

18th Annual Report 2009

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MUKHTAR
TEXTILE MILLS LIMITED

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

*In the Name of Allah
The Merciful
The Compassionate*

18th

Annual Report 2009

Mukhtar Textile Mills Limited

Registered Office:

P-48 Street #1,
Douglas Pura
Faisalabad

Mills:

40 K.M. Jhang-Faisalabad Road,
Nia Lahore, Distt. Toba Tek Singh

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MUKHTAR TEXTILE MILLS LIMITED

Mission / Vision Statement

Mission Statement:

To produce and supply best quality yarn with the understanding of customer behavior. Build the company on sound financial footing, increase earning distribution of adequate return to shareholders, employees and contribute the government exchanges.

Vision Statement:

1. To work with a team effort envisioning to positively impact shareholders by performing with dynamism in a deregulated environment.
2. To provide career growing opportunities to the related professionals.
3. To become a good corporate citizen.
4. Our policies and our performance will positively contribute to society to help built a stronger and progressive Pakistan.

MUKHTAR TEXTILE MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

**CHIEF EXECUTIVE
DIRECTORS**

**Rana Muhammad Saleem
Rana Rashid Ahmad Khan
Mr. Shamim Ahmad Khan
Mrs. Shaista Saleem
Miss Nadia Saleem
Rana Adnan Rashid
Mr. Umer Saleem**

AUDIT COMMITTEE

**Chairman
Members**

**Mr. Shamim Ahmad Khan
Rana Rashid Ahmad Khan
Rana Adnan Rashid**

**CFO/COMPANY SECRETARY
LEGAL ADVISER**

**Mr. Rustam Ali Nasir
Mr. Muhammad Irfan Majeed
(Advocate High Court)**

AUDITORS

**M. Ather & Co.
Chartered Accountants**

BANKERS

**Allied Bank of Pakistan Limited
Habib Bank Limited
Industrial Development Bank of Pakistan
Muslim Commercial Bank Ltd.**

REGISTERED OFFICE

**P-48, Street # 1, Douglas Pura, Faisalabad.
Web site: www.mukhartextile.com
E-mail: mtm@mukhartextile.com**

SHARE REGISTERARS

**Orient Software & Management Services (Pvt.) Ltd.
35-Z, Ameer Plaza, Opposite Mujahid
Hospital, Commercial Center, Madina
Town, Faisalabad.**

MILLS

**40-K.M. Jhang-- Faisalabad Road,
Nia Lahore, Distt. T.T.Singh.**

MUKHTAR TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the **Mukhtar Textile Mills Limited** will be held at 09:00 A.M. on Saturday October 31, 2009 at P-48, Street No.1, Douglaspura, Faisalabad, to transact the following business:-

1. To confirm the minutes of the 17th Annual General Meeting held on October 31, 2008.
2. To receive and adopt the Audited Accounts for the year ended June 30, 2009 together with the Auditors and Directors report thereon.
3. To appoint auditors for the year ending June 30, 2010 and fix their remuneration.

Special Business

4. To pass with or without amendment the following resolution as special resolution:

“Resolved that Board of directors be and hereby authorized to dispose of any obsolete or stand by assets of the company to generate funds to meet the financial obligations/ future requirements of funds of the company.

Further resolved that the Chief Executive be and hereby authorized to do the needful in this regard.”

The statement under section 160 of the Companies Ordinance, 1984 is being sent to the shareholders along with this notice. It is declared that the Chief Executive or the Directors have no interest in the special business mentioned above except to the extent of their respective shareholding.

Ordinary Business

5. To transact any other business with permission of the chair.

By order of the Board

Date: October 09, 2009

Place: Faisalabad

(RUSTAM ALI NASIR)
Company Secretary

NOTES:

- 1) The Share transfer books of the company shall remain closed from October 25, 2009 to October 31, 2009 (both days inclusive).
- 2) A member, who has deposited his / her shares and Central Depository Company of Pakistan Limited, must bring his / her participant's ID number and account / sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time attending the meeting.
- 3) A member entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend, speak and vote instead of him / her.
- 4) Form of proxy to be valid must be received by the company at its registered office not later than 48 hours before the time of the meeting.
- 5) Members are requested to notify the company promptly of any changes in their addresses.
- 6) Members who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

MUKHTAR TEXTILE MILLS LIMITED

DIRECTORS REPORT TO THE MEMBERS

On behalf of board of Directors it is my pleasures to present the 18th Annual audited Accounts along with Directors and Auditors Report thereon for the year ended 30th June, 2009 with the following comments.

FINANCIAL HIGH LIGHTS:

	<u>(Rupees In Million)</u> 2009	<u>(Rupees In Million)</u> 2008
Sales	-	11.475
Cost of Sales	-	18.499
Gross (loss)	-	(7.024)
Other operating Income	-	-
	-	(7.024)
Distribution cost	-	0.007
Administrative expenses	7.4060	1.718
Other operating expenses	21.8190	0.56
Financial cost	0.0003	-
(Loss) before taxation	(29.2253)	(9309)
Provision for taxation	-	6.105
(Loss) for the year after taxation	(29.2253)	(15.414)
(Loss) per share Basic (Rupees)	(2.0116)	(1.063)

The financial highlights for the seven years are attached.

