTS

- Considered Goods:

Foreign - Secured against export bills	149,498,196	58,048,380
Local - Unsecured	84,333,148	103,691,234
	<u>233,831,344</u>	<u>161,739,614</u>

7.1 Trade receivables are non-interest bearing and are generally on 30 to 90 day terms

7.2 Balances considered bad and irrecoverable are written off.

7.3 Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.

7.4 Trade debts include debtors with a carrying amount of Rs 2.066 million (2008: Rs. 2.334 million) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

7.5 Aging of amounts past due but not impaired.		2009	2008
	Note	Rupees	Rupees
90 - 120 days		1,609,537	1,785,587
120 days and above		456,876	548,659
		<u>2,066,413</u>	<u>2,334,246</u>
8. LOANS AND ADVANCES			
Advances to employees - considered good		1,423,914	674,641
Advance payments - considered good		10,594,662	15,769,882
Income tax deducted at source / advance			
income tax / tax paid with return of income		1,358,841	15,191,130
Letter of credit		208,148	255,503
		<u>13,585,565</u>	<u>31,891,156</u>
9. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable		7,244,245	10,011,745
Income tax refundable		2,656,593	-
		<u>9,900,838</u>	<u>10,011,745</u>
10. OTHER RECEIVABLES			
Minimum tax paid under protest	26.2	642,984	738,515
Others		3,857,634	6,097
		<u>4,500,618</u>	<u>744,612</u>



11. SHORT TERM INVESTMENT

Held to maturity

	Note	2009 Rupees	2008 Rupees
Current portion of long term investment	4	104	104
		<u>104</u>	<u>104</u>
<i>Held for trading - at fair value</i>			
Investment in Units of Bank Al-Falah G.H.P		—	8,427,709
		<u>104</u>	<u>8,427,813</u>

12. CASH AND BANK BALANCES

Cash in hand	195,495	41,468
Cash at banks on current accounts	1,585,208	995,372
	<u>1,780,703</u>	<u>1,036,840</u>

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

13.1 There were no movements during the reporting years.

13.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.

14. CAPITAL RESERVES
Share premium

	Note	2009 Rupees	2008 Rupees
- Rs. 4 per share on issue of 2,989,920 ordinary shares of Rs. 10/- each issued during the year 2001		11,959,680	11,959,680
- Rs. 10 per share on issue of 1,138,992 ordinary shares of Rs. 10/- each issued during the year 2004		11,389,920	11,389,920
- Rs. 5 per share on issue of 1,879,336.8 ordinary shares of Rs. 10/- each issued during the year 2007		9,396,684	9,396,684
		32,746,284	32,746,284

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of operating assets as at July 01	552,715,105	-
Addition during the year	-	661,272,205
Less: Related deferred tax liability	-	108,557,100
	552,715,105	552,715,105
Less: Transferred to unappropriated profit on account of:		
incremental depreciation - net of deferred tax	(38,964,355)	-
Surplus on revaluation of operating assets as at June 30	513,750,750	552,715,105



16. LONG TERM FINANCING
From Banking Companies- Secured

Name of the Bank	Type of Facility	Note	2009 Rupees	2008 Rupees	No. of Installments
Bank Al Habib Limited	TF-3	16.1	31,380,622	35,303,200	9
Habib Bank Limited	DF-3	16.2	105,000,000	122,500,000	10
Habib Bank Limited	DF-4	16.2	127,267,497	127,267,497	10
Habib Bank Limited	EOP DF-4	16.2	2,514,169	3,232,503	10
Allied Bank Limited	DF	16.3	65,000,000	80,000,000	10
Allied Bank Limited	LTF-EOP	16.3	109,689,983	110,975,818	12
Faysal Bank Limited	TF	16.4	9,432,159	9,432,159	8
Faysal Bank Limited	LTF-EOP	16.4	35,458,000	35,458,000	8
United Bank Limited	DF	16.5	85,000,000	-	8
			570,742,430	524,169,177	
Current portion grouped under current liabilities		24	(75,951,136)	(94,533,819)	
			494,791,294	429,635,358	

Securities

- 16.1** These finance facilities are secured against pari passu charge over land, building and plant and machinery to the extent of Rs. 200 million.
- 16.2** These finance facilities are secured against pari passu charge over land, building and plant and machinery to the extent of Rs. 602 million.
- 16.3** These finance facilities are secured against pari passu charge over land, building and plant and machinery to the extent of Rs. 450 million.
- 16.4** These finance facilities are secured against ownership of leased assets, specific charge over machinery imported and personal guarantees of directors.
- 16.5** These finance facilities are secured against pari passu charge over land, building and plant and machinery to the extent of Rs. 115 million.

