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# Annual Report 2009



## **Vision & Mission**

### **VISION**

To earn the reputation of a reliable manufacturer and supplier of high quality yarn both in Pakistan and abroad.

### **MISSION**

To achieve market leadership through technological edge, distinguished by quality and customer satisfaction and emphasis on employees' long term welfare and ensure adequate return to shareholders. Contributing to development of the society and the country through harmonized endeavour.



## **AYESHA TEXTILE MILLS LIMITED**

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**Company  
Information****Board Of Directors**

Chairman/Chief Executive	Mr. Muhammad Rafi
Directors	Mr. Tariq Rafi Mr. Arif Rafi Mr. Anjum Rafi Mr. Abdullah Rafi Mr. A.G.K. Lodhi Chief Financial Officer Mr. Nasir Anwar

**Company Secretary**

Mr. Saqib Hameed Khokhar

**Audit Committee**

Chairman	Mr. Nasir Anwar
Members	Mr. Tariq Rafi Mr. Arif Rafi

**Auditors**Mushtaq & Co.  
Chartered Accountants**Legal Advisor**Syed Zaheer Ahmed Shah  
Advocate**Bankers**United Bank Limited  
Bank Al-Habib Limited  
National Bank of Pakistan  
Royal Bank of Scotland  
Allied Bank of Pakistan Limited  
Habib Bank Limited  
Bank of Punjab  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited**Registered Office**97-B, Gulberg II, Lahore.  
Tel: 35756707 - 35756710 - 35757861  
Fax: 35712151 - 35761378**Mills**Sheikhupura - Lahore Road,  
Sheikhupura (Ismailabad Unit)Sheikhupura - Faisalabad Road,  
Sheikhupura (Kharianwala Unit)

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of the Shareholders of Ayesha Textile Mills Limited, will be held at the registered office of the Company at 97-B, Gulberg II, Lahore on Friday, October 30, 2009 at 11:00 a.m. to transact the following business:-

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

Lahore  
October 08, 2009

By order of the Board  
(SAQIB HAMEED KHOKHAR)  
Company Secretary

### **NOTES :**

1. Any member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the registered office of the Company not less than 48 hours before the time of holding meeting.
2. Members are requested to promptly notify the Company of any change in their addresses.
3. The share transfer books of the Company will remain closed from October 24 to October 30, 2009 (both days inclusive).

### DIRECTORS' REPORT

On behalf of the board of directors, I take pleasure to present Auditors Report along with the Audited Accounts of the Company pertaining to the financial year ending on June 30, 2009.

#### Financial highlights

The company has to face after tax loss of Rs. 107.63 Million in the current period compared to after tax loss of Rs. 34,511 Million in the pervious period.

	2009	2008
	(Rupees '000)	
Sales	1,865,360	2,084,502
Gross Profit	728	52,808
Financial cost	(118,910)	(73,553)
Provision for taxation	104,261	31,215
Loss after taxation	(107,630)	(34,511)
Earing per share (Rupees)	(76.88)	(24.65)

The above data for the year under discussion exhibiting that company has suffered pre-tax loss of Rs. 65.726 million as compared to last year's pre-tax loss of Rs. 211.89 million.

Unfavorable prices of raw material which are the main constituents of our product like cotton and polyester have exhibited higher trend and non encouraging yarn sale prices are the main reason of this adverse its operational results. Country's economy still under severe power crises and devaluation in local currency. During this period management was forced to curtail its normal production capacity which adversely affected by unfavorable circumstances.

#### Dividend

As the company liquidity position is not favorable so the directors have not recommended any payment of dividend for the period.

#### Future prospects

In the present scenario when prices of raw materials i.e. cotton and polyester are touching their crest, minimum wage rate is also increased, power crises is still the main problem of the economy, yarn prices are not fetching corresponding increase in local as well as international market due to overall recession on textile sector, no favorable change can be predicted. However, the management has always focused its attention to procure high quality of cotton and other raw materials which give a quality products and ultimately create a name in local as well as foreign market. We have always preferred to extent excellent services to our customers and determined to give more improved results in the days to come.

#### Direct expenses incurred on sale

Director expenses incurred ib sales (commission on local and export sales) have been deducted from sales (refer to note 30 to financial statement) for better presentation in profit and loss account. It has no effect on profit for the year.

#### Related parties

The board of directors has approved the policy for transaction/contract between Company and its related parties on an arm's length basis and relevant rate to be determined as per the "comparable un-controlled price method".

**Taxation**

Provision for taxation in respect of export proceeds and other income has been fully provided. For outstanding taxes and levies, please refer to note 37 and 24.9 to the annexed audited financial statements.

**Statement of compliance with the best practices on transfer pricing**

The Company has fully complied with the best practices of transfer pricing as contained in the listing regulation of Stock Exchanges.

**Environment, health, safety and social action**

Ayesha Textile Mills Ltd provides and maintains, so far as reasonably practicable, plant equipment, systems and working conditions which are safe and without risk to the health of all employees and public. Management has maintained safe environment in all its operations throughout the year.

**Compliance with the code of Corporate Governance**

The Board of Directors have pleasure to inform you that the Company has taken necessary steps to comply with the provisions of the code of Corporate Governance as incorporated in the listing regulations of the Karachi and Lahore Stock Exchanges. Statement of Compliance with the Code of Corporate Governance is annexed.

**Statement on Corporate & Financial Reporting Framework**

The Company complies with the Code in the following manner.

- a. The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- b. Proper books of account of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure if any there from has been adequately disclosed.
- e. The Board has set-up an effective internal audit function internally / and has outsourced some internal audit function to M/s Fazal Mehmood and company Chartered Accountants, Who are considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their Representatives) are involved in their internal audit function on a full time basis.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. We have prepared and circulated statement of ethics and business strategy among directors and employees.
- i. The board of directors has adopted a mission statement and a statement of overall corporate strategy.
- j. As required by the code of corporate governance, we have included the following information in this report:

Statement of pattern of shareholding

Statement of shares held by associate undertaking and related parties

Statement of the board meetings held during the year and attendance by each director

Key operation and financial statistics for last six years.

**Board of Directors**

Since the last report, there has been no change in the composition to the Board. During the year under review, eight board meetings were held and the number of meetings attended by each Director is given hereunder:-

Name of Director	No. Of Meetings Attended
Mr. Muhammad Rafi (CEO)	5
Mr. Tariq Rafi	4
Mr. Arif Rafi	6
Mr. Anjum Rafi	8
Mr. Abdullah Rafi	6
A.G.K Lodhi	8
Mr. Babar Anwar	6

**AUDIT COMMITTEE**

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. The Name of its member are given in the Company profile.

The terms of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors form time to time to improve the systems

With in the framework of terms of reference determined by the Board of Directors, the Audit Committee, among other things, will appointment of external auditors and review of periodic accounts.

**AUDITORS**

The present auditors M/s Mushtaq and Company, Chartered Accountants, Karachi, retire and being eligible, offer themselves for re-appointment under the terms of the Code of Corporate Governance.

**ACKNOWLEDGEMENTS**

The Directors of the Company wish to thank its bankers for their continued support and wish to place on record their appreciation towards the employees for their dedicated services and hard work without which all this would have not been possible.