During the last quarter of the year 2007 the company experienced an exceptionally adverse market conditions. The cotton and polyester fiber (the main raw materials) prices went extra ordinary high where as the yarn price remained almost the same. Inspite of the low yarn prices demand of the yarn dropped which resulted into the increase in stock pile and very slow recovery from credit customers. Foreseeing the situation the company decided to temporarily suspend production in may, 2007. However, by the clearance of all the long terms liabilities the financial burden of the company stand relieved. Now we are planning the resumption of operation, for which the plant and Machinery require the BMR. We are in process of arranging finance to meet the BMR and the start up cost. Due to clearance of all the outstanding loans, the company now qualifies for working capital finance from Banks and Financial Institutions for which we are making efforts. In view of the same we hope that we will be able to restart the operation soon. However the resumption of the operation depends upon the success of management's efforts to arrange adequate funds for which we, for the time being, are facing reluctance of Banks/ Financial Institutions to finance the textile sector.

AUDITORS OBSERVATIONS:

- (a) The confirmation letters were circulated but the response is still awaited and we hope to receive the same in due course.

MUKHTAR TEXTILE MILLS LIMITED

- (b) & (d) Because of the closure of the operations and in the absence of the concerned staff the review of carrying amounts of fixed assets and the physical checking of the stores and spares and could not be carried out.
- (c) The company has defaulted in repayment because of financial constraints. However, we will resume payment as soon as funds become available.
- (e) Because of immaterial amounts of bank balances the bank did not confirm the same.
- (f) The position has been explained in the note No. 4 to the financial statements. The management is making all out efforts to bring the project back in operation as soon as possible, but this depends upon our success in arranging sufficient funds and improvement in market conditions.

Corporate Governance:

Due to the suspension of the operation during the year under review the internal Audit department of the company could not function.

GOING CONCERN

The operation of the company has been temporarily suspended and by the improvement in the market it is likely to restart soon. However the resumption of the operation depends upon the success of management's efforts to arrange adequate funds for which we, for the time being, are facing reluctance of Banks/ Financial Institutions to finance the textile sector. The viability of the operation also depends upon the smooth power supply which is very badly affecting overall industrial sector in the country specifically the textile sector, which we hope, may improve by the specific government steps being taken in this regard.

DIVIDEND:

Due to accumulated losses and closed operation the declaration of dividend becomes irrelevant.

EARNING PER SHARE:

Loss per share during the year under report works out to Rs. (2.016) (2008: Rs. 1.063).

OUTSTANDING STATUTORY DUES

Details of outstanding statutory dues is given in Note No.9 of the accounts.

MUKHTAR TEXTILE MILLS LIMITED

BOARD MEETINGS

During the year under report five board meetings were held. The attendance of the directors was as under:

Rana Muhammad Saleem	5 Nos
Mr. Shamim Ahmad Khan	4 Nos
Mrs. Shaista Saleem	5 Nos
Miss Nadia Saleem	4 Nos
Mr. Umer Saleem	5 Nos
Rana Adnan Rashid	3 Nos
Rana Rashid Ahmad Khan	5 Nos

(However, leave for absences were granted to the Directors who could not attend the Board Meeting due to their preoccupations).

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

The directors would like to confirm in relation to the financial statements and controls the following:

1. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operation, cash flow and changes in equity.
2. Proper books of accounts of the Company as required under Companies Ordinance, 1984 have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and is being effectively implemented and monitored.
6. There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations. Compliance to Corporate Governance is annexed.
7. The Company strictly complies with standards of the safety rules and regulation. It also follows environmental friendly policies.
8. We have framed an Audit Committee from amongst the members of the Board of Directors. Following are its members.

Mr. Shamim Ahmed Khan – Chairman
Rana Rashid Ahmad Khan – Member
Rana Adnan Rashid – Member

MUKHTAR TEXTILE MILLS LIMITED

9 To ensure implementation of Management System, Internal Audit and Management review is framed.

10 We observed the following ethics and Business practices.

- a. Commitment to excellent quality.
- b. Profit maximization.
- c. Transparency in financial practices.
- d. Continuous betterment of employees.

PATTERN OF SHARE HOLDINGS:

Pattern of shareholding is attached.

LABOUR MANAGEMENT RELATIONS:

During the year the operation of the mill remained closed.

STAFF RETIREMENT BENEFITS:

The Company operates a defined benefit un-funded gratuity scheme covering all its employees who have completed one year services. The balance of gratuity account as at June 30, 2009 was Rs. Nil (2008- Rs. Nil).