Mode of payment	Commenced from	Rate of markup
Half yearly	Feb. 14, 2009	6 M-kibor + 1.5%
Half yearly	Feb. 12, 2005	6 M-kiibor + 1.75%
Half yearly	June 30, 2008	6 M-kibor + 1.75%
Half yearly	Feb. 06, 2008	SBP rate + 2%
Half yearly	Mar. 30, 2009	6 M-kibor + 1.75%
Half yearly	Dec. 25, 2008	SBP rate + 2%
Half yearly	Dec. 31, 2009	6 M-kibor + 2%
Half yearly	Oct. 17, 2010	SBP rate + 2%
Half yearly	July 1, 2010	3 M -kibor + 2.5%

17. **LONG TERM LOANS FROM RELATED PARTIES**

	Note	2009 Rupees	2008 Rupees
Subordinated loan from directors - unsecured			
Mian Muhamad Javed Anwar		27,500,000	27,500,000
Mian Muhammad Parvez		27,500,000	27,500,000
Dr. Muhammad Haris		35,000,000	20,000,000
Mrs. Waheeda Parvez		15,000,000	15,000,000
		<u>105,000,000</u>	<u>90,000,000</u>

These interest free subordinated loans were obtained from the directors of the company including Rs. 15 million which is in favour of ABL obtained during the year and management of the Company has decided to pay back the same in future when resources are available.

18. **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	Up to one year	From one year to five years	2009	2008
RUPEES				
Minimum lease payments	24,755,394	39,633,415	64,388,809	82,656,525
Less: Finance cost allocated to future periods	(6,229,746)	(5,533,744)	(11,763,490)	(12,458,254)
Present value of minimum lease payment	<u>18,525,648</u>	<u>34,099,671</u>	<u>52,625,319</u>	<u>70,198,271</u>
Less: Current portion grouped under current liabilities			18,525,648	37,649,319
			<u>34,099,671</u>	<u>32,548,952</u>

The company entered into lease agreement with Faysal Bank Limited. to acquire plant and machinery in the year 2003. The liabilities under the lease agreements are payable in quarterly installments by January, 2009 and are subject to finance charges at the rates SBP + 2 % i.e. 6% (2008: SBP + 2 % i.e. 6%) per annum. The lease finance facility is secured against charge of Rs. 145 million over plant and machinery of the existing weaving unit and personal guarantee of working directors of the company. In 2007, the said lease was swapped on December 30, 2006 under LTF-EOP scheme announced by State Bank of Pakistan vide its circular ref. No. 19 of 2006 dated September 04, 2006 and the mark-up rates applied had changed from 12.5% approximate to 6% annually, however other terms and conditions remained the same.

In 2007, the Company has entered into an Ijara (lease agreement) with Meezan Bank Limited for installation of grid station. The liabilities under the Ijara are payable in monthly installments by July 2012 and are subject to finance charges at the rates 6-M KIBOR plus 2% and during the year mark up was charged at the rates ranging from 12.34% to 16.93% (2008:12.26% to 12.55%) per annum. The company intends to exercise its option to purchase the leased assets upon completion of lease terms. The said facility is secured against exclusive ownership of leased asset.

The Company has entered into a lease agreement with Bank Al Habib. for the purchase of a vehicle in the year 2008, the liabilities under the lease agreement are payable in equal quarterly installments by August 2011 and are subject to finance charges at the rates 15.70% per annum.

19. LONG TERM MORABAHA - Secured

	Note	2009 Rupees	2008 Rupees
Opening balance		130,364,860	166,510,810
Paid during the year		(18,072,972)	(36,145,950)
		<u>112,291,888</u>	<u>130,364,860</u>
Current portion grouped under current liabilities	24	(4,739,639)	(36,145,944)
		<u>107,552,249</u>	<u>(94,218,916)</u>

This facility is from Faysal Bank Limited to import textile spinning machinery. The liability under the agreement is payable in half yearly installments by February, 2013 subject to finance charge of 6 month KIBOR+2% per annum and during the year mark up was charged at the rates ranging from 14.40% to 16.52%. The loan is secured against 1st pari passu charge over the fixed assets of Rs. 215 million including land, building and plant and machinery. It is further secured by the personal guarantees of working directors of the company.