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director



**SIX YEARS AT A GLANCE**

	(Rupees in thousand )					
	2009	2008	2007	2006	2005	2004
Capital	14,000	14,000	14,000	14,000	14,000	14,000
Reserve and Surplus	1,378,229	1,088,649	1,158,410	1,407,844	314,061	290,169
<b>Net worth</b>	<b>1,392,229</b>	<b>1,102,649</b>	<b>1,172,410</b>	<b>1,421,844</b>	<b>328,061</b>	<b>304,169</b>
Non Current Liabilities	821,255	536,964	562,647	297,229	239,089	233,816
Current liabilities	742,045	861,328	614,888	581,945	469,578	533,090
<b>Total Equity and Liabilities</b>	<b>2,955,529</b>	<b>2,500,941</b>	<b>2,349,945</b>	<b>2,301,018</b>	<b>1,036,728</b>	<b>1,071,075</b>
Non Current Assets	2,400,643	1,795,213	1,809,397	1,734,780	573,677	545,942
Current assets	554,886	705,728	540,548	566,238	463,051	525,133
<b>Total Assets</b>	<b>2,955,529</b>	<b>2,500,941</b>	<b>2,349,945</b>	<b>2,301,018</b>	<b>1,036,728</b>	<b>1,071,075</b>
Sales	1,865,360	2,084,502	2,108,068	1,868,845	1,287,917	2,046,115
Cost of Sales	(1,864,632)	(2,031,694)	(2,067,844)	(1,752,370)	(1,190,371)	(1,927,484)
Gross Profit	728	52,808	40,224	116,475	97,546	118,631
Other operating income	(1,084)	(441)	(15,517)	(97)	(212)	(128)
Administrative and Selling Expenses	28,236	30,642	34,300	37,442	19,411	26,522
Other Charges	52,598	9,629	195	1,021	2,872	3,614
Financial Cost	118,910	73,553	78,119	64,416	36,801	39,888
Share of (profit/Loss) in associate	13,959	5,151	3,398	(1,457)	---	---
Taxation	(104,261)	(31,215)	(9,215)	7,144	14,782	9,500
<b>Net profit</b>	<b>(107,630)</b>	<b>(34,511)</b>	<b>(51,056)</b>	<b>8,006</b>	<b>23,892</b>	<b>39,235</b>
<b>Gross Margin</b>	<b>0.04</b>	<b>2.53</b>	<b>1.91</b>	<b>6.23</b>	<b>7.57</b>	<b>5.80</b>
<b>Net margin</b>	<b>(5.77)</b>	<b>(1.66)</b>	<b>(2.42)</b>	<b>0.35</b>	<b>1.86</b>	<b>1.92</b>
<b>Current Ratio *</b>	<b>0.79:1</b>	<b>0.88:1</b>	<b>0.99:1</b>	<b>1.12:1</b>	<b>1.17:1</b>	<b>1.10:1</b>
<b>Leverage (Total Liabilities/Net Worth)</b>	<b>0.47</b>	<b>0.44</b>	<b>1.00</b>	<b>0.62</b>	<b>2.16</b>	<b>2.52</b>
<b>Equity : Debt</b>	<b>47:53</b>	<b>44:56</b>	<b>50:50</b>	<b>62:38</b>	<b>32:68</b>	<b>33:70</b>
<b>Earnings per share: (Rs)</b>	<b>(76.88)</b>	<b>(24.65)</b>	<b>(36.47)</b>	<b>5.72</b>	<b>17.07</b>	<b>28.03</b>

\* Current maturity of long term loans has been excluded from current liabilities in order to calculate current ratio.

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009**

Number of Shareholders	From	To	Total Shares Held
44	1	100	204
1	101	500	220
-	501	1,000	0
12	1,001	5,000	44,008
19	5,001	10,000	156,024
1	10,001	15,000	12,004
1	60,001	65,000	61,600
-	65,001	70,000	0
-	70,001	75,000	0
-	75,001	80,000	0
-	80,001	85,000	0
-	85,001	90,000	0
6	90,001	145,000	783,116
1	145,001	345,000	342,824
<b>85</b>			<b>1,400,000</b>

Categories of Shareholders	Number	Shares Held	Percentage
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**CEO, DIRECTORS, & THEIR SPOUSE:**

Mr. Muhammad Rafi s/o Late Muhammad Ismail	1	113,852	8.13
Mrs. Surriya Begum w/o Muhammad Rafi	1	117,804	8.41
Mr. Tariq Rafi s/o Muhammad Rafi	1	137,920	9.85
Mr. Arif Rafi s/o Muhammad Rafi	1	137,908	9.85
Mr. Anjum Rafi s/o Muhammad Rafi	1	137,936	9.85
Mr. Abdullah Rafi s/o Muhammad Rafi	1	137,696	9.84
Mr. AGK Lodhi s/o M. Yousaf Khan Lodhi	1	10,000	0.71
Mr. Nasir Anwar s/o Muhammad Anwar	1	8,004	0.57
Mrs. Komal Nasir w/o Nasir Anwar	1	8,004	0.57

**ASSOCIATED COMPANIES:**

Amin Textile Mills (Pvt.) Ltd.	1	342,824	24.49
Surriya Textile Mills (Pvt.) Ltd.	1	61,600	4.40

**FINANCIAL INSTITUTIONS:**

National Bank of Pakistan-Trustee Department	1	220	0.02
Individuals	73	188,236	13.45
	<b>85</b>	<b>1,400,000</b>	<b>100.00</b>

**SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST**

	Shares Held	Percentage
Amin Textile Mills (Pvt.) Ltd.	342,824	24.49

## **STATEMENT OF ETHICS AND BUSINESS PRACTICES**

*The entire organization of Ayesha Textile Mills Limited will be guided by the following principles in its pursuit of excellence in all activities for attainment of the company's objectives:*

### **AS DIRECTOR**

- *Foster a conducive environment through responsive policies.*
- *Maintain organizational effectiveness for the achievement of the company goals.*
- *Encourage and support compliance of legal and industrial requirements.*
- *Protect the interest and assets of the company.*

### **AS EXECUTIVE AND MANAGERS**

- *Ensure the profitability of operations.*
- *Provide the direction and leadership to the organization.*
- *Ensure total customer's satisfaction through excellent products and services.*
- *Promote a culture of excellence, conservation, and continual improvements.*
- *Cultivate work ethics and harmony among colleagues and associates.*
- *Encourage initiatives and self realization among employees through meaningful empowerment.*
- *Ensure an equitable method of working and reward system.*

### **AS EMPLOYEE AND STAFF**

- *Devote productive time and efforts.*
- *Observe company's policies and regulations.*
- *Exercise prudence in using company's resources.*
- *Strive for excellence and quality.*
- *Must avoid making personal gain (other than authorized salary and benefits) at the Company's expense, participating in or assisting activities which compete with Ayesha Textile Mills Limited, working for any customer or suppliers of Ayesha Textile Mills Limited and to hold any ownership interest in a customer, supplier, distributor or competitor.*

### **FINANCIAL INTEGRITY**

*Compliance with accepted accounting rules and procedures required at all time.*

*In addition to being duly authorized, all transactions must be properly and fully recorded. No entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it.*

*All information supplied to the auditors must be complete and not misleading.*

*Ayesha Textile Mills Limited will not knowingly assist fraudulent activities (e.g. tax evasion) by others. If you have any reason to believe that fraudulent activities are taking place (whether in Ayesha Textile Mills Limited or by others with whom we do business), you must report it to your manager immediately.*

### **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 Chapter XIII of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three independent non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the Board due to resignation of Director during the year, was filled in within the stipulated time.
5. The company has prepared a " Statement of Ethics and Business Practices " which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A record of particulars of significant policies has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were appropriately recorded and circulated.
9. The company had conducted an orientation course for its director to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.
10. The Board has approved appointment of CFO, company secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three member, all of them are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants(IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

**For and on behalf of the board**  
**MUHAMMAD RAFI**  
**Chairman/Chief Executive**

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2009.**

The Company has fully complied with the best practices on transfer pricing as contained in the relating listing regulations of the Karachi and Lahore Stock Exchanges of Pakistan.

For and on behalf of the board  
**MUHAMMAD RAFI**  
Chairman/Chief Executive

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Ayesha Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **Ayesha Textile Mills Limited** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due 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 the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- (e) Without qualifying our opinion, we report that direct expenses incurred on sales have been deducted from sales (refer to note 30) for presentation in profit and loss account. It has no effect on profit and loss for the year.