AUDITORS:

The auditors of the company M/s M. Ather & Co. Chartered Accountants Faisalabad, retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Date: October 09, 2009
Place: Faisalabad

Rana Muhammad Saleem
(Chief Executive)

MUKHTAR TEXTILE MILLS LIMITED

FINANCIAL PERFORMANCE AT A GLANCE

	2009	2008	2007	2006	2005	2004	2003
Operating results	All figures in million						
Sales	-	11.475	211.142	300.190	164.935	277.377	245.704
Gross profit / (loss)	-	(7.024)	7.125	10.619	(18.019)	9.456	10.365
Operating profit / (loss)	(7.405)	(8.749)	2.907	5.825	(21.528)	4.420	4.304
Net profit / (loss) before tax	(29.225)	(9.309)	3.084	5.449	(21.247)	4.112	3.894
Earning / (loss) (Rupees)							
(Per share of Rs. 10/- each)	(2.016)	(1.063)	0.063	0.766	(1.562)	1.057	0.775
Percentage of profit / (loss)							
Gross profit / (loss)	-	(61.211)	3.375	3.537	(10.925)	3.409	4.218
Operating profit / (loss)	-	(76.244)	1.377	1.940	(13.052)	1.593	1.752
Net profit / (loss) before tax	-	(81.124)	1.461	1.815	(12.882)	1.482	1.585

FINANCIAL POSITION AT A GLANCE

Assets employed:	All figures in million						
Fixed assets	63.261	69.870	77.211	85.270	80.479	70.788	76.649
Capital work in progress	14.057	13.607	-	0.050	7.714	20.730	1.141
Long term deposits and Deferred cost	1.147	1.147	1.147	1.257	1.731	2.383	2.704
Deferred taxation	-	-	6.045	7.154	-	0.572	-
Current assets	3.095	29.036	59.267	57.577	47.010	68.428	39.772
Current liabilities	23.824	26.699	40.600	44.120	39.492	42.876	48.110
Total	57.736	86.961	103.070	107.188	97.442	120.025	72.156
Financed by:							
Ordinary capital	145.000	145.000	145.000	145.000	145.000	145.000	100.000
accumulated loss	(87.264)	(58.039)	(42.625)	(43.544)	(54.646)	(32.982)	(44.744)
Shareholders equity	57.736	86.961	102.375	101.456	90.354	112.018	55.256
Long term financing and deferred liabilities	-	-	0.695	5.732	7.088	8.007	16.900
Total	57.736	86.961	103.070	107.188	97.442	120.025	72.156

MUKHTAR TEXTILE MILLS LIMITED
PATTERN OF SHAREHOLDING
AS ON 30-06-2009

Number of Shareholder	Shareholding		Total Number of Shares Held
	From	To	
19	1	100	1425
668	101	500	328375
150	501	1000	149100
295	1001	5000	912000
128	5001	10000	1128975
37	10001	15000	475000
36	15001	20000	662900
15	20001	25000	362500
18	25001	30000	505000
10	30001	35000	340300
7	35001	40000	302500
6	40001	45000	261500
11	45001	50000	546500
12	50001	55000	646500
9	55001	60000	531000
4	60001	65000	251000
3	65001	70000	203500
4	70001	75000	290225
14	85001	90000	1260000
1	90001	95000	95000
5	95001	100000	500000
3	105001	110000	325400
2	120001	125000	250000
1	130001	135000	133500
1	140001	145000	144000
1	145001	150000	150000
1	150001	155000	151500
1	170001	175000	175000
1	190001	195000	191500
2	195001	200000	400000
1	395001	400000	400000
1	435001	440000	440000
1	485001	490000	485800
3	495001	500000	1500000
1471			14500000
Categories of Shareholders	Number of Shareholders	No. of Share Held	Percentage of Shareholding
Bank & Other Financial Institutions	3	42500	0.29
Investment Companies	3	30200	0.21
Insurance Companies	2	53000	0.37
Joint Stock Companies	24	135000	0.93
Individuals	1439	14239300	98.20
Grand Total	1471	14500000	100

MUKHTAR TEXTILE MILLS LIMITED

PATTERN OF SHAREHOLDING

AS ON 30-06-2009

Categories of Shareholders	Number of Shareholders	No. of Share Held	Percentage of Shareholding
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Chief Executive Officer/ Directors

Rana Muhammad Saleem	1	627725	4.33
Mr. Shamim Ahmed Khan	1	63000	0.43
Mrs. Shaista Saleem	1	351000	2.42
Mrs. Nadia Saleem	1	260000	1.79
Rana Adnan Rashid	1	505000	3.48
Rana Rashid Ahmed Khan	1	5000	0.03
Mr. Umer Saleem	1	685800	4.73

2497525 17.22

Other Relative of Directors 52 4682300 32.29

Bank & Other Financial Institutions	3	42500	0.29
Investment Companies	3	30200	0.21
Insurance Companies	2	53000	0.37
Joint Stock Companies	24	135000	0.93
Individuals	1380	7059475	48.69

Grand Total	1471	14500000	100.00
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MUKHTAR TEXTILE MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Directors of Mukhtar Textile Mills Limited and its management is fully aware of their responsibilities under the Code of Corporate Governance as incorporated in the listing regulation of Stock Exchanges in the country under instructions from Security & Exchange Commission of Pakistan. We are taking all necessary steps to ensure Good Corporate Governance as required by the code.