The Company has entered into a Morabaha facility with Faysal Bank Limited under LTF-EOP scheme of State Bank of Pakistan for imported machinery for weaving unit and are payable in half yearly installments by December 2011 and is subject to finance charges at the rate of 7% per annum i.e. SBP Rate + 2%(2008: 7% per annum). The said loan has been secured against first pari passu charge over plant and machinery of the company to the extent of Rs. 51 million and personal guarantees of the working directors of the company.

20. DEFERRED TAX LIABILITIES

Deferred taxation	20.1	118,561,055	120,204,926
		<u>118,561,055</u>	<u>120,204,926</u>

20.1 Deferred Taxation

The deferred tax liability comprises of temporary differences arising due to:

Credit balance arising in respect of

- accelerated tax depreciation allowances	30,440,212	108,733,148
- lease finances	1,970,537	1,654,947
- surplus on revaluation of fixed assets	100,013,080	108,557,100

Debit balances arising in respect of:

- staff retirement benefits - gratuity	(862,774)	-
- carry forward losses	(13,000,000)	(98,740,269)

	<u>118,561,055</u>	<u>120,204,926</u>
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The Company has history of recent losses and availability of future taxable profits is very rare, therefore deferred tax asset arising due to carry forward of losses amounting to Rs. 120,354,015 has not been recognized in the financial statements.



21. TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		93,175,148	64,863,011
Accrued liabilities		36,731,414	48,767,777
Derivative cross currency swap	33.2	9,942,235	11,755,514
Unclaimed dividend		2,451,857	2,451,857
Advance payments		4,597,919	1,927,933
Tax deducted at source		252,087	985,531
		<u>147,150,660</u>	<u>130,751,623</u>

22. ACCRUED MARKUP

Long term financing		14,512,440	13,208,526
Lease finance charges		91,055	668,799
Long term morabaha		7,149,239	6,431,945
Short term borrowing		43,630,976	38,105,668
		<u>65,383,710</u>	<u>58,414,938</u>

23. SHORT TERM BORROWINGS

From banking companies - Secured	23.1	1,003,870,736	897,038,827
Bank overdraft - Unsecured	23.2	—	89,843
		<u>1,003,870,736</u>	<u>897,128,670</u>

23.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs 1,456 million (2008: Rs. 1,240 million) and US\$ 6.6 million (2008: US\$ 9.21 million) of which facilities aggregating Rs. 452 million (2008: 344 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 13.47% to 16.93% (2008: 9.79% to 14.56%) calculated on daily product basis. The aggregate facilities are secured against pledge, hypothecation of stock in trade, on book debts, lien on export bills, lien on title documents and personal guarantees of all the working directors of the company.

Facilities available for opening letters of credit and guarantee aggregate Rs. 60 million (2008: Rs. 302.6 million) and are secured against shipping documents and personal guarantees of all the working directors of the company.

These include foreign currency balances aggregating USD 1.475 million (2008: USD 3.800 million) which have been converted into Pak Rupees at the exchange rate prevailing at the balance sheet date.

23.2 These have arisen due to issuance of cheques for amounts in excess of balances at bank accounts.

24. CURRENT PORTION OF NON CURRENT LIABILITIES

	Note	2009 Rupees	2008 Rupees
Long term financing	16	75,951,136	94,533,819
Liabilities against assets subject to finance lease	18	18,525,648	37,649,319
Long term morabaha	19	4,739,639	36,145,944
		<u>99,216,423</u>	<u>168,329,082</u>

25. PROVISION FOR TAXATION

Opening balance		13,182,974	12,500,504
Add: Provision made during the year			
Current		12,619,088	13,182,974
Prior		-	(1,672)
		<u>12,619,088</u>	<u>13,181,302</u>
		25,802,062	25,681,806
Payments / adjustments against completed assessments		(12,498,832)	(12,498,832)
		<u>13,303,230</u>	<u>13,182,974</u>

25.1 Income tax assessments of the Company have been completed up to the Tax Year 2008.

26. CONTINGENCIES AND COMMITMENTS

Contingencies

26.1 Excise and Taxation Department Karachi has imposed excise duty of Rs. 3.9 million on account of machinery imported by the company. The company has not accepted it and filed a suit in Sindh High Court Karachi against said levy. The Honorable High Court issued order " Till the next date, the respondent may not recover impugned levy upon the Appellants furnishing bank guarantee for the amount demanded" The decision of the court is still pending. The management of the company is very confident that decision will be made in their favour. A bank guarantee amounting to Rs. 3.9 million has been given by Bank Al-Habib Limited on behalf of the company in favour of the Director Excise and Taxation Karachi.