**KARACHI:**  
**October 09, 2009**

**MUSHTAQ & CO.**  
**Chartered Accountants**

**BALANCE SHEET  
AS AT JUNE 30, 2009**

ASSETS	NOTE	2009 (Rupees '000)	2008
<b>Non current assets</b>			
Property, plant & equipment	5	2,361,725	1,773,376
Long term investment	6	32,823	16,250
Long term loans	7	2,166	1,658
Long term deposits	8	3,929	3,929
<b>Current assets</b>			
Stores, spare parts and loose tools	9	90,858	84,425
Stock in trade	10	284,888	355,568
Trade debts	11	84,176	163,667
Loan and advances	12	9,423	10,324
Trade deposits and short term prepayments	13	317	303
Other receivables	14	941	1,107
Tax refund due from government	15	76,858	68,855
Cash and bank balances	16	7,425	21,479
		554,886	705,728
<b>TOTAL ASSETS</b>		<b><u>2,955,529</u></b>	<b><u>2,500,941</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
5,000,000 (2008 : 5,000,000) ordinary shares of Rs. 10/-each		50,000	50,000
Issued, subscribed and paid up share capital	17	14,000	14,000
Reserves	18	190,682	278,143
		204,682	292,143
Surplus on revaluation of property, plant & equipment - net of tax	19	1,187,547	810,506
<b>Non current liabilities</b>			
Long term loans from banking companies and suppliers	20	421,050	235,952
Long term loans from associated undertakings	21	19,701	37,725
Loan from directors and sponsors	22	54,051	47,051
Liabilities against assets subject to finance lease	23	4,615	6,035
Deferred liabilities	24	321,838	210,201
<b>Current liabilities</b>			
Trade & other payables	25	102,462	301,097
Accrued interest / markup	26	41,126	18,144
Short term borrowings	27	508,721	443,246
Current portion of non-current liabilities	28	43,639	54,977
Provision for taxation		46,097	43,864
		742,045	861,328
Contingencies and commitments	29	—	—
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,955,529</u></b>	<b><u>2,500,941</u></b>

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

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director

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

	NOTE	2009 (Rupees '000)	2008
Sales - Net	30	1,865,360	2,084,502
Cost of sales	31	(1,864,632)	(2,031,694)
Gross profit		728	52,808
Other operating income	32	1,084	441
Distribution cost	33	(10,615)	(12,883)
Administrative expense	34	(17,621)	(17,759)
Other operating expenses	35	(52,598)	(9,629)
Finance cost	36	(118,910)	(73,553)
Share of loss from associate	6	(13,959)	(5,151)
Loss before taxation		(211,891)	(65,726)
Taxation	37	104,261	31,215
Loss for the year		(107,630)	(34,511)
Loss per share - Basic and diluted (Rupees)	38	(76.88)	(24.65)

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

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director



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

	NOTE	2009 (Rupees '000)	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	40	8,679	195,555
Finance cost paid		(95,928)	(71,851)
Gratuity paid		(10,697)	(6,257)
Taxes paid		(10,684)	(6,484)
		(117,309)	(84,592)
Net cash (used in)/generated from operating activities		(108,630)	110,963
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales proceeds of property, plant & equipment		315	3,350
Property, plant & equipments - acquired		(66,547)	(67,694)
Long term deposits		---	(853)
Long term loans		(508)	65
Net cash used in investing activities		(66,740)	(65,132)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loans obtained		221,368	17,500
Repayment of long term loans		(47,608)	(68,997)
Repayment of finance lease		(1,420)	(1,420)
Loan from directors and sponsors		7,000	---
Loan from associated undertakings		(18,024)	21,771
Net cash generated from/(used in) financing activities		161,316	(31,146)
(Decrease)/increase in cash and cash equivalents		(14,054)	14,685
Cash and cash equivalents at the beginning of the year		21,479	6,794
Cash and cash equivalents at the end of the year		7,425	21,479

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

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED JUNE 30, 2009

(Rupees '000)

	Share Capital	Reserves	Un-appropriated profit	Total
Balance as at July 01, 2008	14,000	77,627	208,301	299,928
Loss for the year	—	—	(34,511)	(34,511)
Surplus realized on disposal of property, plant and equipment - net of deferred tax	—	—	4,292	4,292
Transfer from surplus on revaluation of property plant and equipment in respect of Incremental depreciation charged in current year - Net of Deferred Tax	—	—	21,544	21,544
Share from Associate in Transfer from surplus on revaluation of property, plant and equipments in respect of Incremental depreciation charged in current year	—	—	890	890
Balance as at June 30, 2008	14,000	77,627	200,516	292,143
Loss for the year	—	—	(107,630)	(107,630)
Surplus realized on disposal of property, plant and equipment - net of deferred tax	—	—	698	698
Transfer from surplus on revaluation of property plant and equipment in respect of Incremental depreciation charged in current year - Net of Deferred Tax	—	—	18,670	18,670
Share from Associate in Transfer from surplus on revaluation of property, plant and equipments in respect of Incremental depreciation charged in current year	—	—	801	801
Balance as at June 30, 2009	14,000	77,627	113,055	204,682

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

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

### **1. STATUS AND ACTIVITIES**

Ayesha Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed at Karachi and Lahore stock exchanges of Pakistan. The registered office of the company is situated at 97 - B, Gulberg II, Lahore. The company is engaged in the manufacture of cotton and P.C yarn.

### **2. STATEMENT OF COMPLIANCE**

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

#### **2.2 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest thousands of rupee.

#### **2.3 Standard, interpretations and amendments to published approved accounting standards**

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

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

IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.

IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.

IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 01 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

##### **2.3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

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

Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.

Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group loses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.

IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.

Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.

Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.

Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.

Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.

Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.

IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

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

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

IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.

IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an

accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations

IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

### **3. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except that freehold land, factory building on freehold land, plant and machinery have been included at the revalued amount as referred to in note 5, revaluation of certain financial instruments at fair value and recognition of certain staff retirement benefits at net present value.

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

#### **3.1 Provision for taxation**

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

#### **3.2 Staff retirement benefits - gratuity**

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

#### **3.3 Financial instruments**

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

#### **3.4 Property, plant and equipment**

The company reviews recoverable amount, useful life, residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying

amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge .

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

Provision for doubtful debts  
Estimation of net realizable value  
Computation of deferred taxation  
Disclosure of contingencies

#### 4. **SIGNIFICANT ACCOUNTING POLICIES**

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

##### 4.1 **Staff retirement benefits**

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

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

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceeds 10 percent of the present value of defined benefit obligation at that date.

##### 4.2 **Taxation**

###### **Current**

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

###### **Deferred**

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statements, except in the case of items credited or charged to equity in that case it is included in equity.

#### **4.3 Property, plant and equipment**

Property, plant and equipment except freehold land are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount less any identified impairment loss.

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method at the rates specified in the note 5. Depreciation on additions is charged from the day at which the assets become available for use, while on disposals depreciation is charged up to the day of disposal.

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

The gains or losses on disposal or retirement of property, plant and equipment represented by the difference between the sale proceeds and the carrying amount of property, plant and equipment are recognized as income or expense in the profit and loss account.

#### **4.4 Accounting for leases and assets subject to finance lease**

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. These are stated at cost less accumulated depreciation. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account.

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

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

Lease rental payable on assets held under operating leases are charge to income in arriving at operating profits.

#### **4.5 Capital work in progress**

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

#### **4.6 Investments in equity instruments of associated companies**

Entities in which the company has significant influence but not control and which are neither its subsidiary nor joint venture are associates and are accounted for by using the equity method of accounting.



These investments are initially recognized at cost, thereafter the company's share of the changes in the net assets of the associates are accounted for in the company's profit and loss account, whereas changes in the associate's equity which has not been recognized in the associate's profit and loss account are recognized directly in the equity of the company.

**4.7 Stores, spare parts and loose tools**

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

**4.8 Stock in trade**

These are valued at lower of cost and net realizable value, cost is determined as under.

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the balance sheet date.
Work in process and finished goods	Raw material cost plus appropriate manufacturing overheads
Waste	Net realizable value

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

**4.9 Trade debts**

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**4.10 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash with banks.

**4.11 Borrowings and borrowing costs**

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and are included in markup accrued on loans and other payables to the extent of amount remaining unpaid, if any.

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

**4.12 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

**4.13 Off setting of financial assets and liabilities**

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

**4.14 Impairment**

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

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

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

**4.15 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 out flow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**4.16 Foreign currency**

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

**4.17 Trade and other payables**

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

**4.18 Revenue Recognition**

Sales are recorded on dispatch to customers. Dividend income is recognized when right to receive dividend is established. Profit on bank deposits recognized on accrual basis.

**4.19 Related party transactions and transfer pricing**

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with Comparable Uncontrolled Price Method.