Company has applied the principals contained in the Code in the following manners:

1. The company encourages representation of independent non-executive directors and director representing minority interests on its Board of Directors. However, at present the Board includes one executive and six non-executive directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. Only two directors of the company as registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. If a casual vacancy occurs in the Board that will be filled up by the directors, within 15 days thereof.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all directors and employees of the company.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the CEO and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged as orientation course for its directors on November 30, 2002 to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CEO, CFO/Company Secretary and Internal auditor including their remuneration and terms and conditions of employment, as recommended by the CEO.
11. The director's report for this has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

MUKHTAR TEXTILE MILLS LIMITED

14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, majority of whom are non- executive directors.
16. The meeting of the audit committee 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 formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function but because of closed operations the same remained inoperative.
18. The statutory auditors of the company has confirmed that they have been given a satisfactory rating under the quality review programme of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
19. The statutory auditors or the person 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

Date: October 09, 2009
Place: Faisalabad

RANA MUHAMMAD SALEEM
CHIEF EXECUTIVE

MUKHTAR TEXTILE MILLS LIMITED

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 MUKHTAR TEXTILE MILLS LIMITED, to comply with the Listing Regulation No. 37, Chapter No. XIII and Section No. 36 of the Karachi and Lahore Stock Exchanges respectively 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 provision 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 system 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 control and effectiveness of such internal controls.

Based on our review we report that:

The company's internal audit function remained inoperative during the year.

Except for the matter noted in the previous paragraph 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.

Dated: October 09, 2009
Place: Faisalabad.

M. ATHER & CO.
Chartered Accountants

Engagement Partner
Rana Muhammad Ather-FCA

MUKHTAR TEXTILE MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUKHTAR 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 except as discussed in paragraphs (a), (d), and (e) below 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.

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

- a) Trade creditors amounting to Rs. 2,633,435/- as referred to in Note 9 to the financial statements remained unconfirmed in the absence of direct balance confirmations;
- b) The company as per its accounting policy has not carried out any review of the carrying amounts of its Tangible Assets in spite of existence of indications of impairment loss as of balance sheet date, therefore, the carrying amounts of the assets could not be compared with their recoverable amount to estimate the impairment loss, if any;
- c) The company has defaulted in payment of instalments of long term loan of M/s Faisalabad Energy Limited towards M/s National Bank of Pakistan against purchase of Land, Building and Plant and Machinery of that company. In view of the same the recovery of the advance amounting to Rs. 14,057,448/- has become doubtful. However no provision has been made in these financial statements (Refer notes 9 and 10);
- d) We were not facilitated by the management to carry out the physical checking of Stores and Spares amounting to Rs. 1,341,743/-. We, therefore, could not satisfy ourselves as to physical existence, condition and value of same as of balance sheet date;
- e) Bank balances amounting to Rs 15,363/- remained unverified in the absence of direct balance confirmations;

MUKHTAR TEXTILE MILLS LIMITED

- f) The company has incurred a net loss of Rs. 29,225,068/- during the year ended June 30, 2009 and as of that date, accumulated loss comes to Rs. 87,264,219/- and company's current liabilities exceeded its current assets by Rs. 20,730,008/-. The operations of the company remained closed during the year. The said factors indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business;
- g) in our opinion proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- h) in our opinion:
- i) the balance sheet and profit and loss account together with the notes thereon except as discussed in paragraphs (b), (c) and (f) above 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;
- i) 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 except as discussed in paragraphs (b), (c) and (f) above, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively in view of paragraphs (a) to (f) above do not 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;
- j) in our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

Date: October 09, 2009

Place: Faisalabad.

M. ATHER & CO.
Chartered Accountants

Engagement Partner
Rana Muhammad Ather-FCA

**MUKHTAR TEXTILE MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2009**

EQUITY AND LIABILITIES	NOTE	2009 RUPEES	2008 RUPEES
SHARE CAPITAL AND RESERVES			
Share capital	6	145,000,000	145,000,000
Accumulated loss		<u>(87,264,219)</u>	<u>(58,039,151)</u>
		57,735,781	86,960,849
 CURRENT LIABILITIES			
Trade and other payables	7	19,729,506	22,603,886
Provision for taxation	8	4,095,194	4,095,194
		23,824,700	26,699,080
 CONTINGENCIES AND COMMITMENTS			
	9		
		<u>81,560,481</u>	<u>113,659,929</u>

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

Place : Faisalabad.
Dated: October 09, 2009

CHIEF EXECUTIVE

MUKHTAR TEXTILE MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2009

ASSETS	NOTE	2009 RUPEES	2008 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment-Tangible	10	77,318,789	83,477,217
Long term deposits	11	1,147,000	1,147,000
		78,465,789	84,624,217
CURRENT ASSETS			
Stores and spares	12	1,341,743	1,341,743
Trade debts	13	1,661,407	27,518,728
Loans and advances	14	-	79,912
Deposits and prepayments	15	36,340	36,340
Tax refund due from Government	16	15,591	15,591
Cash and bank balances	17	39,611	43,398
		3,094,692	29,035,712
		<u>81,560,481</u>	<u>113,659,929</u>

