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Annual Report
Two Thousand



SAFA TEXTILES LIMITED

Manufacturers & Exporters of Woven & Knitted Garments

# Disson

The Company is amongst one of the leading textile mills in Karachi, aims at producing international quality of woven and knitted garments for its export Markets. Our prime vision is to equip the factory with modern and sophisticated machines and develop the associated facilities which will help to reduce the cost of production, improve the quality of production, increase the profitability and the benefit to be absorbed by the Company its workers, and its shareholders.

Olession

Our mission is to promote our industry and boost our sales by exploring the international markets for our products specially those which have not been explored yet. By achieving this target we will be able to stand among the top block of garments exporters. Whereas, we would endeavor to enhance the value for our shareholders, to provide a comfortable place of work to our employees and to be an ethical partner to all our business associates. The company is to explore more opportunities in business and play a meaningful role on sustainable basis in the economy and social development of the country.

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#### CORPORATE INFORMATION

#### **BOARD OF DIRECTORS**

**Executive Director** 

MR. SYED IQBAL HUSAIN

MR. ADNAN IQBAL

MR. SYED TARIQUE HUSAIN

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR MARKETING

**DIRECTOR PRODUCTION** 

Non-Executive Director

MRS. SEEMA ADNAN MRS. SABEEN TARIQUE

MRS. FARHAT IQBAL MISS HAMNA HUSAIN NON-EXECUTIVE DIRECTOR

NON-EXECUTIVE DIRECTOR NON-EXECUTIVE DIRECTOR

NON-EXECUTIVE DIRECTOR

**BOARD OF AUDIT COMMITTEE** 

MR. SYED IQBAL HUSAIN MRS. SEEMA ADNAN MRS. SABEEN TARIQUE

MR. SHERIN LATIF

CHAIRMAN

MEMBER MEMBER

INTERNAL AUDITOR

**COMPANY SECRETARY** 

MR. SAJID DILSHAD

CHIEF FINANCIAL OFFICER

MR. BASIR AHMAD

LEGAL ADVISER

KHALID DAUD POTA (ADVOCATE)

**AUDITORS** 

M/S. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

CHARTERED ACCOUNTANTS

115, FIRST FLOOR, SIDCO AVENUE CENTER,

264-DIN MOHAMMAD WAFAI ROAD,

R.A. LINES, KARACHI.- 74400

**BANKERS** 

STANDARD CHARTERED BANK LTD.

HABIB METROPOLITAN BANK

NIB BANK LIMITED
BANK ALFLAH LIMITED

SHARE REGISTRAR

M/S. C & K MANAGEMENT

ROOM NO. 404, 4TH FLOOR,

TRADE TOWER,

ABDULLAH HAROON ROAD,

KARACHI.

REGISTERED OFFICE

PLOT NO: 26 & 26/1,

AND FACTORY

SECTOR 12-D, NORTH KARACHI INDUSTRIAL AREA,

KARACHI.

**TELEPHONE** 

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the Shareholders of Safa Textiles Limited will be held at 12:00 Noon., on Wednesday, 21st October, 2009, at Carlton Hotel, Zulfiqar Street, Phase-VIII, Defense Housing Authority, Karachi to transact the following business:

#### **Ordinary Business:**

- 1. To Approve the Minutes of Last Annual General Meeting.
- To receive, consider and adopt the Audited Account of the Company for the Year ended 30th June, 2009 together with Auditor's and Director's Report thereon.
- To appoint the Auditors for the year 2009 2010 of the Company and fix their remuneration. M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have retired and being eligible, have offered themselves for reappointment.
- To transact any other business with the permission of the chair.

By the order of the Board

Karachi; September 25, 2009

Company Secretary

#### NOTES:

- 1. The Share Transfer Book of the Company will remain closed from 12th October, 2009 to 21st October, 2009 (Both days inclusive).
- 2. A Member of the Company entitled to attend and vote at the Meeting may appoint another Member as his/her proxy to attend and vote at the meeting on his/her behalf. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.
- 3. Shareholders are requested to immediately notify the change in their address, if any.
- 4. All CDC Account Holders and Sub Account Holders who wish to attend the AGM should bring their Original ID Card. In case of proxies, a duly attested copy of CNIC should be attached with the Proxy Form.

#### DIRECTOR'S REPORT

#### **Dear Members**

On behalf of the board of directors I welcome you to the 24TH Annual General Meeting of the Company and take opportunity to present the Annual Report together with the Audited Financial Statements and Auditor's Report for the year ended 30th June, 2009

A comparative summary of the financial results for the year is as follows:

	Rupees 30.06.2009	Rupees 30.06.2008
Sales	395,270,837	367,422,211
Cost of Goods Sold	(350,243,143)	(328, 336, 462)
Gross Profit	45,027,694	39,085,749
Operating Expenses	35,685,747	29,165,510
Net Profit before tax	7,446,933	3,943,301
Net Profit after tax	3,518,360	427,109
Earning per Share	0.88	0.11

#### **Operating Results**

The Country had been in grip of a very bad economic / political situation. The law & order position through out the country is unstable. Therefore, Industrial and manufacturing activities has very badly effected. In this scenario Your Company has shown very good operating results.

The results of the Company during the last seven years, from 2003 to 2009 is attached in annexure 1 for your review.

#### Sales

The export sales of the company have increased from Rs.367 million to Rs.395 million. In spite of all the problem faced we have been able to increase the sale only because of the trust and confidence of our customers / buyers, as we give top priority to the satisfaction of our customers.

#### Production

Over the last year the volume of production has increased, We have maintained stricit control on the cost of production which is reduced from 90% in 2008 as compared to 89% in 2009

#### Quality Assurance

Quality assurance is an essential part of our production activity. Reliable and timely inspection is assured at each stage of production and before shipment.

#### Research & Development

Research and development plays an important role in the development of products, innovation and new techniques, improvement of skills, reduction of wastage and promotion of efficiency. Despite the withdrawal of R & D support by the Government we are starving to maintain the progress as effectively as possible.