**4.18 Dividend**

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

5. PROPERTY PLANT AND EQUIPMENT (Ismailabad and Kharianwala Units)	NOTE	2009 (Rupees '000)	2008
Operating assets	5.1	2,361,725	1,746,374
Capital work in progress - at cost	5.7	---	27,002
		<b>2,361,725</b>	<b>1,773,376</b>

**5.1 Operating assets**

	Owned								Leased	Total
	Freehold land	Building on freehold land	Plant and machinery	Vehicles	Furniture and fixture	Office Computers	Office equipment	Tools and equipment	Vehicles	
<b>Cost</b>										
Balance as at July 01, 2007	431,350	319,975	1,138,534	17,186	2,954	860	2,656	814	10,912	1,925,241
Additions during the year	-	15,251	36,058	-	75	23	-	-	-	51,407
Surplus on revaluation / Transfer / adjustments	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(8,800)	-	-	-	-	-	-	(8,800)
Balance as at June 30, 2008	431,350	335,226	1,165,792	17,186	3,029	883	2,656	814	10,912	1,967,848
Balance as at July 01, 2008	431,350	335,226	1,165,792	17,186	3,029	883	2,656	814	10,912	1,967,848
Additions during the year	-	27,197	66,240	-	-	112	-	-	-	93,549
Surplus on revaluation / Transfer / adjustments	(50,134)	182,595	458,655	-	-	-	-	-	-	591,116
Disposals	-	(61,206)	(201,291)	-	-	-	-	-	-	(262,497)
Balance as at June 30, 2009	381,216	483,812	1,487,896	17,186	3,029	995	2,656	814	10,912	2,388,516
<b>Depreciation</b>										
Balance as at July 01, 2007	-	31,933	98,473	13,044	2,304	708	1,802	567	3,928	152,759
Charge for the year	-	14,842	52,301	828	66	51	85	25	1,397	69,595
Surplus on revaluation / Transfer / adjustments	-	-	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	(880)	-	-	-	-	-	-	(880)
Balance as at June 30, 2008	-	46,775	149,894	13,872	2,370	759	1,887	592	5,325	221,474
Balance as at July 01, 2008	-	46,775	149,894	13,872	2,370	759	1,887	592	5,325	221,474
Charge for the year	-	14,431	51,647	663	66	41	77	22	1,117	68,064
Surplus on revaluation / Transfer / adjustments	-	(61,206)	(201,291)	-	-	-	-	-	-	(262,497)
Depreciation on disposals	-	-	(250)	-	-	-	-	-	-	(250)
Balance as at June 30, 2009	-	-	-	14,535	2,436	800	1,964	614	6,442	26,791
Written down value as at June 30, 2008	431,350	288,451	1,015,898	3,314	659	124	769	222	5,587	1,746,374
Written down value as at June 30, 2009	381,216	483,812	1,487,896	2,651	593	195	692	200	4,470	2,361,725
Rate of depreciation	-	5%	5%	20%	10%	30%	10%	10%	20%	-

**5.2 Depreciation for the year has been allocated as under:**

	NOTE	2009 (Rupees '000)	2008
Cost of sales	31.1	66,100	67,168
Administrative expenses	34	1,964	2,427
		<b>68,064</b>	<b>69,595</b>

**5.3** Freehold land, building on freehold land, plant and machinery were revalued as on June 30, 2009 by independent valuers M/S Unicorn International Surveyors. This revaluation resulted in surplus - net amounted to Rs. 491.116 million (Deficit arised on revaluation of free hold land amounted to Rs. 50.133 million which is charge against surplus on revaluation of free hold land (previously arised) which was credited to surplus on revaluation of Property, plant and equipment account to comply with the requirements of section 235 of Companies Ordinance, 1984. Previously revaluation were carried out in June 30, 2006 which resulted in surplus of Rs. 1,065.935 million. Freehold land was revalued at market value and building on freehold land, plant and machinery were revalued at depreciated replacement cost.

**5.4** Had there been no revaluation , the carrying amount of the specific class of assets would have been as follows:

	Cost	Accumulated depreciation	Written down value
Rupees '000			
Freehold land	47,316	--	47,316
Building on freehold land	146,223	77,938	68,285
Plant and Machinery	1,341,819	679,461	662,358
<b>Total 2009</b>	<b>1,535,358</b>	<b>757,399</b>	<b>777,959</b>
<b>Total 2008</b>	<b>1,443,066</b>	<b>687,697</b>	<b>755,369</b>

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

Particulars	Cost	Accumulated depreciation	Written Down Value	Sale proceed	Loss	Mode of Disposal	Particulars of buyer
Rupees '000							
Property, plant and equipments	1,500	250	1,250	315	(935)	Negotiation	Muhammad Arshad, Faisalabad
<b>Total 2009</b>	<b>1,500</b>	<b>250</b>	<b>1,250</b>	<b>315</b>	<b>(935)</b>		
<b>Total 2008</b>	<b>8,800</b>	<b>880</b>	<b>7,920</b>	<b>3,350</b>	<b>(4,570)</b>		

**5.6** Unit wise break up of Property, plant and equipment

**5.6.1** Ismailabad Unit

	Owned								Leased	Total
	Freehold land	Building on freehold land	Plant and machinery	Vehicles	Furniture and fixture	Office Computers	Office equipment	Tools and equipment	Vehicles	
<b>Cost</b>										
Balance as at July 01, 2008	313,050	157,652	664,215	11,302	2,123	473	1,603	814	5,555	1,156,787
Additions during the year	-	-	43,090	-	-	112	-	-	-	43,202
Surplus on revaluation / Transfer / adjustments	(46,958)	178,899	149,246	-	-	-	-	-	-	281,187
Disposals	-	(28,014)	(115,443)	-	-	-	-	-	-	(143,457)
<b>Balance as at June 30, 2009</b>	<b>266,092</b>	<b>308,537</b>	<b>739,608</b>	<b>11,302</b>	<b>2,123</b>	<b>585</b>	<b>1,603</b>	<b>814</b>	<b>5,555</b>	<b>1,336,219</b>
<b>Depreciation</b>										
Balance as at July 01, 2008	-	21,191	86,419	9,430	1,819	422	1,287	592	2,711	123,871
Charge for the year	-	6,823	29,274	374	31	19	31	22	568	37,142
Surplus on revaluation / Transfer / adjustments	-	-	-	-	-	-	-	-	-	-
Depreciation on Disposals	-	(28,014)	(115,443)	-	-	-	-	-	-	(143,457)
<b>Balance as at June 30, 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,804</b>	<b>1,850</b>	<b>441</b>	<b>1,318</b>	<b>614</b>	<b>3,279</b>	<b>17,306</b>
<b>Written down value as at June 30, 2009</b>	<b>266,092</b>	<b>308,537</b>	<b>739,608</b>	<b>1,498</b>	<b>273</b>	<b>144</b>	<b>285</b>	<b>200</b>	<b>2,276</b>	<b>1,318,913</b>
<b>Rate of depreciation</b>	<b>-</b>	<b>5%</b>	<b>5%</b>	<b>20%</b>	<b>10%</b>	<b>30%</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	

**5.6.2 Kharianwala Unit**

(Rupees '000)

	Owned							Leased	Total	
	Freehold land	Building on freehold land	Plant and machinery	Vehicles	Furniture and fixture	Office Computers	Office equipment	Tools and equipment		Vehicles
<b>Cost</b>										
Balance as at July 01, 2008	118,300	177,574	501,577	5,884	906	410	1,053	--	5,357	811,061
Additions during the year	-	27,197	23,150	-	-	-	-	-	-	50,347
Surplus on revaluation /	(3,176)	3,696	309,409	-	-	-	-	-	-	309,929
Transfer / adjustments	-	(33,192)	(85,847)	-	-	-	-	-	-	(119,039)
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	115,124	175,275	748,289	5,884	906	410	1,053	--	5,357	1,052,298
<b>Depreciation</b>										
Balance as at July 01, 2008	-	25,584	63,475	4,442	551	338	600	--	2,614	97,604
Charge for the year	-	7,608	22,372	289	35	22	46	--	549	30,921
Surplus on revaluation /	-	-	-	-	-	-	-	-	-	-
Transfer / adjustments	-	(33,192)	(85,847)	-	-	-	-	-	-	(119,039)
Depreciation on Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	-	-	4,731	586	360	646	--	3,163	9,486
Written down value as at June 30, 2009	115,124	175,275	748,289	1,153	320	50	407	--	2,194	1,042,812
Rate of depreciation	-	5%	5%	20%	10%	30%	10%	10%	20%	

**NOTE**                      **2009**                      **2008**  
(Rupees '000)

**5.7 CAPITAL WORK IN PROGRESS - at cost**

Opening Balance	27,002	10,715
Additions during the year		
Plant & machinery	---	36,058
Civil work	---	31,538
	---	67,596
Transferred to fixed assets	---	78,311
Building	27,002	15,251
Plant & machinery	---	36,058
	27,002	51,309
	---	27,002

**6. LONG TERM INVESTMENT**

725,000 (2008: 725,000) fully paid ordinary shares of Rs. 10/- each. Equity held 11.30% ( 2008: 11.30% )	16,250	21,401
Portion of surplus on revaluation arisen during the year	30,532	--
Share of post acquisition loss	(13,959)	(5,151)
	32,823	16,250

The summarized financial information of the associated company "Bashir Cotton Mills (Pvt.) Limited" where there is significant influence (common directorship), based on the financial statements for the year ended June 30, 2009 is as follows.