DIRECTOR

MUKHTAR TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
Sales	18	-	11,475,000
Cost of sales	19	-	18,498,744
Gross loss		-	(7,023,744)
Distribution cost	20	-	7,364
Administrative expenses	21	7,405,733	1,718,137
Other expenses	22	21,819,035	-
Finance cost	23	300	559,887
Loss for the year before taxation		(29,225,068)	(9,309,132)
Provision for taxation	24	-	6,105,162
Loss for the year after taxation		<u>(29,225,068)</u>	<u>(15,414,294)</u>
Loss per share-Basic	25	(2.016)	(1.063)

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

Place : Faisalabad.
Dated: October 09, 2009

CHIEF EXECUTIVE

DIRECTOR

MUKHTAR TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 RUPEES	2008 RUPEES
a) CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year before taxation	(29,225,068)	(9,309,132)
Adjustments for:		
Depreciation	6,608,428	7,341,339
Finance cost	300	559,887
Operating loss before working capital changes	(22,616,340)	(1,407,906)
<i>Changes in working capital</i>		
(Increase) / decrease in current assets:		
Stock in trade	-	12,006,477
Trade debts	25,857,321	4,040,395
Loans and advances	79,912	-
Deposits and prepayments	-	14,728
Tax refund due from Government	-	(15,591)
Increase / (decrease) in current liabilities:		
Trade and other payables	(2,874,380)	(10,143,898)
	23,062,853	5,902,111
Cash generated from operations	446,513	4,494,205
Finance cost paid	(300)	(540,453)
Staff retirement gratuity paid	-	(695,000)
Net cash generated from operations	446,213	3,258,752
b) CASH FLOW FROM INVESTING ACTIVITIES		
Addition to capital work in progress	(450,000)	-
Net cash used in investing activities	(450,000)	-
c) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loan	-	(3,000,000)
Decrease in short term borrowings	-	(300,000)
Net cash used in financing activities	-	(3,300,000)
Net decrease in cash and bank balances (a+b+c)	(3,787)	(41,248)
Cash and bank balances at the beginning of the year	43,398	84,646
Cash and bank balances at the end of the year	39,611	43,398

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

Place: Faisalabad
Dated: October 09, 2009

CHIEF EXECUTIVE

DIRECTOR

**MUKHTAR TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

	Share Capital	Accumulated Loss	Total
	-----Rupees-----		
Balance as at July 01, 2007	145,000,000	(42,624,857)	102,375,143
Loss for the year	-	(15,414,294)	(15,414,294)
Balance as at June 30, 2008	145,000,000	(58,039,151)	86,960,849
Loss for the year	-	(29,225,068)	(29,225,068)
Balance as at June 30, 2009	145,000,000	(87,264,219)	57,735,781

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

Place: Faisalabad
Dated: October 09, 2009

CHIEF EXECUTIVE

DIRECTOR

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1 STATUS AND NATURE OF BUSINESS

The company was incorporated in 1992 as Private Limited Company under the Companies Ordinance, 1984 and was converted into Public Limited Company in 1994. The shares of the company are quoted on all stock exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn. The registered office of the company is situated at P-48, Street # 1, Douglas Pura, Faisalabad. The mills is located at 40-K.M. Jhang-Faisalabad Road, Nia Lahore, Distt. TT Singh. Due to continuing acute slump in textile spinning sector the operations of the company remained closed during the year.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984.

Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

Standards, Interpretations and Amendments to published approved accounting standards

The following new standards and amendments to approved accounting standards are applicable in Pakistan for the accounting period beginning on or after the dates mentioned below.

A) Amendments to published approved accounting standards effective in current year

Adoption of IFRS-7 Financial Instruments Disclosures

The company adopted this IFRS during the year. The adoption of this IFRS requires certain additional disclosures regarding financial instruments. However, the company does not hold the financial instruments requiring these additional disclosures as of balance sheet date.

B) Amendments to published approved accounting standards not yet effective

<u>IAS / IFRS</u>	<u>Title of Standard</u>	<u>Effective date and nature of change</u>
IAS-1 (Revised)	Presentation of financial statements - Statement of comprehensive income	The change affects the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or make a retrospective restatement of items in its financial statements, or reclassifies items in its financial statements. Effective from January 01, 2009.
IAS-23	Borrowing costs- Revised	Effective for qualifying assets for which commencement date of capitalization is on or after January 01, 2009

3 COST CONVENTION

These financial statements have been prepared under the historical cost convention.

4 GOING CONCERN ISSUE

Due to unfavourable condition the spinning business went into financial crises because of heavy losses. The plant was, therefore, temporarily shut down in May 2007. However, the company has cleared all the long term liabilities and now there is no financial burden of debt servicing. The market conditions have improved substantially but the Plant and machinery require BMR and the funds are also required to meet the start up cost. We are, therefore, approaching the Banks and Financial institutions for arrangement of working capital finances for which the company now duly qualifies. However, the management is facing reluctance of Banking and Financial Institutions to advance funds to textile sector in the present circumstances taking into view the economic conditions and power crises in the country. We, therefore, can only resume operation if the funds become available and the power load shedding in the country ends.