#### Social Responsibility

The Company recognizes its social responsibility and obligations to the society as well as to our employees. Suitable assistance has been provided for education of children of our employees and medical treatment of their families. Staff welfare, and recreational activities is also a regular practice.

#### **Profit before Tax**

The operating profit before tax for the year ended June 30th, 2009 has increased from Rs.3.943 million to Rs.7.447 million in spite of rising cost of raw material, utility and frequent power breakdown. This was possible because of teamwork and coordinated efforts between management and staff.

#### **Dividends**

The board of directors regretfully inform that the company is not in a position to declare a dividend as company is working in highly volatile condition and liquidity shortage.

#### Earning per share

Our earning per share has improved significantly from Rs.0.11per share in 2008 to 0.88 per share in 2009.

#### Fixed Assets

During the year we have made addition of Rs.4.886 million.in plant and machinery. These additions will increase the production capacity and quality. During the same period we have disposed off old and outdated machinery costing Rs 0.148 million. We have aslo disposed off land at Port Qasim costing Rs.7.25 million to improve the liquidity position.

#### **Financial Charges**

Financial Charges including mark up have decreased from 5.714 million to Rs.5.187million.

#### Staff Provident Fund

The staff provident fund is operated successfully for its present employees.

#### Appointment of Auditors

M/s Rahman, Sarfaraz, Rahim Iqbal, Rafiq, Chartered Accountants have retired at the year ending 30th June, 2009 But have offered themselves for reappointment for the period 2009-10.

#### Statement on Corporate and Financial Reporting Frame Work

- The management of the company prepares the financial statements fairly presents its state of affairs, results of operations, cash flows and changes in equity.
- Proper books of the accounts of the Company are maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudential judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therein has been adequately disclosed.
- The system of internal control is sound and has been effectively implemented and monitored
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance as detailed in the listing regulation.
- All outstanding taxes and levies have been paid

#### **Directors Meetings:**

During the year five meetings of the board of directors were held.

• The following changes in shareholdings of the directors is made as compared with the previous year.

		2008	2009
Syed Iqbal Husain	from	1,108,900 to	708,900
Syed Tanque Husain	from	143,500 to	400,500
Mrs. Sabeen Tarique	from	1,000 to	144.000

• There has been no trading of shares by the Directors, Chief Executive, Chief Financial Officer. Company Secretary, their spouses and minor children except as gifted as under:.

From Syed Iqbal Husain gifted to Syed Tarique Husain	400,900
From Syed Tanque Husain gifted to Sabeen Tarique Husain	143,000

#### Financial statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants and their report is attached with the financial statements.

As required under listing regulations 37(xxiv) of Karachi Stock Exchange the Chief Executive Officer and Chief Financial Officer presented the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

#### **Human Relations and Administration**

"Our employees and staff are the source of pride and great satisfaction!" The human resources, administration, function to retain, develop and attract talented and dedicated individuals who are committed to building a healthy, safe and vibrant community. A highly competitive and well co-ordinated environment is ensured while providing for a variety of services including career opportunities, employee training and development, staffing labour relation, benefits and compensation, and human resource systems administration.

#### Labour Management Relations

Cordial relations are maintained between the management and labor during the year. We are pleased to inform that we have highly skilled workers. We wish to record our appreciation the hard work demonstrated by the employees at every level for the progress and growth of the Company.

On behalf of Board of Directors

SYED IQBAL HUSAIN
Chief Executive

Karachi, September 10, 2009

# 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 of listing regulations of Karachi Stock Exchange 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:

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 3 (three) independent non-executive Directors and no 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.
- All the resident Directors of the Company are registered as tax payers and non of them has defaulted in payment of any loan to a banking company, a DPI or NBFI or, being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
- 4) No casual vacancy occurred in Board during the year.
- The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all Directors and Employees of the Company.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of Board have been duly exercised and decisions on material transactions, appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by Board.
- 8) The meetings of Board were presided over by the chairman and, in his absence, by a Director elected by the Board for this purpose and Board meet at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
- 9) The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
- 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.
- The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.

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- The Directors, CEO and Executives do not hold any interest in the shares of the Company other 12) than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the Code. 13)
- The related party transactions have been placed before the audit committee and approved by the board of directors and pricing method for transactions that prevail in the arms length transactions.
- The Board has formed an audit committee. It comprises three members, all of whom are Non-15) Executive Directors including the chairman of the committee.
- The meetings of the audit committee were held at least once in every quarter prior to approval of 16) interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory 18) rating under the Quality Control Review program 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 International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other 19) 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.

Date: September 10, 2009

SYED IQBAL HUSAIN

CHAIRMAN & CHIEF EXECUTIVE

# COMPARATIVE STATEMENT OF OPERATING RESULTS FROM JUNE 2003 TO JUNE 2009 (7 YEARS)

------ Rupees in Thousands -----

				·			
PARTICULAR	JUNE 2003	JUNE 2004	JUNE 2005	JUNE 2006	JUNE 2007	JUNE 2008	JUNE 2009
SALES	132,621	158,507	182,999	227,884	281,562	367,422	395,271
COST OF GOODS SOLD	111,582	138,320	158,989	196,508	239,831	328,336	350,243
GROSS PROFIT	21,039	20,187	24,010	31,376	41,731	39,086	45.028
OPERATING EXPENSES	13,060	14,712	16,487	23,553	24,748	29,166	35,686
OPERATING PROFIT / (LOSS)	7,979	5,475	7,523	7,823	16,983	9,920	9,342
FINANCIAL / OTHER CHARGES	(2,196)	(1,948)	(2,122)	(2,639)	(5,075)	(5,715)	(5,187)
OTHER INCOME / (LOSS)	(4,196)	214	176	51	(5)	(262)	3.292
PROVISION FOR TAXATION	(982)	(1,165)	(1,354)	(2,088)	(2,658)	(3,516)	(3,929)
NET PROFIT / (LOSS)	605	2,576	4,223	3,147	9,245	427	3,518
TRANSFER TO GENERAL RESERV	/E -		-	_	_	-	(2,000)
ACCUMULATED PROFIT / (LOSS) B/F	(12,042)	(11,437)	(8,860)	(4,637)	(1,490)	7,755	6.182
DIVIDENDS PAID	_	-	-	_	-	(2,000)	_
PRIOR YEAR ADJUSTMENTS	-	-	_	_	-	-	-
ACCUMULATED PROFIT / (LOSS) C/F	(11,437)	(8,861)	(4,637)	(1,490)	7,755	6,182	7,700