26.2 The Company, in view of the Supreme Court of Pakistan's Judgment dated June 04, 1997, was not liable to pay Minimum Tax under section 80- D of the Repealed Income Tax Ordinance, 1979 up to September 30, 1999. Accordingly, Minimum Tax paid up to September 30, 1999 has been accounted for as receivable from the income tax department (Note 10).



26.3 Foreign bills discounted outstanding as at June 30, 2009 aggregated Rs. 23.26 million (2008: Rs. 37.89 million)

Commitments

26.4 Commitments for letters of credit outstanding at the year end were as follows:

	2009 (Rupees in million)	2008
Revenue expenditure	-	96
	-	96

27. SALES

	Note	2009 Rupees	2008 Rupees
Local:			
- Own manufactured goods			
Yarn		829,174,556	917,089,997
Fabric		524,535,126	276,156,049
Waste		84,933,309	79,748,090
		<u>1,438,642,991</u>	<u>1,272,994,136</u>
- Trading goods			
Yarn		19,990,620	6,272,240
Fabric		-	526,000
		<u>1,458,633,611</u>	<u>1,279,792,376</u>
Export:			
- Own manufactured goods			
Yarn		512,485,977	456,011,102
Fabric		749,422,773	813,578,678
		<u>1,261,908,750</u>	<u>1,269,589,780</u>
- Trading goods			
Fabric		15,843,391	6,957,605
		<u>1,277,752,141</u>	<u>1,276,547,385</u>
		<u><u>2,736,385,752</u></u>	<u><u>2,556,339,761</u></u>

28. COST OF GOODS SOLD

	Note	2009 Rupees	2008 Rupees
Raw materials consumed	28.1	1,774,982,114	1,734,868,083
Salaries, wages and benefits	28.2	132,994,738	132,748,774
Stores consumed		46,430,857	37,684,998
Packing materials consumed		35,206,311	30,532,017
Chemicals consumed		29,693,325	32,715,790
Processing charges		19,913,012	13,485,773
Power and fuel		247,068,651	227,894,846
Repair and maintenance		3,899,707	5,160,475
Insurance		6,768,886	6,061,741
Depreciation	3.1.1	100,551,883	118,538,679
Others		4,413,922	4,060,536
		<u>2,401,923,406</u>	<u>2,343,751,712</u>
Adjustment of work in process			
Opening stock		31,129,157	18,135,671
Closing stock		(35,523,496)	(31,129,157)
		<u>(4,394,339)</u>	<u>(12,993,486)</u>
Cost of goods manufactured-Own manufactured		2,397,529,067	2,330,758,226
Adjustment of finished goods			
Opening stock		202,748,370	205,761,817
Opening stock trial run		8,889,836	—
Closing stock		(241,101,239)	(202,748,370)
		<u>(29,463,033)</u>	<u>3,013,447</u>
Cost of goods sold - Own manufactured		2,368,066,034	2,333,771,673
Cost of goods sold - Trading goods			
Opening stock		—	2,488,066
Purchases		36,257,194	14,227,047
Closing stock		—	—
		<u>36,257,194</u>	<u>16,715,113</u>
		<u>2,404,323,228</u>	<u>2,350,486,786</u>
28.1 Raw materials consumed			
Opening stock		340,027,628	199,734,838
Purchases including direct expenses		1,846,888,598	1,875,160,873
		<u>2,186,916,226</u>	<u>2,074,895,711</u>
Less : Closing stock		(411,934,112)	(340,027,628)
		<u>1,774,982,114</u>	<u>1,734,868,083</u>

28.2 These include Rs. 4,797,388 (2008: Rs. 8,445,791) in respect of staff benefit.

29. OTHER OPERATING INCOME

	Note	2009 Rupees	2008 Rupees
Export rebate on packing materials		838,722	515,502
Gain on sales of property, plant and equipment		248,211	-
Workers' Welfare fund written back		55,270	55,270
Profit on bank deposits		52,021	855,624
Gain on remeasurement of short term investments (held for trading) at fair value		-	514,774
Exchange fluctuation gain		4,714,600	-
Others		-	4,867
		<u>5,908,824</u>	<u>1,946,037</u>

30. DISTRIBUTION COST

Export development surcharge		2,856,411	3,462,862
Export expenses		5,622,726	6,198,528
Freight, forwarding and others		26,619,506	43,393,667
Commission		33,547,905	33,461,155
		<u>68,646,548</u>	<u>86,516,212</u>