In view of the above mentioned plans the validity of going concern assumption used in preparation of these financial statements is dependant on the success of management's efforts to overcome the financial and operational hurdles and favourable market conditions.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 STAFF RETIREMENT BENEFITS

The company operates a defined benefit unfunded gratuity scheme covering all its employees. Provision is made annually to cover the obligation under the scheme on the basis of actuarial valuation using the projected unit credit method.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of previous period exceeded 10 percent of the present value of the company's defined benefit obligation at that date. These gains and losses are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

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

5.2 TRADE AND OTHER PAYABLES

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

5.3 FINANCIAL LIABILITIES

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

5.4 TAXATION

Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on sales.

Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rate that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

5.5 PROVISIONS

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

5.6 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.

5.7 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.8 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Owned

Operating fixed assets except freehold land and capital work - in - progress are stated at cost less accumulated depreciation and accumulated impairment loss.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Depreciation is charged applying reducing balance method to write off the cost. Rates of the depreciation are stated in Operating Fixed Assets Note. Depreciation on additions during the year is charged from the month in which an asset is acquired or capitalized, where as no depreciation is provided on assets for the month in which the asset is disposed of.

Gains/(losses) on disposal of fixed assets are included in current year income.

Normal repairs and replacements are charged to income as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, are kept as stand by.

Leased

These are stated at lower of the present value of minimum lease payments made in lease agreement and the fair value of the leased asset less accumulated depreciation. Depreciation is charged at the same rates as applicable to the company owned assets. Outstanding obligations under the lease, less financial charges allocated to future period are shown as liability. The financial charge is calculated at the interest rate implicit in the lease and is charged to current income.

5.9 IMPAIRMENT OF ASSETS

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is indication that those assets have suffered an impairment loss, if any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 assets in prior years. A reversal of an impairment loss is recognized as income immediately.

5.10 STORES AND SPARES

These are valued at moving average cost. Stores in transit are valued at cost accumulated to the balance sheet date.

5.11 STOCK IN TRADE

Basis of valuation are as follows:

<i>Particulars</i>	<i>Mode of valuation</i>
Raw material:	
In godowns	At lower of annual average cost and market value
In transit	At cost accumulated to the balance sheet date
Work-in-process	At manufacturing cost
Finished goods	At lower of cost and net realizable value
Waste	At net realizable value

Cost in relation to work in process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate production overheads.

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

5.12 TRADE DEBTS

Trade debts are carried at invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Provision is made against those having no activity during the current financial year and are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

5.13 CASH AND CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalent consists of cash in hand and balances with banks net of borrowings not considered to be in the nature of financing activities.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

5.14 REVENUE RECOGNITION

Direct sales are recognised when goods are despatched to customers and sales through agents are recorded on intimation from the agents.

5.15 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

5.16 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at exchange rate prevailing on the balance sheet date except those covered by forward exchange contracts. Exchange differences on translations during the year are taken to profit and loss account.

5.17 CRITICAL ACCOUNTING ESTIMATES

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

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

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

6 SHARE CAPITAL

Authorized

	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
				Rupees	Rupees
<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>150,000,000</u>	<u>150,000,000</u>

Issued subscribed and paid up

<u>14,500,000</u>	<u>14,500,000</u>	<u>14,500,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>145,000,000</u>	<u>145,000,000</u>
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7 TRADE AND OTHER PAYABLES

Creditors		2,633,435	4,887,915
Accrued charges		8,708,610	9,328,510
Workers welfare fund		388,717	388,717
Sales tax		2,598,578	2,598,578
Withholding tax		1,259,006	1,259,006
Income tax payable		3,332,320	3,332,320
Zakat payable	7.1	808,840	808,840
		<u>19,729,506</u>	<u>22,603,886</u>

7.1 Zakat payable pertains to year 1994-95.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
8 PROVISION FOR TAXATION		
Opening balance	4,095,194	4,571,735
Provision for the year	(Note- 8.1) -	60,069
	4,095,194	4,631,804
Adjusted during the year	-	(536,610)
	4,095,194	4,095,194

8.10 The income tax assessment of the company has been finalised upto financial year ended 30th June, 2007. (Tax year 2007).

9 CONTINGENCIES AND COMMITMENTS

- 9.1 The delayed payment of sales tax by the company entail the additional tax liability, the amount of which could not be calculated with substantial accuracy.
- 9.2 The company has entered into an agreement to purchase assets comprising Land, Building and Plant and Machinery of M/s Faisalabad Energy Limited against the discharge of Long Term Liability of that company towards M/s National Bank of Pakistan amounting to Rs. 16.0 million. The amount is payable in 10 quarterly installments of Rs. 1.604 million starting May 08, 2005. However, an amount of Rs. 2.05 million is outstanding as of balance sheet date and the company has defaulted in payment of instalments on due date.
- 9.3 Income tax liability of Rs. 9.592 (2008-2.985) millions is disputed by the company because of pending appeals.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	Rupees	Rupees
(Note 10.1)	63,261,341	69,869,769
(Note 10.2)	14,057,448	13,607,448
	<u>77,318,789</u>	<u>83,477,217</u>