#### Pl. Reply to:

115-Sidco, Avenue Cerum — F.cot. 264. Maulana Din Muranin — Wafai Road, R.A. Line P.O. Box # 1023 Karam (14-16) Tel: (92-21) 5210528 F68111 (15681313) Fax: (92-21) 5683270 E-mail. rs-co@cyber ner ps

# 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 Safa Textiles Limited ("the Company") to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Rahman Sarfaraz Rahim Inbal Rafiq

Chartered Accountants (Sarfaraz H. Siddiqi)

Date: 10 SEP 200

Karachi.

PRINCIPAL OFFICE: 54-P, Gulberg II, Lahore-54660 Phone: (92-42) 5875965-67 Fax: (92-42) 5758621 E-mail: alnasr@wo 🐡 🕮



# CHARTERED ACCOUNTANTS

Pi. Reply to:

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#### AUDITORS' REPORT TO THE MEMBERS

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

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

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

- in our opinion, proper books of accounts have been kept by the Company as required by the a) Companies Ordinance, 1984;
- in our opinion; b)
  - 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;
  - 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;
- in our opinion and to the best of our information and according to the explanations given to us, the c) balance sheet, profit and loss account, cashflow 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 profit, its cash flows and changes in equity for the year then ended; and
- in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII) d) of 1980).

Rahman Sarfaraz Rahim Inbal Rafiq

Chartered Accountants (Sarfaraz H. Siddiqi)

Karachi.

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# BALANCE AS AT

	Note	2009 RUPEES	2008 RUPEES
SHARE CAPITAL AND RESERVES			
Authorised 5,000,000 Ordinary shares of Rs. 10 each		50,000,000	50,000,000
Issued, subscribed and paid-up capital General reserve Unappropriated profit	4	40,000,000 4,000,000 7,700,374 51,700,374	40,000,000 2,000,000 6,182,014 48,182,014
CURRENT LIABILITIES			
Trade and other payables Accrued markup Short-term borrowings- secured Loan from others Current maturity of lease liability	<ul><li>5</li><li>6</li><li>7</li></ul>	40,476,087 979,623 82,556,087 992,827	44,255,207 559,427 54,330,584 642,257
Contingencies and commitments	8	- 125,004,624 - 176,704,998	329,588 100,117,063 148,299,077

The annexed notes from 1 to 32 form an integral part of these financial statements.

# SHEET

JUNE 30, 2009

	Note	2009 RUPEES	2008 RUPEES
NON-CURRENT ASSETS			
Property, plant and equipment	9	50,644,568	60,242,986
Long-term deposit	10	-	203,500
CURRENT ASSETS			
Stores and spares		229,827	313,654
Stock-in-trade	11	52,522,489	58,752,476
Trade debtors	12	23,128,620	7,737,542
Loans & advances	13	40,780,067	13,710,149
Advances, deposits and prepayments	14	502,063	819,512
Other receivables	15	2,256,722	4,468,338
Tax refunds due from Government	16	1,059,378	990,121
Cash and bank balances	17	5,581,264	1,060,799
		126,060,430	87,852,591
		176,704,998	148,299,077

Chief Executive

Chief Financial Officer

Director

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 RUPEES	2008 RUPEES
Sales	18	395,270,837	367,422,211
Cost of sales	19	(350,243,143)	(328, 336, 462)
Gross profit		45,027,694	39,085,749
Distribution cost	20	8,361,683	6,393,534
Administrative expenses	21	27,324,064	22,771,976
		35,685,747	29,165,510
Operating profit		9,341,947	9,920,239
Other operating expenses	22	283,853	207,542
Finance cost	23	4,903,540	5,507,408
		5,187,393	5,714,950
		4,154,554	4,205,289
Other operating income / (loss)	24	3,292,379	(261,988)
Profit before taxation		7,446,933	3,943,301
Taxation	25	(3,928,573)	(3,516,192)
Profit after taxation		3,518,360	427,109
Earning per share - basic and diluted	26	0.88	0.11

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Badw Ahmad

Director

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

	2009 RUPEES	2008 RUPEES
Cash flows from operating activities  Profit before taxation	7,446,933	2 0/2 20
	7,440,733	3,943,30
Adjustments for:		
Depreciation	5,475,867	4,824,43
Amortization of intangible assets	35,693	44,61
Finance cost	4,903,540	5,507,40
(Gain) on sale of property, plant and equipment	(2,684,642)	(238,24
	7,730,458	10,138,21
Increase in trade and other receivables	15,177,391	14,081,51
Decrease in stores and spares	83,827	(5,02
Increase in stock-in-trade	6,229,987	1,286,94
Increase in trade debtors	(15,391,078)	(7,737,54
Increase in loans & advances	(27,069,918)	(3,370,05
Decrease in advances, deposits and prepayments	317,449	(28,07
Decrease in other receivables	2,211,616	916,41
Increase in tax refunds from Government	(69,257)	710,11
	(33,687,374)	(8,937,34
Increase in loan from others	350,570	642,25
Decrease in trade and other payables	(3,779,120)	5,961,10
- caronic are made with puly works	(3,428,550)	6,603,36
Cash generated from operations	(21,938,533)	11,747,53
Finance cost paid	(4,483,344)	(4,947,98
Taxes paid	(3,928,573)	(3,516,19
	(8,411,917)	(8,464,17
Net cash used in operating activities	(30,350,450)	3,283,35
Cash flows from investing activities		
Purchase of property, plant and equipment 9	(3,251,000)	(11,400,21
Proceeds from sale of fixed assets	10,022,500	293,50
Capital work in progress	_	(3,157,15
Net cash used in investing activities	6,771,500	(14,263,86
Cash flows from financing activities		
Dividend paid		(1,599,38
Proceeds from long term deposit	203,500	
Proceeds from short term borrowings	28,225,503	10,040,41
Payment of finance lease liabilities	(329,588)	(686,36
Net cash from financing activities	28,099,415	7,754,67
Net increase/(decrease) in cash and cash equivalent	4,520,465 1,060,799	(3,225,83 4,286,63
Cash and cash equivalent at the beginning of the period		