31. GENERAL AND ADMINISTRATION EXPENSES

Directors' meeting fee		1,000	3,500
Staff salaries and benefits	31.1	9,746,262	8,688,546
Vehicles' running and maintenance		2,583,116	1,986,510
Utilities		577,346	366,714
Traveling and conveyance		1,079,909	1,803,200
Printing and stationery		325,992	333,797
Insurance		-	327,240
Communication		2,734,572	2,649,014
Rent, rates and taxes		6,567	6,567
Repair and maintenance		541,593	604,758
Entertainment		887,267	1,004,668
Fees and subscription		625,453	429,558
Advertisement		84,100	92,095
Depreciation	3.1.1	2,949,622	2,774,746
Auditors' remuneration:			
- statutory audit fee		375,000	250,000
- half yearly review		50,000	50,000
- Certification charges		-	20,000
		<u>425,000</u>	<u>320,000</u>
Legal and professional		248,100	238,776
Others		1,334,631	338,016
		<u>24,150,531</u>	<u>21,967,705</u>

31.1 These include Rs. Nil (2008: Rs. 372,649) in respect of staff retirement benefits - gratuity.

32. OTHER OPERATING EXPENSES

	Note	2009 Rupees	2008 Rupees
Charity and donation (without Directors' interest)		265,600	119,300
Balance written off		—	1,440,000
Exchange fluctuation loss		—	13,103,529
Loss on sale of short term investments (held for trading) at fair value		1,011,260	—
		<u>1,276,860</u>	<u>14,662,829</u>

33. FINANCE COST

Mark-up on:			
long term financing		50,415,086	45,371,192
lease finance charges		7,179,785	2,451,300
long term morabaha		12,927,271	13,629,213
short term borrowings		172,964,726	93,759,351
Interest on workers' profit participation fund		—	9,573
Bank charges		8,059,003	14,129,640
Loss on cross currency swap	33.2	45,220,904	18,988,834
		<u>296,766,775</u>	<u>188,339,103</u>

33.1 The company applied for subsidy @ 3 % granted for spinning sector as per SBP Circular 6 dated October 30, 2007. During the year, the company adjusted the amount of Rs. 13.40 million (2008 Rs.5.69 million) against mark up expense on long term financing.

33.2 In year 2008, the Company entered into a derivative cross currency swap agreement to manage for the possible adverse movement in interest rates arising on Rs. 140 million(DF-3 and DF-4) from Habib Bank Limited Rs. 100 (M) from Allied Bank Limited Rs. 54(M) from Meezan Bank Limited included in long term financing from September 28, 2007 and October 22, 2007, August 31, 2007 and October 22, 2007 respectively as referred to in note 16 and 18.

34. TAXATION

Current		12,619,088	13,182,974
Prior year		—	(87,071)
		<u>12,619,088</u>	<u>13,095,903</u>
Deferred tax		(1,643,871)	(29,911,174)
		<u>10,975,216</u>	<u>(16,815,271)</u>

34.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 or falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.



35. LOSS PER SHARE

	Note	2009 Rupees	2008 Rupees
35.1 Basic			
(Loss) after taxation - Rupees		<u>(63,844,582)</u>	<u>(86,871,566)</u>
Weighted average number of ordinary shares		<u>14,408,248.8</u>	<u>14,408,248.8</u>
Earnings / (Losses) per share - Rupees		<u>(4.43)</u>	<u>(6.03)</u>

35.2 Dilutive

There is no dilutive effect on the basic earning per share of the Company.

36. FINANCIAL RISK MANAGEMENT

36.1 The Company's principal financial liabilities comprise long-term financing, short-term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and long-term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

36.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 241,878,354 (2008: Rs. 131,410,061), the financial assets which are subject to credit risk amounted to Rs. 195,495 (2008: Rs. 41,468). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

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

36.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

36.3 Liquidity Risk Management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and short-term borrowings. 59.77% of the Company's debt will mature in less than one year at June 30, 2009 (2008: 58.48%) based on the carrying value of borrowings reflected in the financial statements.