**NOTE**                      **2009**                      **2008**  
(Rupees '000)

Equity as at June 30	(45,036)	71,413
Total assets as at June 30	1,052,341	783,772
Revenue for the year ended June 30	683,550	733,601
Loss for the year ended June 30	(123,533)	(45,584)

	NOTE	2009 (Rupees '000)	2008
<b>7. LONG TERM LOANS</b>			
Long term loans - employees	7.1	2,166	1,658
7.1 Long term loans - employees		3,960	4,811
Less: current portion shown under short term deposits & prepayments	12	1,794	3,153
		<u>2,166</u>	<u>1,658</u>
The above balances are classified as under : Outstanding for period exceeding one years		<u>2,166</u>	<u>1,658</u>

7.2 This represents interest free loans provided as per terms and conditions of employment. These loans are secured against gratuity of employees and are recoverable in monthly equal installments. The maximum aggregate balances of loan to employees at the end of any month during the year was Rs. 4.255 million (2008 : Rs. 3.153 million).

	NOTE	2009 (Rupees '000)	2008
<b>8. LONG TERM DEPOSITS</b>			
Opening balance		3,929	3,076
Addition during the year		---	853
		<u>3,929</u>	<u>3,929</u>
<b>9. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		81,593	74,863
Spare parts		9,050	9,368
Loose tools		215	194
		<u>90,858</u>	<u>84,425</u>
<b>10. STOCK IN TRADE</b>			
Raw material	10.1	180,443	282,070
Work in process		21,491	30,694
Finished goods		31,962	42,804
Raw material in transit		50,992	---
		<u>284,888</u>	<u>355,568</u>

10.1 Finished goods on Rs. 0.561 million (2008 : 0.830 million ) are being carried at net realizable value.

10.2 Stock in trade includes pledge stock amounting to Rs. 8.85 million (2008 : Rs. 6.68 million).

	NOTE	2009 (Rupees '000)	2008
<b>11. TRADE DEBTS</b>			
Considered good			
Export - Secured	11.1	7,783	30,191
Local - unsecured		76,393	133,476
		<u>84,176</u>	<u>163,667</u>

11.1: Export trade debts are secured against irrevocable letters of credit and shipping bills.

	NOTE	2009 (Rupees '000)	2008
<b>12. LOAN AND ADVANCES</b>			
Considered good			
Current portion of long term loans - employees	7.1	1,794	3,153
<b>Advances to/against</b>			
- Letters of credit		26	1,216
- Suppliers, contractors and others		5,913	4,678
- Associated undertakings	12.1	1,690	1,277
		<u>9,423</u>	<u>10,324</u>
12.1	The maximum aggregate debit balance with associated undertakings at the end of any month during the year was Rs 1.690 million (2008 : Rs.7.111 million). These are of trading nature.		
	NOTE	2009 (Rupees '000)	2008
<b>13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Prepayments		317	303
		<u>317</u>	<u>303</u>
<b>14. OTHER RECEIVABLES</b>			
Considered good			
Other receivables		941	1,107
		<u>941</u>	<u>1,107</u>
<b>15. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		16,388	19,069
Income tax refundable		10,297	10,297
Advance income tax		50,173	39,489
		<u>76,858</u>	<u>68,855</u>
<b>16. CASH AND BANK BALANCES</b>			
Cash in hand		2,858	470
Cash with banks on			
Current account		4,567	20,387
Foreign currency account		-	423
Saving accounts		-	199
		<u>4,567</u>	<u>21,009</u>
		<u>7,425</u>	<u>21,479</u>
<b>17. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>			
350,000 (2008: 350,000) ordinary shares of Rs. 10/- each fully paid in cash		3,500	3,500
1,050,000 (2008: 1,050,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		10,500	10,500
		<u>14,000</u>	<u>14,000</u>
17.1	Associated companies Amin Textile Mills (Pvt.) Limited and Surriya Textile Mills (Pvt.) Limited held 342,824 (2008 : 342,824) and 61,600 (2008 : 61,600) ordinary shares of the company respectively.		

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

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

	NOTE	2009 (Rupees '000)	2008
<b>18. RESERVES</b>			
Capital reserves		6,124	6,124
Special reserves U/S 15BB		267	267
General reserves		70,550	70,550
Investment in associate		686	686
Unappropriated profit		113,055	200,516
		<u>190,682</u>	<u>278,143</u>
<b>19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENTS</b>			
Surplus on revaluation of property, plant and equipment		1,149,635	802,325
Surplus on revaluation of property, plant and equipment relating to associate		37,912	8,181
		<u>1,187,547</u>	<u>810,506</u>
<b>19.1 Surplus on revaluation of property, plant and equipment- net of tax</b>			
Surplus on revaluation of property, plant and equipment as at the beginning of the year		1,003,757	1,040,081
Addition during the year		591,116	---
Transfer to unappropriated profit in respect of:			
Disposal of property, plant and equipment		698	4,292
Incremental depreciation on revalued assets		18,670	21,544
Related deferred tax liability		10,429	10,488
		29,797	36,324
Surplus on revaluation of property, plant and equipment as at the end of year		1,565,076	1,003,757
Related deferred tax liabilities on			
Revaluation at the beginning of the year		201,432	176,670
Provide during the year		224,438	35,250
Incremental depreciation on revalued assets		(10,053)	(8,746)
Disposal of property, plant and equipment		(376)	(1,742)
		415,441	201,432
		<u>1,149,635</u>	<u>802,325</u>
<b>19.2 Surplus on revaluation of property, plant and equipments relating to associate</b>			
Bashir Cotton Mills (Pvt) limited		8,181	9,071
Addition during the year		30,532	---
Less : incremental depreciation for the year -net of deferred tax		(801)	(890)
		<u>37,912</u>	<u>8,181</u>



	NOTE	2009 (Rupees '000)	2008
<b>20. LONG TERM LOANS FROM BANKING COMPANIES AND SUPPLIERS -SECURED</b>			
Allied Bank Limited	20.1	229,310	54,579
Bank Al-Habib Limited	20.2	18,291	22,677
Bank of Punjab	20.3	94,486	36,082
Bank Alfalah Limited	20.4	2,875	4,311
Royal Bank of Scotland	20.5	5,357	8,828
United Bank Limited	20.6	94,532	3,166
Suppliers' credit	20.7	18,418	159,866
		<u>463,269</u>	<u>289,509</u>
Less: Current portion shown under current liabilities.	28	42,219	53,557
		<u>421,050</u>	<u>235,952</u>

	2009 (Rupees '000)	2008	Rate of Mark up/ Payment term	Number of installment, commencement and Maturity date	Detail of Principal Securities
<b>Allied Bank Limited</b>					
20.1.1	1,135	4,540	5 Years PIB +2%, quarterly	Sixteen equal quarterly installments commenced from September 15, 2005.	1- 1st exclusive charge over specific imported machinery through bank. 2- 1st charge on spinning unit situated at Ismailabad, Distt. Sheikhpura of the company including land, building & machinery valuing Rs. 1000.00million registered with SECP. 3- 1st charge on current assets of the company registered with SECP 4- Personal Guarantees of all sponsor directors of the Company
20.1.2	2,267	4,535	5 Years PIB +2%, quarterly	Sixteen equal quarterly installments commenced from January 17, 2006.	Same as above
20.1.3	---	2,381	6 - month KIBOR+2.5%, floor 6%, quarterly	Twelve equal quarterly installments commenced from January 05, 2006.	Same as above
20.1.4	1,530	6,120	6 - month KIBOR+2.5%, floor 6%, quarterly	Twelve equal quarterly installments commenced from September 09, 2006.	Same as above
20.1.5	99,378	37,003	3 - month KIBOR+1%, floor 6%, quarterly	Ten equal quarterly installments commenced from July 01, 2010.	1 - 1st pari passu charge over plant and machinery of the company for R. 103 million situated at Kharianwala, Sheikhpurs Faisalabad road.
20.1.6	125,000	---	3 - month KIBOR+1%, floor 6%, quarterly	Twenty equal quarterly installments commenced from March 31, 2010.	1 - 1st pari pasu charge over plant and machinery of the unit - II of the company for Rs. 166.667 million. 2 - During the transitional period comfort will be derived from existing JPP charge over current assets and ABL's earlier exclusive charges for Rs. 133.616 million.