Chief Executive

Chief Financial Officer

Director

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# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

ISSUED, **SUBSCRIBED** & PAID UP CADITAL

GENERAL UNAPPROPRIATED TOTAL RESERVE

PROFIT (LOSS)

	CAPITAL			
	<del></del>	EES		
BALANCE AS ON 30TH JUNE, 2007	40,000,000	2,000,000	7,754,905	49,754,905
NET PROFIT FOR THE YEAR	-	-	427,109	427,109
DIVIDEND PAID	-	-	(2,000,000)	(2,000,000)
BALANCE AS ON 30TH JUNE, 2008	40,000,000	2,000,000	6,182,014	48,182,014
NET PROFIT FOR THE YEAR	_	-	3,518,360	3,518,360
PROFIT TRANSFER TO RESERVE	-	2,000,000	(2,000,000)	_
BALANCE AS ON 30TH JUNE, 2009	40,000,000	4,000,000	7,700,374	51,700,374

Chief Executive

Chief Financial Officer

Badw Ahmad

Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2009

#### 1 THE COMPANY AND ITS OPERATIONS

Safa Textiles Limited ("the Company") was incorporated in Pakistan as a private limited liability company on November 08, 1984 and was subsequently converted into a public limited company on April 01, 1992 and it is quoted on Karachi Stock Exchange. The principal activities of the Company are manufacturing and export of garments.

The registered office of the Company is situated at 26 & 26/1, Sector 12-D North Karachi, Karachi, Pakistan.

#### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of financial instruments which are stated at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

#### 2.4 Use of estimates and judgments

The preparation of financial statements is conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments 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. Revision to an accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying company's accounting policies, management has made following estimates and judgments which are significant to the financial statements.

- Accounting for staff benefits (note 3.2).
- Provision for taxation (note 3.4)
- Useful lives and residual values of property, plant and equipment (note 3.5)
- Provision for doubtful debts (note 3.12).
- Disclosure of contingencies (note 8)

# 2.5 Initial application of a Standard, Amendment or an Interpretation to an existing Standard and forthcoming requirements

#### Initial application

The following standards, amendments and interpretations become effective during 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 disclosure 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 Economics (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 operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards 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 1 January 2008) 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 (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30th June 2009.

#### Forthcoming requirements

The following standards, interpretations and amendments of approved accounting standards are 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 increase in disclosures in certain cases;

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 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.

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- Revised IAS 23 Borrowing costs (effective for annual periods beginning on or after 1 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 asset 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.
- IAS-27 'Consolidated and separate financial statemeths' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS-27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company's financial statements.
- Amendment to IAS 32 Financial instruments: Presentation and IAS -1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) Puttable Financial Instruments and Obligations Arising on Liquidation 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 amendment, which require retrospective application, are not expected to have any impact on the Company's financial statements.
- Amendments to IAS 39 and IFRIC-9. Embedded derivatives (effective for annual periods beginning on or after 1 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.
- Amendments to IAS 39 Financial Instruments: Recognition and measurement Eligible hedged items (effective for annual periods beginning on or after 1st July 2009) clarities the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- Amendment to IFRS 2 Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 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 1 January 2010). Currently effective IFRSs 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 transaction 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 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations 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.
- IFRS-4 Insurance Contracts (effective for annual periods beginning on or after 1 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.
- Amendment to IFRS-7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 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.
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 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 are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment 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 1 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 amendment 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 1 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 recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

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- 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 International Accounting Standards Board made certain amendments to existing standards as part of its First annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

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.

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently to all the year presented.

#### 3.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, if any, are recognized as deduction from equity.

#### 3.2 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions plans are recognized as an employee benefit expense in profit or loss when they are due.

The Company operates an approved provident fund scheme for eligible employees of the Company. Equal monthly contributions are made by the Company and employees at the rate of 5% of basic salary.

#### 3.3 Foreign currencies translation

The foreign currency transactions are initially translated into Pak. rupees at the rates of exchange prevailing on the date of transaction. Subsequently, monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange approximating that prevalent on the balance sheet date. Exchange differences are included in the profit and loss account currently.

#### 3.4 Taxation

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

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#### **Current taxation**

Provision for taxation is based on applicable tax laws at the current rates of taxation. Presently provision for current taxation is based on final tax regime in accordance with the provisions of section 154 of the Income Tax Ordinance, 2001.

#### **Deferred taxation**

The Company has not recognized deferred tax in the financial statements as the tax liabilities of the Company are determined under the final tax regime.

#### 3.5 Property, plant and equipment

Property, plant and equipment except lease-hold land are stated at cost less accumulated depreciation and identified impairment loss, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs (note 3.16). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is charged to income applying the diminishing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 9.1 to the financial statements. Full month's depreciation is charged on additions during the month while no depreciation is charged on disposal or retirement of assets during the month. Impairment loss or it's reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over it's estimated useful life.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Gain is not classified as revenue. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

#### Lease assets

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the lease assets. The related obligations under the lease are accounted for as liabilities. Depreciation charged is based on rates and method specified in note no 9.1

The financial charge is calculated at the rate implicit in the lease.

#### Intangible assets

Expenditure incurred to acquire software license is capitalized as intangible asset and stated at cost less accumulated amortization and impairment loss.