36.3.1 Liquidity and Interest Risk Table

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



	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 -5 years	more than 5 years	Total
R U P E E S							
2009							
Long-term finance	7% to 17.70%	-	-	99,377,640	741,327,468	-	840,705,108
Trade and other payables		-	-	149,026,304	-	-	149,026,304
Accrued markup		-	-	65,383,710	-	-	65,383,710
Short-term borrowings	13.47% to 16.93%	-	-	1,003,870,736	-	-	1,003,870,736
		-	-	1,317,658,390	741,327,468	-	2,058,985,858
2008							
Long-term finance	7% to 14.73%	-	-	168,329,082	556,493,226	-	724,822,308
Trade and other payables		-	-	129,766,092	-	-	129,766,092
Accrued markup		-	-	58,414,938	-	-	58,414,938
Short-term borrowings	9.79% to 14.56%	-	-	897,128,670	-	-	897,128,670
		-	-	1,253,638,782	556,493,226	-	1,810,132,008

36.4 Market Risk Management

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

36.4.1 Interest Rate Risk Management

Interest/markup rate risk arises from the possibility that changes in interest/markup rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest/markup rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 3 months and 6 months KIBOR.

36.4.2 Interest Rate Sensitivity

If interest rates had been 100 basis points higher and all other variables were held constant, the Company's loss for the year (2008: loss for the year) would have been higher by Rs. 8.419 million (2008: Rs. 8.147 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

36.4.3 Analysis of interest and mark up rate risk management

	Interest bearing			Non-Interest bearing/mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-Total	Maturity up to one year	Maturity after one year	Sub-Total	
R U P E E S							
Financial assets:							
Long term investment	104	259,688	259,792	-	-	-	259,792
Long term security deposits	-	-	-	-	4,582,497	4,582,497	4,582,497
Trade debts	-	-	-	233,831,344	-	233,831,344	233,831,344
Loans and advances	-	-	-	1,423,914	-	1,423,914	1,423,914
Short term investment	-	-	-	104	-	104	104
Cash and bank balances	-	-	-	1,780,703	-	1,780,703	1,780,703
2009	104	259,688	259,792	237,036,065	4,582,497	241,618,562	241,878,354
2008	104	259,792	259,896	171,878,804	4,582,497	176,461,301	176,721,197
Financial liabilities:							
Long term financing	75,951,136	494,791,294	570,742,430	-	-	-	570,742,430
Long term loans from related parties	-	-	-	-	105,000,000	105,000,000	105,000,000
Liabilities against assets subject to finance lease	18,686,865	33,983,923	52,670,788	-	-	-	52,670,788
Long term morabaha	4,739,639	107,552,251	112,291,890	-	-	-	112,291,890
Trade and other payables	-	-	-	149,026,304	-	149,026,304	149,026,304
Interest/markup accrued on loan	-	-	-	65,383,710	-	65,383,710	65,383,710
Short term borrowings	-	-	-	1,003,870,736	-	1,003,870,736	1,003,870,736
2009	99,377,640	636,327,468	735,705,108	1,218,280,750	105,000,000	1,323,280,750	2,058,985,858
2008	1,065,367,909	556,403,226	1,621,771,135	188,270,873	90,000,000	278,270,873	1,900,042,008
On balance sheet gap:							
2009	(99,377,536)	(636,067,780)	(735,445,316)	(981,244,685)	(100,417,503)	(1,081,662,188)	(1,817,107,504)
2008	(1,065,367,805)	(556,143,434)	(1,621,511,239)	(16,392,069)	(85,417,503)	(101,809,572)	(1,723,320,811)
Off balance sheet item:							
Bank guarantee	-	-	-	60,000,000	-	60,000,000	60,000,000
Foreign bill d scouted	-	-	-	23,258,746	-	23,258,746	23,258,746
2009	-	-	-	83,258,746	-	83,258,746	83,258,746
2008	-	-	-	359,037,446	-	359,037,446	359,037,446
Off balance sheet gap:							
2009	-	-	-	(83,258,746)	-	(83,258,746)	(83,258,746)
2008	-	-	-	(359,037,446)	-	(359,037,446)	(359,037,446)



36.4.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2009, the total foreign currency risk exposure was Rs. 149.498 million (2008: Rs. 58.048 million) in respect of trade debts.

36.4.5 Foreign Currency Sensitivity Analysis

At June 30, 2009, if the Rupee had weakened/strengthened by 10% against the US Dollar with all other variables held constant, loss for the year (2008: loss for the year) would have been lower (2008: lower) by Rs. 152.517 million (2008: Rs. 49.058 million), mainly as a result of foreign exchange gains/losses on translation of foreign currency trade debts and US Dollar denominated borrowings. Profit/(loss) is more sensitive to movement in Rupee/foreign currency exchange rates in 2008 than 2009 because of the increased amount of foreign currency borrowings.