10 Property, plant and equipment-Tangible
 Operating fixed assets
 Capital work in progress

10.1 Operating fixed assets

P a r t i c u l a r s	C o s t			D e p r e c i a t i o n			Written down value As at 30-06-09	
	As at 01-07-08	Addition/ (Deletion)	As at 30-06-09	Rate %	As at 01-07-08	For the year 30-06-09		As at 30-06-09
	RUPEES							
OWNED								
Land freehold	2,239,695	-	2,239,695		-	-	2,239,695	
Building on freehold land								
Factory	32,135,608	-	32,135,608	10	22,974,630	916,098	23,890,728	
Non factory	4,585,100	-	4,585,100	5	896,859	184,412	1,081,271	
Residential								
Officers	209,613	-	209,613	5	105,913	5,185	111,098	
Workers	5,345,999	-	5,345,999	10	2,115,778	323,022	2,438,800	
	42,276,320	-	42,276,320		26,093,180	1,428,717	27,521,897	
Plant and machinery	150,094,924	-	150,094,924	10	103,196,262	4,689,866	107,886,128	
Electric installations	10,409,349	-	10,409,349	10	7,946,703	246,265	8,192,968	
Equipments and appliances	5,203,790	-	5,203,790	10	3,762,165	144,163	3,906,328	
Office equipments	483,231	-	483,231	10	338,869	14,436	353,305	
Furniture and fixtures	409,204	-	409,204	10	279,293	12,991	292,284	
Fire fighting equipments	37,550	-	37,550	10	27,437	1,011	28,448	
Tubewell	39,028	-	39,028	10	29,589	944	30,533	
Vehicles	2,440,000	-	2,440,000	20	2,205,216	46,957	2,252,173	
Computer accessories	471,154	-	471,154	20	355,762	23,078	378,840	
	169,588,230	-	169,588,230		118,141,296	5,179,711	123,321,007	
Rupees 2009	214,104,245	-	214,104,245		144,234,476	6,608,428	150,842,904	
Rupees 2008	214,104,245	-	214,104,245		136,893,137	7,341,339	144,234,476	

10.1.1 Depreciation for the year has been appronioned as under:

	2009	2008
	Rupees	Rupees
Cost of Sale	-	7,023,744
Administrative Expenses	6,608,428	317,595
	<u>6,608,428</u>	<u>7,341,339</u>

Since there was no production / sales during the current year, the whole depreciation for the current year has been charged to administrative expenses.

10.2 The advance, being against purchase of capital assets, has been re-classified.

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	Rupees	Rupees
11 LONG TERM DEPOSITS		
Security deposits	<u>1,147,000</u>	<u>1,147,000</u>
12 STORES AND SPARES		
Stores	44,701	44,701
Spares	<u>1,297,042</u>	<u>1,297,042</u>
	<u>1,341,743</u>	<u>1,341,743</u>
13 TRADE DEBTS		
Trade debts	23,400,530	27,518,728
Less : Provision for doubtful debts	<u>21,739,123</u>	-
Considered good	<u>1,661,407</u>	<u>27,518,728</u>
14 LOANS AND ADVANCES		
Advances to employees	79,912	79,912
Less : Provision for doubtful advances	<u>79,912</u>	-
Considered good	<u>-</u>	<u>79,912</u>
15 DEPOSITS AND PREPAYMENTS		
Excise duty deposit	<u>36,340</u>	<u>36,340</u>

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
16 TAX REFUND DUE FROM GOVERNMENT		
Advance tax	15,591	15,591
17 CASH AND BANK BALANCES		
Cash in hand	23,329	27,116
Cash at banks - in current accounts	16,282	16,282
	<u>39,611</u>	<u>43,398</u>
18 SALES		
Local		
- Yarn	-	11,475,000
	<u>-</u>	<u>11,475,000</u>
19 COST OF SALES		
Raw material consumed	-	-
Stores & spares consumed	-	-
Packing material consumed	-	-
Salaries, wages and benefits	-	-
Power and fuel	-	-
Insurance	-	-
Textile cess	-	-
Depreciation	-	7,023,744
	<u>-</u>	<u>7,023,744</u>
Opening work in process	-	-
Closing work in process	-	-
	<u>-</u>	<u>-</u>
Cost of goods manufactured	-	7,023,744
Opening finished goods	-	11,475,000
Closing finished goods	-	-
	<u>-</u>	<u>11,475,000</u>
	<u>-</u>	<u>18,498,744</u>