#### 3.6 Capital work in progress

Capital work in progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

#### 3.7 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

#### 3.8 Stores, spares and loose tools

These are stated at cost less provision for slow moving and obsolete stores and spares. Cost is determined on average cost method. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

#### 3.9 Stock-in-trade

Raw and packing materials are valued at lower of cost, determined on first in first out basis and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date. Stocks of semi-finished and finished products are valued at lower of cost, determined on lower of cost, and net realizable value. Cost in relation to semi-finished and finished products represents cost of raw materials, wages and appropriate charge for completion.

#### 3.10 Trade debts

These are recognized and carried at original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off when identified.

#### 3.11 Loans, advances and other receivables

These are stated at cost less provision for any doubtful receivables.

#### 3.12 Provisions

A provision is recognized in the balance sheet when the company has a (legal or constructive) obligation as a result of past event and 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).

#### 3.13 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration received, whether or not billed to the Company.

#### 3.14 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in individual policy statements associated with item.

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#### 3.15 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 a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis or to realize the asset and settle liability simultaneously.

#### 3.16 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

#### 3.17 Cash and cash equivalents

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

#### 3.18 Revenue recognition

- Sales are recorded on dispatch of goods.
- Export rebate is recognised on accrual basis.
- Research & development support is recognised on accrual basis.

Return on bank deposits is accrued on a "time proportion" basis by reference to the principal outstanding and the applicable rate of return.

#### Research and Development Support

The Government of Pakistan vide Research and Development Support order dated 18th May, 2005 and subsequent amendments therein, have provided to the textile garments units, the support at the rate of 6% of FOB value under chapters 61 and 62 of the Pakistan Custom Tariff.

State Bank of Pakistan (SBP) vide its circular No. FEOD/20679/R&DS-103-08 dated 23rd June, 2008 issued instructions refer note no. 18.1.

The Company accounts for the Research and Development Support on accrual basis and spends the same on product and skill development, training consultancy and up-gradation of information and technology.

#### 3.19 Dividend and appropriation to reserve

Dividend declared is recognised as a liability in the period in which it is approved by the Directors and Shareholders.

#### 3.20 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 3.21 Transactions with related parties

Sales, purchases and other transactions with related parties are carried at arms length commercial basis.

			Note	2009 RUPEES	2008 RUPEES
4	ISSUED, SU	BSCRIBED AND PAID UP CAPITAL			
	3,990,900	Ordinary Shares of Rs.10/= each fully paid in cash		39,909,000	39,909,000
	9,100	Ordinary Shares of Rs. 10/= each issued as fully paid bonus shares		91,000	91,000
	4,000,000			40,000,000	40,000,000
,	TRADE ANI	D OTHER PAYABLES			
	Unclaimed sa Unclaimed di	enses tax payable fit Participation Fund laries vidend	5.1	25,746,063 4,590,303 9,167,265 1,193 491,395 62,260 400,620	32,264,412 5,488,000 5,869,302 6,125 207,542 400,620
	Staff Provide	nt runa		16,988 40,476,087	19,206 
5.1	WORKER'S	S PROFIT PARTICIPATION FUND	=	·	
		e beginning of the year during the year		207,542	642,320 (642,320)
	Allocation fo Interest for 20			207,542 250,646 33,207	207,542
			_	491,395	207,542
•	SHORT TEI	RM BORROWINGS- Secured			
	NIB Bank L	td.			
	Letter of cred Payment again	nst packing credit lits Inst documents nst imported merchandise	6.1 6.2	55,000,000 20,037,155 -	30,000,000 9,952,911 1,857,023
		inst foreign bills purchased	6.3	7,518,932	4,783,108 7,737,542
				82,556,087	54,330,584
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6.1 (a) The above finance is secured against equitable mortgage of Rs. 57.00 million over fixed assets of the Company including land, building, plant & machinery located at their factory at Plot no. 26 & 26/1, Sector 12-D, North Karachi Industrial Area, Karachi.

Valid firm export contracts and / or letters of credit under lien at least equal to the amount of FAPC-I/II outstanding at any time.

- (b) The finance carries mark-up @7.50% per annum.
- (c) Sanction limit: Rs 55 million upto 31-08-2009
- 6.2 1st registered Hypothecation charge of Rs.65.00 million over stocks of fabrics, woven & knitted garments comprising finished, semi finished and raw material with 25% margin.
  - Nil cash margin on SLC/ULC or as per SBP margin requirement whichever is high.
  - Lien over import documents.
  - Accepted Bill of exchange.
- 6.3 Lien on export documents under export SLC/ULC of top tanking banks at nil margin.

		Note	2009 RUPEES	2008 RUPEES
7	LOAN FROM OTHERS			
	Loan		992,827	642,257

This represents an interest free loan from Mr. Kausar, an unrelated person, it is unsecured and is repayable when asked for.

#### 8 CONTINGENCIES AND COMMITMENTS

#### Contingencies

- There has been no contingency as at the balance sheet date.

#### **Commitments**

Tangible '

- Capital expenditure commitment amounts to Rs. 0.5 million (2008: 5.285 million)
- Revolving LCs for export and import of goods amount to Rs. 125.62 million (2008: Rs. 153 million) FBP.