36.5 Determination of fair values

Fair value of financial instruments

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

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

36.6 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	Loans and receivables	Held to maturity Rupees	Total June 30, 2009
Assets as per balance sheet			
Long-term investment	—	259,792	259,792
Deposits	4,582,497	—	4,582,497
Trade debts	233,831,344	—	233,831,344
Loans and advances	13,585,565	—	13,585,565
Other receivables	4,500,618	—	4,500,618
Cash and cash bank balances	1,780,703	—	1,780,703
		Liabilities measured at amortized Rupees	Total June 30, 2009
Liabilities as per balance sheet			
Long-term financing		840,705,108	840,705,108
Short-term borrowings		1,003,870,736	1,003,870,736
Trade and other payables		149,278,391	149,278,391

	Loans and receivables	Held to maturity Rupees	Total June 30, 2008
Assets as per balance sheet			
Long-term investment	-	8,687,605	8,687,605
Deposits	4,582,497	-	4,582,497
Trade debts	161,739,614	-	161,739,614
Loans and advances	31,891,156	-	31,891,156
Other receivables	744,612	-	744,612
Cash and bank balances	1,036,840	-	1,036,840

	Financial Liabilities measured at amortized Rupees	Total June 30, 2008
Liabilities as per balance sheet		
Long-term financing	814,732,308	814,732,308
Short-term borrowings	897,128,670	897,128,670
Trade and other payables	130,751,623	130,751,623

37. RELATED PARTY TRANSACTIONS

The related parties comprised of an associated company, directors and key management personnel.

- 37.1 The company, during the year, purchased goods aggregating Rs. 400,742,674 (2008: Rs. 279,318,657).
- 37.2 Maximum aggregate amount due to the associated company (Ahmad Cotton Industries (Private) Limited) at any month-end during the year was Rs. 60,170,658 (2008: Rs. 155,735,003).
- 37.3 No interest was charged on the associated Company's balances during the year as these arose due to normal trade dealings.
- 37.4 Remuneration and benefits to key management personnel under the term of their employment as disclosed in note 38.

38. REMUNERATION OF CHIEF EXECUTIVE OFFICERS, DIRECTORS AND EXECUTIVES

PARTICULARS	Working Directors	
	2009 Rupees	2008 Rupees
Managerial remuneration	2,580,000	1,980,000
No. of persons	4	3

- 38.1 Meeting fee amounting to Rs. 1,000 (2008: Rs. 3,500) was paid to one (2008: One) non-working directors. The chief executive officer and the working directors are also provided with the Company maintained cars. The chief executive officer and some of the directors are also provided with telephone at their residences.



39. CAPITAL MANAGEMENT DISCLOSURE

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Capital comprises of all components of equity (i.e. Share capital, capital reserve and unappropriated profit), in order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

40. CAPACITY AND PRODUCTION

		2009	2008
Yarn			
Number of spindles installed		38,400	38,400
Number of spindles worked		38,400	38,400
Number of shifts worked		1,095	1,095
Installed capacity after conversion into 20's count (1095 shifts)	Kgs.	12,988,309	12,593,223
Actual production of yarn after conversion into 20's count	Kgs.	11,818,351	12,471,776
Fabric			
Number of looms installed		130	130
Number of looms worked		130	130
Installed capacity after conversion into 60 picks	Sq.Mtrs	41,538,600	37,696,466
Actual production of fabric after conversion into 60 picks	Sq.Mtrs	33,643,883	35,515,649

It is difficult to describe precisely the production capacity in Spinning/ Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year.

41. RECLASSIFICATION

41.1 Following reclassification have been made in the financial statements to give better presentation.

<i>From</i>	<i>To</i>	<i>Rupees</i>
Other receivables	Tax refunds due from government	
- sales tax refundable	- sales tax refundable	7,244,245
- income tax refundable	- income tax refundable	2,656,593

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 7, 2009 by Board of Directors of the Company.