	2009 (Rupees '000)	2008	Rate of Mark up/ Payment term	Number of installment, commencement and Maturity date	Detail of Principal Securities
<b>20.2 Bank AL Habib Limited</b>					
20.2.1	5,730	8,022	6-Month KIBOR + 1.50%, quarterly.	Ten equal Half yearly installments commenced from January 07, 2007.	1- 1st pari-passu charge on fixed assets of the Company for Rs. 60 Million. 2- Personal Guarantees of Mian Muhammad Rafi (Chief executive).
20.2.2	8,611	10,046	6-Month KIBOR + 1.50%, quarterly.	Ten equal Half yearly installments commenced from April 12, 2007.	Same as above
20.2.3	3,950	4,609	6-Month KIBOR + 1.50%, quarterly.	Ten equal Half yearly installments commenced from April 12, 2007.	Same as above
<b>20.3 Bank of Punjab</b>					
20.3.1	31,572	36,082	7% Flat quarterly.	Eight equal half yearly installments commencing from October 12, 2008.	1- Exclusive first charge on the imported machinery for Rs. 39.923 Millions registered with SECP. 2- Ranking charge on company's current assets for Rs. 53.231 Million registered with SECP. 3- Personal Guarantees of the sponsoring directors of the Company.
20.3.2	32,424	---	3-Month KIBOR + 325 bps, Floor 10%, quarterly.	Ten equal half yearly installments commenced from July 14, 2010.	1 - Exclusive charge on the specific machinery for Rs. 107 million with 25% margin registered with SECP. 2 - Personal guarantees of the sponsoring directors of the company.
20.3.3	29,162	---	3-Month KIBOR + 325 bps, Floor 10%, quarterly.	Ten equal half yearly installments commenced from July 14, 2010.	Same as above
20.3.4	1,328	---	3-Month KIBOR + 325 bps, Floor 10%, quarterly.	Ten equal half yearly installments commenced from July 14, 2010.	Same as above
<b>20.4 Bank Alfalah Limited</b>					
20.4.1	2,875	4,311	6-Month KIBOR + 3.00%, with a floor of 5.5%, quarterly	Eight equal Half yearly installments commenced from April 18, 2006.	1- Specific Charge on the imported machinery registered with SECP. 2- Lien on import documents. 3 - Personal guarantees of all the directors of the company.
<b>20.5 Royal Bank of Scotland</b>					
20.5.1	---	793	3-Month KIBOR + 3.00%, with a floor of 6%, quarterly .	Eight equal Half yearly installments commenced from June 05, 2005.	1- Registered hypothecation charge over stocks and book debts to the extent of Rs. 147.00 Million. 2- Registered charge on fixed assets (plant and machinery) for Rs. 20 Million. 3- Registered charge on specific machinery imported through bank.
20.5.2	5,357	8,035	3-Month KIBOR + 3.00%, with a floor of 6%, quarterly	Six equal Half yearly installments commencing from July 01, 2008.	Same as above
<b>20.6 United Bank Limited</b>					
20.6.1	1,101	1,761	6-Month KIBOR +275 bps, with a floor of 6%, quarterly	Sixteen equal Quarterly installments commenced from September 30, 2006.	1- Exclusive charge over imported machinery through UBL (the bank). 2- Personal Guarantees of all directors except nominee directors.
20.6.2	1,093	1,405	3-Month KIBOR +1.95% Quarterly	Twenty equal Quarterly installments commenced from January 12, 2008.	Same as above
20.6.3	6,114	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from February 18, 2009.	1 - Enhancement in 1st charge from Rs. 133 million to Rs. 155 million on fixed assets of unit # 1 of the company. This security is shared with letter of guarantee and NIDF-I
20.6.4	26,269	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 10, 2009.	Same as above
20.6.5	4,539	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 11, 2009.	Same as above
20.6.6	5,035	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 18, 2009.	Same as above

	2009 (Rupees '000)	2008	Rate of Mark up/ Payment term	Number of installment, commencement and Maturity date	Detail of Principal Securities
20.6.7	30,612	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 11, 2009.	11 - Enhancement in 1st charge from Rs. 133 million to Rs. 155 million on fixed assets of unit # 1 of the company. This security is shared with letter of guarantee and NIDF-I
20.6.8	1,803	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 11, 2009.	Same as above
20.6.9	17,966	---	3-Month KIBOR +1.95% Quarterly	Twenty equal quarterly installments commenced from April 11, 2009.	Same as above
20.7	This represent the balance payable against import of machinery Lc's 720 days. On the date of maturity this will convert into long term loan.				

## 21. LONG TERM LOANS FROM ASSOCIATED UNDERTAKINGS

These are un-secured, interest free and not due for repayment within next twelve months.

## 22. LOAN FROM DIRECTORS AND SPONSORS

These are is unsecured, interest free and not due for repayment within next twelve months.

## 23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future payments for the finance leases and the period in which these payments will become due are as follows:

	2009			2008		
	Minimum lease payment	Financial charges for future period	Present value of minimum lease payment	Minimum lease payment	Financial charges for future period	Present value of minimum lease payment
	(Rupees '000)			(Rupees '000)		
Up to one year	1,795	375	1,420	1,958	538	1,420
Later then one year but not later then five years	4,876	261	4,615	6,671	636	6,035
	<u>6,671</u>	<u>636</u>	<u>6,035</u>	<u>8,629</u>	<u>1,174</u>	<u>7,455</u>

**23.1** The company has, sale and lease back, agreement with Bank of Punjab for the lease of vehicles. There was no gain / (loss) realized on sale and lease back transaction. The liabilities under this head are payable by the year 2012 and are subject to mark up rate @ 3 - months average KIBOR + 275 bps, with a floor of 11.50% per annum. The monthly lease payments do not include mark up. It only represents of principal portion of liabilities against assets subject to finance lease. The mark up is payable separately on quarterly basis.

**23.2** The company intends to exercise its option to purchase the leased assets upon expiry of lease period.

## 24. DEFERRED LIABILITIES

Staff retirement benefits- gratuity  
Deferred taxation

NOTE	2009 (Rupees '000)	2008
24.2	1,889	8,196
24.9	319,949	202,005
	<u>321,838</u>	<u>210,201</u>

**24.1 Staff retirement benefits- gratuity**

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

	NOTE	2009 (Rupees '000)	2008			
<b>24.2 Movement in the net liability recognized in the balance sheet</b>						
Opening net liability		8,196	9,345			
Expense for the year		4,390	5,108			
Benefits paid during the year		(10,697)	(6,257)			
Closing net liability		<u>1,889</u>	<u>8,196</u>			
<b>24.3 Expense recognized in the profit and loss account</b>						
Current service cost		1,429	4,079			
Interest cost		1,362	1,929			
Actuarial gain recognized		1,598	(900)			
		<u>4,389</u>	<u>5,108</u>			
<b>24.4 The movement in the present value of defined benefit obligation</b>						
Present value of defined benefit Obligation		22,081	5,238			
Current service cost		1,428	4,079			
Interest cost		1,363	1,929			
Actuarial (gain)/loss		(899)	17,092			
Benefits paid during the year		(10,697)	(6,257)			
		<u>13,276</u>	<u>22,081</u>			
<b>24.5 Reconciliation</b>						
Present value of defined benefit obligation		13,276	22,081			
Unrecognized actuarial gain/(Loss)		(11,387)	(13,885)			
		<u>1,889</u>	<u>8,196</u>			
<b>24.6 Historical information</b>		2009	2008	2007	2006	2005
		(Rupees '000)				
Present value of defined benefit obligation		<u>13,276</u>	<u>22,081</u>	<u>5,238</u>	<u>13,273</u>	<u>12,805</u>
Experience adjustments on plan liabilities		<u>899</u>	<u>(17,092)</u>	<u>4,590</u>	<u>(484)</u>	<u>---</u>
<b>24.7 General description</b>						
The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.						
<b>24.8 Principal actuarial assumption</b>						
Following are few important actuarial assumption used in the valuation.						
		2009	2008			
Discount rate		13%	12%			
Rate of increase of salary		10%	10%			
Expected gratuity expense for the year ending June 30, 2010 works out Rs. 4,636,523.						