#### 9 PROPERTY, PLANT AND EQUIPMENT

# Operating fixed assets 9.1 50,501,792 58,329,517 Capital work-in-progress - civil works 1,735,000 Intangible 9.2 142,776 178,469

**50,644,568** 60,242,986

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## 9.1 SCHEDULE OF PROPERTY, PLANT & EQUIPMENT

(Figures in Rupees)

OPERATING FIXED ASSETS	COST	ADDITIONS/	DELETION	AS ON	RATE	ACCUMULATED	DEPRECIATION	DEPRECIATION	ACCUMULATED	NET BOOK
	01.07.2008	TRANSFER		30.06.09	%	DEPRECIATION		ON	DEPRECIATION	VALUE
						01.07.2008		DELETION	30.06.09	30.06.09
Leasehold land	7,534,070	•	7,250,000	284,070	0%	•	•		-	284,070
Building on leasehold land	24,851,391	-	-	24,851,391	5%	8,165,376	834,301	•	8,999,677	15,851,71
Plant and machinery	33,944,329	2,299,000	148,000	36,095,329	10%	12,186,717	2,352,950	60,142	14,479,525	21,615,80
Electrical appliances	4,497,795	169,000	•	4,666,795	10%	1,693,704	287,568	-	1,981,272	2.685,52
Installations and fittings	544,659	-	-	544,659	10%	408,341	13,632	-	421,974	122,685
Furniture and fixtures	1,258,863	-	-	1,258,863	10%	628,427	63,044	-	691,471	567,392
Motor vehicles	8,815,525	4,500,000	-	13,315,525	20%	3,501,686	1,737,768		5,239,454	8,076,07
Office and other equipment	3,004,214	53,000	•	3,057,214	10%	1,185,428	186,604	-	1,372,032	1,685,183
-	84,450,846	7,021,000	7,398,000	84,073,846		27,769,679	5,475,866	60,142	33,185,404	50.888,442
Finance Lease										
Plant and machinery	2,035,000	(2,035,000)	-	-	10%	386,650	-		386,650	(386,650
June 30, 2009	86,485,846	4,986,000	7,398,000	84,073,846	•	28,156,329	5,475,866	60,142	33,572,054	50,501,792
June 30, 2008	73,916,988	13,208,658	639,800	86,485,846	-	23,439,949	4,824,433	108,053	28,156,329	58,329,51
INTANGIBLE ASSETS										
Software										
June 30, 2009	295,000	-		295,000	20%	116,531	35,694	_	152,225	142,776
June 30, 2008	295,000			295,000	20%	71,914	44,617		116,531	178,469

#### 9.1.1 ALLOCATION OF DEPRECIATION

DEPRECIATION

June 2009

DEPRECIATION CHARGED TO

BASIS

RUPEES

 COST OF SALES
 70%
 3,858,092

 ADMINISTRATION
 30%
 1,653,468

#### DISPOSAL OF FIXED ASSETS

PARTICULARS	COST	ACC.DEP	BOOK VAL	SALES VAL	(GAIN)/Loss	by negotiation
Sale of Plot at Port Bin Qasim	7,250,000	-	7,250,000	10,000,000	2,750,000	Ismail Industries Ltd. 17, Banglore Town Shahrah-e-Faisal Karachi
05 old snap button machines	148,000	60,142	87,858	22,500	(65,358)	Master apparel R-5, Street 9/A, Sector 15-B near Y2K
	7,398,000	60,142	7,337,858	10,022,500	2,684,642	

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5,511,560

		Note	2009 RUPEES	2008 RUPEES
10	LONG TERM DEPOSITS			
	Security Leasing Corporation Limited			203,500
11	STOCK IN TRADE			
	Raw materials and accessories Work in process Finished goods		15,667,406 19,874,999 16,980,084	14,594,847 26,604,656 17,552,973
1.0			52,522,489	58,752,476
12	TRADE DEBTORS			
	Considered good Unsecured			
	Exports		23,128,620	7,737,542
			23,128,620	7,737,542
13	LOANS AND ADVANCES -Considered good -Unsecured			
	Loans to Staff- unsecured		615,726	678,637
	Advances - Considered good - for raw materials - for expenses - for supplies and services		11,736,407 874,754 27,553,180	9,888,219 2,131,279 1,012,014
	Tor supplies and services		40,780,067	13,710,149
14	DEPOSITS AND PREPAYMENTS			
	Deposit refundable - Custom House		· 	600,000
	Prepaid insurance		502,063	219,512
			502,063	819,512
15	OTHER RECEIVABLES			
	- Considered good Export rebate receivable R & D receivable from SBP Others	18.1	1,070,021 1,036,133 150,568 2,256,722	329,363 3,890,057 248,918 4,468,338

		Note	2009 RUPEES	2008 RUPEES
16	TAX REFUNDS FROM GOVERNMENT			
	Withholding tax others Sales tax		644,717 414,661	499,332 490,789
			1,059,378	990,121
17	CASH AND BANK BALANCES			
	Cash in hand Cash at banks		17,103	1,665
	-In current accounts -In deposit account		5,561,649 2,512	1,055,962 3,172
			5,564,161	1,059,134
18	SALES		5,581,264	1,060,799
	Exports		393,278,629	346,502,645
	Export rebate		1,151,395	647,637
	Research and development	18.1	840,813	20,271,929
			395,270,837	367,422,211

June, 2008 decided, while working in collaboration with Finance Division, that after 30-06-2008, SBP BSC (Bank), field offices will not make payment of the subsidy amount directly to any beneficiary. All payments of subsidy claim duly confirmed / verified by SBP BSC (Bank), Field Offices will be considered for payment on receipt of authorization of Finance Division. After receiving the debit authority from Finance Division, SBP BSC (Bank), Field Offices can debit the Government account for the payment of subsidies under intimation to Finance Division and AGPR.

During the year the Company claimed R&D as against S.B.P circular No. FEOD/44270/DIR-103-08 dated 22nd November, 2008.