42. GENERAL

Figures have been rounded-off to the nearest rupee except stated otherwise.

sd/-
Mian Muhammad Javed Anwar
Chairman

sd/-
Mian Muhammad Parvez
Chief Executive Officer

sd/-
Muhammad Haris
Director

sd/-
M. Sohail Nadeem
Chief Financial Officer



FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0020650**
2. Name of the Company **Ahmad Hassan Textile Mills Limited**
3. Pattern of holding the share held by the shareholders as at **30.06.2009**

ORDINARY SHARES

Category	Shareholdings		No. of Share Holders	No. of Shares held
	From	To		
1	1	100	65	4,941.80
2	101	500	379	177,684.00
3	501	1000	71	45,907.00
4	1001	5000	19	35,444.00
5	5001	10000	0	0.00
6	10001	15000	0	0.00
7	15001	20000	0	0.00
8	20001	25000	1	24,000.00
9	25001	30000	0	0.00
10	30001	35000	0	0.00
11	35001	40000	0	0.00
12	40001	45000	0	0.00
13	45001	50000	1	48,000.00
14	50001	55000	0	0.00
15	55001	60000	0	0.00
16	60001	65000	2	128,000.00
17	65001	70000	1	70,000.00
18	70001	75000	0	0.00
19	75001	80000	1	78,400.00
20	80001	130000	0	0.00
21	130001	135000	0	0.00
22	135001	225000	0	0.00
23	225001	230000	0	0.00
24	230001	235000	0	0.00
25	235001	240000	0	0.00
26	240001	245000	0	0.00
27	245001	250000	0	0.00
28	250001	255000	0	0.00
29	255001	300000	0	0.00
30	300001	305000	0	0.00
31	305001	360000	3	974,012.00
32	360001	365000	0	0.00
33	365001	380000	0	0.00
34	380001	385000	0	0.00
35	385001	450000	1	406,444.00
36	450001	455000	0	0.00
37	455001	500000	0	0.00
38	500001	505000	0	0.00
39	505001	905000	8	5,413,233.00
40	905001	1500000	2	2,189,109.00
41	1500001	5000000	1	4,810,074.00
			555	14,408,248.80



FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0020650**
2. Name of the Company **Ahmad Hassan Textile Mills Limited**
3. Pattern of holding the share held by the shareholders as at **30.06.2009**

ORDINARY SHARES INTO CDC

Number of Share Holders	From	Shareholdings	To	Total No. of Shares held
53	1		100	3,075
68	101		500	25,320
58	501		1000	38,043
33	1001		5000	61,241
3	10001		15000	35,350
2	20001		25000	42,320
1	40001		45000	42,251
1	110001		115000	113,700
1	910001		915000	912,762
1	940001		945000	940,222
1	1105001		1110000	1,105,712
1	1490001		1495000	1,493,078
223				4,813,074

Shareholder's Categories	No. of Shareholders	No. of Shares held	Percentage
Joint Stock Companies	11	1,492,122	31.13
Leasing Companies	1	2,000	0.04
Insurance Companies	1	42,251	0.88
Others	1	1,550	0.03
Financial Institutions	2	1,852,984	38.50
Individuals	207	1,416,168	29.42
	223	4,813,074	100.00



5. Categories of Shareholders

	Share held	Percentage
5.1 Directors, CEO, their Spouses and Minor Children		
Mian Muhammad Javed Anwar	521,400	3.619
Mian Muhammad Parvez	1,016,731	7.057
Mr. Muhammad Haris	1,172,378	8.137
Mrs. Salma Javed	804,540	5.584
Mrs. Waheeda Parvez	745,090	5.171
Mr. Muhammad Aurangzeb	647,578	4.494
5.2 Associated companies, undertakings and related parties		
Ahmed Cotton Industries	NIL	NIL
5.3 NIT and ICP		
Investment Corp. of Pakistan	200	0.001
5.4 Banks, Dev. Finance Institutions		
Non Banking Finance Institutions		
National Bank of Pakistan	1,000	0.007
NDFC	4,000	0.028
5.5 Insurance Companies	NIL	NIL
5.6 Modarbas and Mutual Funds	NIL	NIL
5.7 Shareholders holding 10%	NIL	NIL
5.8 General Public		
a) Local	9,494,831.8	65.899
b) Foreign	NIL	NIL
5.9 Public Sector Companies and Corporation		
Adam Lubricant Limited	500	0.003

6. Signature Chief Executive / Secretary

7. Name of Signatory	Shamsur Rehman
8. Designation	Company Secretary
9. NIC Number	36302-6371151-5
10. Date	07.10.2009

ah

FORM OF PROXY

I,

of

being a member of AHMAD HASSAN TEXTILE MILLS LIMITED, hereby appoint.....

of

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or / and Extraordinary as the case may be) General Meeting of the Company to be held on the and at any adjournment thereof.

As witness my hand this

day of 2009

Signed by the said

**Five Rupees
Revenue Stamp**

Important

This form of proxy, duly completed, must be deposited at the Company's Registered office at 46-Hassan Parwana Colony, Multan not less than 48 hours before the time of holding the meeting (Article 76).