	NOTE	2009	2008
		(Rupees '000)	
<b>24.9 Deferred Tax</b>			
<b>The net liability of deferred taxation comprises of temporary differences.</b>			
<b>Deferred tax liabilities on taxable temporary differences</b>			
Accelerated depreciation on owned assets		14,855	40,517
Surplus on revaluation of property, plant and equipment		415,441	201,430
		<u>430,296</u>	<u>241,947</u>
<b>Deferred tax asset on deductible temporary differences</b>			
Provision for employee benefits - gratuity		(566)	(2,358)
Finance lease		(2,000)	(2,145)
Tax losses / excess tax adjustable under section 113 of Income Tax Ordinance, 2001		(107,781)	(35,439)
		<u>319,949</u>	<u>202,005</u>
In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.			
<b>25. TRADE AND OTHER PAYABLES</b>			
Creditors		91,660	283,622
Advances from customers		2,690	2,495
Accrued expenses		7,127	14,191
Workers' welfare fund		701	701
Tax deducted at source		249	53
Unclaimed dividend		35	35
		<u>102,462</u>	<u>301,097</u>
<b>26. ACCRUED INTEREST / MARKUP</b>			
<b>Interest/mark up on secured loans</b>			
Long term loans from banking companies and suppliers		12,093	4,203
Finance charges on lease liabilities		457	478
Short term borrowings		28,576	13,463
		<u>41,126</u>	<u>18,144</u>
<b>27. SHORT TERM BORROWINGS</b>			
Secured - from banking companies			
Short term running finance	27.1	<u>508,721</u>	<u>443,246</u>
<b>27.1</b>	Various banks have sanctioned credit facilities of Rs. 900 million (2008 : Rs. 985 million). These facilities carry mark up @ ranging from 13.48 % to 15.52 % p.a. These facilities are secured against registered hypothecation charge over stocks and stores, book debts, company's receivables, pledge of cotton, man made fiber and personal guarantees of directors.		
	NOTE	2009	2008
		(Rupees '000)	
<b>28. CURRENT PORTION OF NON CURRENT LIABILITIES</b>			
Long term loans from banking companies and suppliers	20	42,219	53,557
Liabilities against assets subject to finance lease	23	1,420	1,420
		<u>43,639</u>	<u>54,977</u>
<b>29. CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
Bank guarantee is issued in favor of Sui Northern Gas Pipeline Limited of Rs. 26 million (2008 : Rs. 26 million).			
Bank guarantee is issued in favor of Excise and Taxation of Rs. 9.70 million (2008 : Rs. 9.7 million)			
Management of the company is in dispute with the National bank of Pakistan regarding overcharging by the bank of Approximately Rs:80 million on demand finance facility expired in year 2001. Company has withheld the payment of Rs: 54 million (approx) comprises Rs:50 million Hypothecation Facility Principal and Rs 3.9 million Markup. However mark up on outstanding principal has provided on accrual basis.			

**Commitments:**

Commitments for capital expenditure Rs. 1.618 million (2008 : 28.90 million).

Commitments for other than capital expenditure Rs. Nil (2008 : Rs. 55.65 million).

	NOTE	2009 (Rupees '000)	2008
<b>30. SALES - Net</b>			
Local sales		1,638,750	1,839,391
Export sales		223,309	249,064
Raw cotton		20,195	18,339
Waste sales		15,675	12,297
Export rebate		---	9
		1,897,929	2,119,100
Less: Sale returns		17,156	18,999
Net sales		1,880,773	2,100,101
Less: Commission local		8,305	9,351
Commission export		7,108	6,248
		15,413	15,599
		1,865,360	2,084,502
<b>31. COST OF SALES</b>			
Cost of goods manufactured		1,818,847	2,023,282
Finished goods - opening		42,804	28,950
Cost of finished goods purchased for resale		34,943	24,641
Cost of cotton yarn lost due to theft		---	(2,375)
Finished goods - closing		(31,962)	(42,804)
		45,785	8,412
		1,864,632	2,031,694
<b>31.1 COST OF GOODS SOLD</b>			
Raw material - opening stock		282,070	205,686
Purchases		1,230,104	1,600,984
		1,512,174	1,806,670
Raw material sold		(23,519)	(20,530)
Raw material - closing stock		1,488,655	1,786,140
		(180,443)	(282,070)
Raw material consumed		1,308,212	1,504,070
Cost of raw material sold		23,519	20,530
Salaries, wages and other benefits	31.2	122,309	144,515
Fuel power and gas		235,341	213,668
Store, spare parts and loose tools consumed		42,471	56,363
Carriage		296	360
Repair and maintenance		1,894	9,462
Insurance		6,284	5,632
Other expenses		3,218	3,984
Depreciation	5.2	66,100	67,168
		501,432	521,682
Total manufacturing cost		1,809,644	2,025,752
Work in process - opening		30,694	28,224
Work in process - closing		(21,491)	(30,694)
		9,203	(2,470)
		1,818,847	2,023,282

31.2 Salaries, wages and other benefits include Rs. 3.867 million (2008 : Rs. 4.815 million) in respect of retirement benefits.

	NOTE	2009 (Rupees '000)	2008
<b>32. OTHER OPERATING INCOME</b>			
Interest on saving accounts		1	309
Exchange gain on foreign currency account		---	45
Miscellaneous income		1,083	87
		<u>1,084</u>	<u>441</u>
<b>33. DISTRIBUTION COST</b>			
Truck freight on local sales		1,017	1,184
Packing and forwarding charges		3,283	3,109
Shipping freight on export		4,337	6,230
Selling and distribution expenses		1,286	1,900
Export development surcharge		692	460
		<u>10,615</u>	<u>12,883</u>
<b>34. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		2,685	2,670
Directors' traveling		508	786
Salaries and other benefits	34.1	4,803	4,084
Fee and subscription		358	376
Postage and telex		841	966
Rent, rate and taxes		120	120
Legal and professional charges		1,414	903
Auditors' remuneration	34.2	495	440
Charity and donations	34.3	15	14
Printing and stationery		258	311
Entertainment expenses		1,122	1,040
Motor vehicles up keep		1,886	1,974
Electricity and gas expenses		337	308
Advertisement expenses		24	99
Office maintenance		330	956
Traveling and conveyance expenses		366	186
Depreciation	5.2	1,964	2,427
Others		95	99
		<u>17,621</u>	<u>17,759</u>
34.1	Salaries, wages and other benefits include Rs. 0.523 million (2008 : Rs. 0.293) in respect of staff retirement benefits.		
34.2	Auditors' remuneration		
	Statutory Audit fee	450	400
	Half yearly and other reviews	45	40
		<u>495</u>	<u>440</u>
34.3	Charity and Donations		
	The directors or their spouses have no interest in the donee institutions directly or indirectly.		

	NOTE	2009 (Rupees '000)	2008
<b>35. OTHER OPERATING EXPENSES</b>			
Exchange loss on revaluation of supplier credit		51,663	5,059
Loss on disposal of property, plant and equipment		935	4,570
		<u>52,598</u>	<u>9,629</u>
<b>36. FINANCE COST</b>			
Mark up on long term loans from banking companies and suppliers		30,099	13,176
Finance charges on lease liabilities		788	763
Mark up on short term borrowings		78,552	43,953
Bank charges		9,471	15,661
		<u>118,910</u>	<u>73,553</u>
<b>37. TAXATION</b>			
Current year		2,233	10,500
Deferred		(106,494)	(41,715)
		<u>(104,261)</u>	<u>(31,215)</u>

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

37.2 Income tax return of the company has been filed up to tax year 2008. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the company has taxable losses and tax expense is provided under section 169 of Tax ordinance, 2001.