		Note	2009 RUPEES	2008 RUPEES
19	COST OF SALES			
	Raw materials consumed	19.1	168,717,052	140,803,613
	Accessories Packing materials consumed	19.2 19.3	40,720,448 9,625,557	53,774,803 10,736,752
			219,063,057	205,315,168
	Salaries, wages and other benefits		14,753,378	12,906,750
	Cutting and stitching charges		66,288,651	67,377,732
	Conversion cost		26,608,030	29,556,796
	Stores and spares	19.4	2,559,065	2,558,508
	Fuel and power		4,880,610	3,753,411
	Repair and maintenance		3,023,841	4,087,268
	Water charges		177,365	188,955
	Travelling		863,250	820,019
	Cartage		865,258	283,731
	Depreciation	9	3,858,092	3,408,335
			123,877,540	124,941,505
	Work in process - opening		26,604,656	37,980,514
	- closing		(19,874,999)	(26,604,656)
			6,729,657	11,375,858
	Cost of goods manufactured		349,670,254	341,632,531
	Finished goods - opening		17,552,973	4,256,904
	- closing		(16,980,084)	(17,552,973)
			572,889	(13,296,069)
10.1	Dave matarials consumed		350,243,143	328,336,462
19.1	Raw materials consumed			
	Opening balance		9,181,943	12,282,905
	Purchases during the year		166,709,652	137,702,651
			175,891,595	149,985,556
	Closing balance		(7,174,543)	(9,181,943)
			168,717,052	140,803,613
19.2	Accessories			
	Opening balance		5,153,811	4,252,188
	Purchases during the year		43,727,311	53,550,462
	Transfer-inn from packing material	19.3	-	1,125,964
	Transfer min from packing material		48,881,122	58,928,614
	Closing balance		(8,160,674)	(5,153,811)
		,	40,720,448	53,774,803

		Note	2009 RUPEES	2008 RUPEES
19.3	Packing Materials			
	Opening balance Purchases during the year Transfer out to accessories	19.2	259,093 9,698,653	3,819,688 8,302,121 (1,125,964)
	Closing balance		9,957,746 (332,189)	10,995,845 (259,093)
19.4	Store and Spares		9,625,557	10,736,752
			212 654	200 626
	Opening balance Purchases during the year		313,654 2,475,238	308,626 2,563,537
	Closing balance		2,788,892 (229,827)	2,872,163 (313,655)
			2,559,065	2,558,508
20	DISTRIBUTION COST			
	Shipping and clearing expenses	•	6,412,423	4,905,915
	Travelling Postage & courier		1,383,020 566,240	1,047,632 439,987
			8,361,683	6,393,534
21	ADMINISTRATIVE EXPENSES			
	Director's remuneration Salaries and other benefits Printing and stationery Telephone, telex and postage Rent, rates and taxes Canteen expenses Newspapers, subscription and advertisements Utilities Travelling and conveyance Repair and maintenance and service charges Computer expenses Legal and professional fee Auditor's remuneration Insurance premium Depreciation Miscellaneous expenses Skill development and training expenses	21.1	2,760,000 12,064,484 350,224 660,650 345,167 449,205 154,370 265,185 758,804 2,545,717 161,220 88,500 290,100 699,922 1,653,468 - 4,077,048	2,040,000 10,021,084 197,080 775,374 306,785 314,833 79,956 207,653 536,574 1,411,363 250,617 62,720 257,625 367,918 1,460,715 14,224 4,467,455

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		Note	2009 RUPEES	2008 RUPEES
21.1	AUDITOR'S REMUNERATION			
	Audit fee Half yearly review Code of Corporate Governance - certification Out of pocket expenses Other professional charges		160,000 50,000 40,000 40,100	140,000 40,000 30,000 27,625 20,000
			290,100	257,625
22	OTHER CHARGES			
	Workers Profit Participation Fund Interest for 2007-2008		250,646 33,207	207,542
			283,853	207,542
23	FINANCE COST			
	Mark-up on borrowings Bank charges		2,610,391 2,293,149	2,353,753 3,153,655
			4,903,540	5,507,408
24	OTHER INCOME	1		
	Gain / (Loss) on sale of property, plant and equipmed Sale of waste stock Foreign exchange Gain/(loss)	nent	2,684,642 101,304 506,433	(238,247) 108,612 (132,353)
		•	3,292,379	(261,988)
25	TAXATION			
	- Current year		3,928,573	3,516,192
		•	3,928,573	3,516,192
26	EARNING PER SHARE - basic and diluted			
	Net profit for the year after tax	•	3,518,360	427,109
	Average ordinary shares in issue during the year	(Number)	4,000,000	4,000,000
	Earning per share	(Rupees)	0.88	0.11

#### 27. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Remuneration
House rent and other allowances

Total
Number of persons

Chief Ex	ecutive	Directors		
2009	2008	2009	2008	
740,000 370,000	560,000 280,000	1,100,000 550,000	<b>800</b> ,000 <b>400</b> ,000	
1,110,000	840,000	1,650,000	1,200,000	
1	<u>l</u>	Z	<u></u>	

Directors are entitled for Company maintained vehicles.

No executives employed by the Company as defined in Clause 2(iii) to the 4th schedule of Companies Ordinance, 1984 for the year ended June 30, 2009 and June 30, 2008 respectively.

#### 28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 28.1 Financial asset and liabilities

The Company's exposure to yield/markup can be evaluated from the following schedule:

	2009					
	Non-Interest / Bearing	-	Interest b	Interest bearing		1
	Maturity	Maturity	Maturity	Maturity		
	upto one	after one	upto one	after one	2009	2008
	year	year	year	year		
Financial assets		•	•			
Trade Debtors	23,128,620	_	_	-	23,128,620	7,737,542
Loans and advances	40,780,067	_	_	_	40,780,067	3,821,930
Deposits and prepayments	502,063	_	_	_	502,063	600,000
Other receivables	2,256,722	_	_	_	2,256,722	4,468,338
Cash and bank balances	5,578,752	_	2,512	_	5,581,264	1,059.134
	72,246,224	_	2,512		72,248,736	17,686.944
Financial liabilities						
Trade and other payables	40,476,087		_		40,476,087	44,362,604
Accrued mark-up	10,470,007		979,623	_	979,623	44,302.004
Lease finance	_	_	777,023		) / / <b>, U _</b> _	329,588
Short-term finances	_	_	82,556,087	_	82,556,087	54,330,584
Loan from others	992,827	_	02,550,007	_	992,827	642.257
	772,027			_	772,027	042.237
	41,468,914	<u>-</u>	83,535,710		125,004,624	99,665,033

For effective interest rate please refer to note 5.