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
20 DISTRIBUTION COST		
Insurance	-	7,364
	-	7,364
21 ADMINISTRATIVE EXPENSES		
Directors' remuneration	-	150,000
Salaries, wages and benefits	360,000	596,750
Travelling and conveyance	-	5,230
Rent, rate and taxes	48,000	98,000
Entertainment	-	6,690
Communication	-	2,040
Printing and stationery	18,318	24,525
Legal and professional	12,000	12,000
Electricity	-	27,952
Auditors' remuneration (Note 21.1)	150,000	185,000
Vehicle running expenses	-	26,575
Advertisement	-	38,400
Fee and subscription	158,987	155,350
Registrar expenses	50,000	72,000
Other expenses	-	30
Depreciation (Note 10.1.1)	6,608,428	317,595
	<u>7,405,733</u>	<u>1,718,137</u>
21.1 Auditors' remuneration		
Audit fee	100,000	150,000
Half yearly review	20,000	35,000
Others	30,000	-
	<u>150,000</u>	<u>185,000</u>
22 OTHER EXPENSES		
Provision for doubtful:		
Trade debts	21,739,123	-
Advances to employees	79,912	-
	<u>21,819,035</u>	<u>-</u>

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	Rupees	Rupees
23 FINANCE COST		
Cost of funds on:		
Short term borrowings	-	532,167
Long term financing	-	19,434
Bank charges	300	2,768
Interest on Workers' Profit Participation Fund utilised in company's business	-	5,518
	300	559,887

24 PROVISION FOR TAXATION

Current	-	60,069
Deferred	-	6,045,093
	-	6,105,162

24.1 Relationship of income tax expenses with accounting (loss) / profit

Accounting Loss before tax	-	(9,309,132)
Tax rate	%	35
Tax at applicable tax rate	-	(3,258,196)
Tax effect of expenses that are admissible / inadmissible	-	243,250
Tax effect of un-used brought forward losses	-	5,801,843
Tax effect of staff retirement gratuity payable	-	-
Tax effect of excess provision on taxable profit over minimum tax	-	3,318,265
	-	6,105,162

25 LOSS PER SHARE

There is no dilutive effect on the basic earning per share of the company, which is based on:

	2009	2008
Loss for the year	(29,225,068)	(15,414,294)
Weighted average number of ordinary shares	14,500,000	14,500,000
Loss per share-Basic (Rupees)	(2.016)	(1.063)

26 REMUNERATION OF CHIEF EXECUTIVE

PARTICULARS		
Managerial remuneration	-	100,000
House rent	-	45,000
Utilities	-	5,000
Total	-	150,000
Number of persons	1	1

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
27.1 FINANCIAL ASSETS AND LIABILITIES

	2009 All figures in rupees		
	Non-Interest / Mark-up Bearing		
	Maturity up to one year	Maturity after one year	Total B
FINANCIAL ASSETS			
Long term deposits	-	1,147,000	1,147,000
Trade debts	23,400,530	-	23,400,530
Loans and advances	79,912	-	79,912
Cash and bank balances	39,611	-	39,611
	23,520,053	1,147,000	24,667,053
FINANCIAL LIABILITIES			
Trade and other payables	11,342,045	-	11,342,045
	11,342,045	-	11,342,045

	2008		
	Non-Interest / Mark-up Bearing		
	Maturity up to one year	Maturity after one year	Total B
FINANCIAL ASSETS			
Long term deposits	-	1,147,000	1,147,000
Trade debts	27,518,728	-	27,518,728
Loans and advances	79,912	-	79,912
Cash and bank balances	43,398	-	43,398
	27,642,038	1,147,000	28,789,038
FINANCIAL LIABILITIES			
Trade and other payables	14,216,425	-	14,216,425
	14,216,425	-	14,216,425

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

27.1 FINANCIAL RISK MANAGEMENT

27.2.1 Financial risk factors

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

(a) Credit risk

Credit risk represents the risk that one party to the financial instrument will cause a financial loss for other party by failing to discharge an obligation.

Since there is no selling activity the company's Trade debts amounting to Rs. 23,400,530/- (2008: Rs. 27,518,728) are at credit risk, against which the company has made a provision of Rs. 21,739,123/- (2008: Rs. Nil).

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities.

As the net working capital of the company is negative, thus the company is exposed to liquidity risk.

(c) Market risk

(i) Currency risk

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

However the company is not exposed to currency risk because there are no such transactions giving rise to currency risk.

(ii) Interest rate risk

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

The company has no long term or short term interest bearing financial assets or financial liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

(iii) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices

27.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

MUKHTAR TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

28 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as going concern in order to provide adequate return for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. Consistent with others in the industry and the requirements of lenders the company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders, re-purchase of its shares, issue new shares or sell assets to reduce debt.

		<u>2009</u>	<u>2008</u>
29 CAPACITY AND PRODUCTION		17,280	17,280
Number of spindles installed		3	3
Number of shifts per day		Nil	Nil
Number of days worked		Nil	Nil
Number of shifts worked		Nil	Nil
Average number of spindles shift worked		4,760,878	4,760,878
Capacity at 20/s Count	Kgs.	Nil	Nil
Actual production	Kgs.	Nil	Nil
Actual production of yarn at 20/s count	Kgs.	Nil	Nil

30 DATE OF AUTHORISATION FOR ISSUE

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

31 GENERAL

Figures in the accounts are rounded off to the nearest rupee.

Place : Faisalabad
Dated: October 09, 2009

CHIEF EXECUTIVE

DIRECTOR