		2009	2008
<b>32. LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss for the year	(Rupees '000)	<u>(107,630)</u>	<u>(34,511)</u>
Weighted average number of ordinary shares outstanding during the year	(Number '000)	<u>1,400</u>	<u>1,400</u>
Earnings per share	(Rupees)	<u>(76.88)</u>	<u>(24.65)</u>

**39. REMUNERATION TO CHIEF EXECUTIVE & DIRECTORS**

	2009			2008		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	(Rupees '000)			(Rupees '000)		
Remuneration and allowances	300	1,909	2,209	300	1,909	2,209
Utility bills	104	372	476	72	390	462
Others	—	508	508	—	786	786
	<u>404</u>	<u>2,789</u>	<u>3,193</u>	<u>372</u>	<u>3,085</u>	<u>3,457</u>
Number of persons	<u>1</u>	<u>3</u>	<u>4</u>	<u>1</u>	<u>3</u>	<u>4</u>

39.1 The Company also provides to Chief executive and directors of the Company with free use of Company maintained cars.

39.2 No employee of the company fall under the definition of executive as defined in the Companies Ordinance, 1984.



	NOTE	2009 (Rupees '000)	2008
<b>40. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(211,891)	(65,726)
Adjustments for:			
Depreciation		68,064	69,595
Provision for staff retirement, benefit- gratuity		4,390	5,108
Loss on disposal of property, plant & equipments		935	4,570
Financial charges		118,910	73,553
Share of loss from associate		13,959	5,151
		206,258	157,977
Cash flows before changes in working capital		(5,633)	92,251
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		(6,433)	(16,162)
Stock in trade		70,680	(92,708)
Trade debts		79,491	(69,585)
Loan and advances		901	26,726
Trade deposits and short term prepayments		(14)	1,923
Other receivable		166	7,670
Tax refunds due from Government		2,681	(1,875)
		147,472	(140,011)
Increase/ (Decrease) in current liabilities			
Short term borrowings		65,475	123,631
Trade and other payables		(198,635)	123,684
		(133,160)	247,315
Cash generated from operations		8,679	195,555

**41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

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

**41.1 Credit risk**
**41.2 Liquidity risk**
**41.3 Market risk**

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

**41.1 Credit risk**
**41.1.1 Exposure to credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 107.436million (2008 : Rs. 201.360 million), financial assets which are subject to credit risk aggregate to Rs. 100.011 million (2008 : Rs. 179.881 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2009 (Rupees '000)	2008
Long term loans and advances	2,166	1,658
Long term deposits	3,929	3,929
Trade debts	84,176	163,667
Loans and advances	9,423	10,324
Trade deposits and short term prepayments	317	303
Cash and bank balances	7,425	21,479
	107,436	201,360

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

	2009 (Rupees '000)	2008
Domestic	76,393	133,476
Export	7,783	30,191
	84,176	163,667

The majority of export debtors of the company are situated in Asia.

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

	2009 (Rupees '000)	2008
Yarn	83,286	162,040
Waste	890	1,627
	84,176	163,667

**41.1.4** The aging of trade debtors at the balance sheet is as follows.

	Gross debtors	
	2009 (Rupees '000)	2008
Past due 0 - 30 days	39,057	148,913
Past due 31 - 90 days	37,185	312
Past due 90 days - 1 year	371	3,647
More than one year	7,563	10,795
	84,176	163,667

## 41.2 Liquidity risk

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

	2009					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees '000)					
<b>Non - derivative Financial liabilities</b>						
Long term financing	463,269	624,010	48,074	49,631	513,154	13,151
Long term loans from directors and others	54,051	54,051	---	---	54,051	---
Finance lease	6,035	7,643	---	1,066	5,453	---
Trade and other payables	102,462	102,462	102,462	---	---	---
Accrued mark up / interest	41,126	41,126	41,126	---	---	---
Short term borrowings	508,721	546,875	546,875	---	---	---
	1,175,664	1,376,167	738,537	50,697	572,658	13,151

	2009					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
<b>Non - derivative Financial liabilities</b>	<b>(Rupees '000)</b>					
Long term financing	28,509	153,870	34,737	29,948	89,185	---
Long term loans from directors and others	47,051	47,051	---	---	47,051	---
Finance lease	7,455	9,607	1,142	1,092	7,373	---
Trade and other payables	301,097	301,097	301,097	---	---	---
Accrued mark up / interest	18,144	18,144	18,144	---	---	---
Short term borrowings	443,246	476,489	476,489	---	---	---
	845,502	1,006,258	831,609	31,040	143,609	---

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

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

#### **41.3.1 Currency risk**

##### **Exposure to currency risk**

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company's exposure to foreign currency risk is as follows.

	US Dollar	Pak Rupees
	Rs '0000	
Trade debts 2009	95.67	7,781
Trade debts 2008	456.06	30,191

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2009	2008	2009	2008
US Dollar to Pak Rupees	74.55	64.20	81.10	68.00

##### **Sensitivity analysis**

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

	2009 (Rupees '000)	2008
US Dollar	<u>389</u>	<u>1,510</u>

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

#### 40.3.2 Interest rate risk

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

	2009 (Rupees '000)	2008
<b>Fixed rate instruments</b>		
Financial liabilities	<u>34,974</u>	<u>45,157</u>
<b>Variable rate instruments</b>		
Financial liabilities	<u>943,051</u>	<u>695,053</u>

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2008.

	<b>Profit and loss and equity</b>	
	100 bp increase	100 bp decrease
	(Rupees '000)	
Cash flow sensitivity - variable rate instruments 2009	(1,094)	1,094
Cash flow sensitivity - variable rate instruments 2008	(579)	579

#### 41.4 Fair value of financial assets and liabilities

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

#### 41.5 Off balance sheet items

	2009 (Rupees '000)	2008
Bank guarantees issued in ordinary course of business	39,020	35,700
Letters of credit for raw material	—	55,650
Letters of credit for stores and spares	26	1,216

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

#### 42 Capital risk management

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

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowing divided by total capital employed. Borrowing represents long term loans from banking companies and suppliers, long term loans from associated undertakings, long term loan from directors and sponsors, and long term portion of liabilities against assets subject to finance lease. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

	2009	2008
	(Rupees '000)	
Total borrowings	499,417	326,763
Total equity	204,682	292,143
Total capital	<u>704,099</u>	<u>618,906</u>
Gearing ratio	70.93%	52.80%

**41. RELATED PARTIES**

The related parties comprise associated undertakings.

**41.1 TRANSACTIONS WITH RELATED PARTIES**

(a) Purchases of stores	70	181
(b) Purchases of cotton yarn	9,594	5,465
(c) Purchases of raw cotton	8,045	8,499
(d) Sale of yarn	632	822

**41.2 BALANCES WITH RELATED PARTIES**

(a) Amin Textile Mills (pvt) Ltd	604	202
(b) Ali Leather Works (pvt) Ltd	78	67
(c) Rafi Fibres (pvt) Ltd	24	24
(d) Surriya Textile Mills (pvt) Ltd	984	984
	<u>1,690</u>	<u>1,277</u>

**41.3** No interest has been charged as these transactions have arisen due to trade dealings and were valued at arm's length price generally determined in accordance with "Comparable Uncontrolled Price Method". Reimbursement of expenses to / from associated undertakings were on actual basis.

**42. POST BALANCE SHEET EVENTS**

There are no other material post balance sheet events.

**43. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 09, 2009 by the board of directors of the company.

	2009	2008
<b>44. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		

(a) Rated annual capacity after conversion into 20's count (Kgs.)	23,530,747	23,530,747
(b) Actual production of yarn after conversion into 20's count (Kgs.)	19,528,486	26,535,146
(c) Total number of spindles installed	74,616	74,616
(d) Average number of spindles worked per shift	55,963	72,082
(e) Number of shifts worked during the year	1,065	1,094
(f) Number of shifts worked per day	3	3

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year. Actual production is more than the installed capacity due to the conversion of fine count to 20's count.

**45. GENERAL**

Figures have been rounded off to the nearest thousand of rupees.

**MUHAMMAD RAFI**  
Chairman/Chief Executive

**ANJUM RAFI**  
Director



## AYESHA TEXTILE MILLS LIMITED

### FORM OF PROXY

The Secretary,  
Ayesha Textile Mills Limited  
97-B, Gulberg II,  
Lahore.

I/We .....

of .....

being Member/s of Ayesha Textile Mills Limited hereby appointed .....

of ..... as my/our proxy to vote for me/us .....

on my/our behalf at the 43rd Annual General Meeting of the Company to be held on October 30, 2009 and at any adjournment thereof.

In witness my hand this ..... day of ..... 2009

Signature on  
Rs. 5  
Revenue  
Stamp

#### Notes:-

1. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on his behalf. This form of proxy, duly completed, must be deposited at the Company's Registered Office not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
2. Signature should agree with the specimen signatures registered with the Company.