2008

	Non-Interest / Mark-up Bearing		Interest bearing		Total	
	Maturity	Maturity	· 1	Maturity	2000	2007
	upto one	after one	upto one	after one	2008	2007
	year	year	year	year		
Financial assets						· · · · · · · · · · · · · · · · · · ·
Trade debtors	7,737,542	-	_	_	7,737,542	-
Loans and advances	3,821,930	_	_	_	3,821,930	451,871
Deposits	600,000	_	_	_	600,000	600,000
Other receivables	4,468,338	_	_	_	4,468,338	5,771,694
Cash and bank balances	1,055,962		3,172	_	1,059,134	4,286,630
	17,683,772		3,172		17,686,944	11,110,195
Financial libilties Lease finance Short-term finances Loan from others Trade and other payables	- 642,257 44,362,604		329,588 54,330,584 -		329,588 54,330,584 642,257 44,362,604	1,015,951 44,290,165 - 38,207,164
	45,004,861	_	54,660,172		99,665,033	83,513,280
On Balance sheet gap	(27,321,089)	) -	(54,657,000)		(81,978,089)	(72,403,085)

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

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value.

#### 28.3 Financial risk management objective

The Company's activities expose it to a variety of financial risks, including the effect of changes in foreign currency rates, credit and liquidity associated with various financial assets and liabilities respectively as referred to in note no 28.1. The Company finances its operations through equity and bank facilities.

#### (a) Foreign exchange rate risk management

Foreign currency rate risk arises mainly where receivables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales that are entered into a currency other than Pak Rupees, (note no.18). The Company does not use any instrument to hedge its risk as the amount receivable at any time is immaterial.

#### (b) Credit risk management

Credit risk represents, the accounting loss that would be recognised at the reporting date, if counter parties fail completely to perform as contracted. The company is not exposed to major concentration of credit risk and manage its exposure to credit risk by making export sales against letters of credit at sight and making appropriate provisions for doubtful receivables, where it considers necessary, (note no. 12).

#### (c) Liquidity risk

Liquidity risk is the risk that an 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 to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

#### 29 RELATED PARTY TRANSACTIONS

The related parties comprise of subsidiary, associated companies, directors of the Company, key management personnel and staff retirement fund as identified in Companies Ordinance, 1984. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2009 RUPEES	2008 RUPEES
Rent for the Marketing Office	450,000	300,000

#### 30 CAPACITY AND PRODUCTION

The production capacity of the Company cannot be determined because of processes involved and variation in sizes, styles and texture of cloth etc.

#### 31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 10th September, 2009 by the Board of Directors of the Company.

#### 32 GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures, where necessary, have been reclassified.

Chief Executive

Chief Financial Officer

Badw Ahmad

Director

# PATTERN OF SHAREHOLDING AS ON JUNE 30, 2009

NUMBER OF	SHAR	TOTAL		
SHARE HOLDERS	FROM	TO		SHARE SHELD
42	1	_	100	3,820
33	101	_	500	15,780
5	501	_	1,000	5,000
9	1,001	_	5,000	22,000
1	25,001	_	30,000	27,000
2	125,001	_	135,000	259,000
2	140,001		150,000	300,500
1	170,001	_	200,000	175,000
2	200,001	_	230,000	422,700
1	375,001	_	400,000	399,300
2	400,001	_	450,000	800,800
1	700,001	_	750,000	708,900
1	850,001	-	900,000	860,200
102				4,000,000

# ADDITIONAL INFORMATION REQUIRED BY SECP

DESC	RIPTION		NO.	NO. OF SHARES	Precentage	
2. I	<ol> <li>Associated Companies, undertaking and related parites;</li> <li>NIT and ICP</li> <li>Directors, CEO and their spouse and their minor children (name wise detailes);</li> </ol>				NIL NIL	
]	NAME	DESIGNATION	RELATION			
1	Syed Iqbal Husain		W//o C Inhal Hyggin	1	708,900 399,300	17.72 9.98
1	Mrs. Farhat Iqbal	Director	W/o. S. Iqbal Husain	1	400,300	10.01
1	Mr. Adnan Iqbal Syed Tariq Husain	Director Director	S/o. S. Iqbal Husain S/o. S. Iqbal Husain	1	400,500	10.01
1	Mrs. Seema Adnan	Director	W/o. S. Adnan Iqbal	1	146,500	3.66
1	Mrs. Sabeen Tariq	Director	W/o. S. Adman Iqual W/o. S. Tariq Husain	1	144,000	3.60
1	Miss Hamna Husain		- Turiq masum	1	126,000	3.15
<b>1</b> . ]	Executives:			_	NIL	NIL
5.	Public sector campanies and corporation.				NIL	NIL
5.	Joint Stock Compan	ies	4	5,000	0.13	
1	Banks development f ALIED BANK LTD		1	860,200	21.51	
7.					NIL	NIL
1	General Public IND	IVIDUALS	90	809,300	20.23	
		<del></del>		102	4,000,000	100

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## FORM OF PROXY

Please Quote				
Folio No.	No. of Shares Held.			
I/We		of		
				FA TEXTILES LIMITED
hereby appoint				of
	(full address	or failing him		
<del></del>		of	<u> </u>	(full
address) as my	our proxy to attend	nd vote for my / our b	behalf at the 24th	Annual General Meeting of
the Company t	o be held at 12:00 noon	on Wednesday, 21st C	october, 2009 at Ca	arlton Hotel, Zulfiqar Street,
Phase-VIII, D.	H.A., Karachi and at a	y adjournment thereo	f.	
		•		
As witness my	/ our hands this		_ day	
of		in the presence of		
				Please Affix
				Revenue stamp
				Rs. 5.00
(Witi	ness)			(Signature of Member
				must be in accordance
				with the specimen signatures registered with the Company)
This form of particles of the Company's reg	roxy, duly completed and istered office not less to	d signed across revent an 48 hours before the	ue stamp of Rs. Fi	ive must be deposited at the of Annual General Meeting.

·- ·--<del>----</del> -•