

QUETTA TEXTILE MILLS IMITED

Annual Report 2009

For the Year Ended June 30, 2009

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QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Khalid Iqbal (Chief Executive) Mr. Tariq Iqbal Mr. Daanish Javed Mr. Asim Khalid Mr. Omer Khalid Mrs. Najma Javed Mrs. Tabbasum Tariq
AUDIT COMMITTEE	Mr. Asim Khalid (Chairman) Mrs. Najma Javed (Member) Mrs. Tabbasum Tariq (Member)
CHIEF FINANCIAL OFFICER	Mr. Omer Khalid
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4 th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited Al-Baraka Islamic Bank B.S.C. (E.C) Askari Bank Limited Atlas Bank Limited Bank Al-Falah Limited Dawood Islamic Bank Limited. Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Royal Bank of Scotland Soneri Bank Limited Silk Bank Limited Standard Chartered Bank (Pakistan) Ltd United Bank Limited
REGISTERED OFFICE	Nadir House (Ground Floor) I. I. Chundrigar Road, Karachi
MILLS	P/3 & B/4, S.I.T.E., Kotri 49 K.M. Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 44th Annual General Meeting of the Shareholders to be held on Saturday, October 31, 2009 at 09.00 a.m. at the Registered office of the company at Nadir House, Ground floor, I.I Chundrigar Road, Karachi to transact the following business.

1. To confirm the minutes of the 43rd General Meeting held on October 31, 2008.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2009.
3. To appoint Auditors for the year 2009-2010 and fix their remuneration.
4. To transact any other business with the permission of the Chairman.

SPECIAL BUSINESS

5. To consider and approved the remuneration payable to Chief Executive of the company.

Karachi: October 09, 2009

By order of the Board
MOHAMMAD SOHRAB GHANI
Company Secretary

1. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Proxies in order to be valid must be received at the registered office of the company 48 Hours before meeting commences.
2. The Register of the members of the company will remain closed at registered office from October 30, 2009 to November 06, 2009 (both days inclusive).
3. Guidelines for CDC Account Holders for personal attendance:
 - i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his / her identity by showing his/her original NIC at the time of attending the meeting
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
3. Shareholders are required to promptly notify at registered office of the company of any change in their address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out material facts concerning the Special Business to be transacted at the 44th Annual General Meeting of Quetta Textile Mills Limited to be held on October 31, 2009.

ITEM No. 5 OF THE AGENDA

Approval of the shareholders will be sought for the remuneration payable to Chief Executive in accordance with their terms and conditions of service. For this purpose it is intended to propose that the following resolution be passed as a Special Resolution, namely.

“RESOLVED THAT the Company hereby authorizes the holding of offices of profit and payment as remuneration to Mr. Khalid Iqbal, Chief Executive, not exceeding Rupees 420,000 per annum with effect from July 1, 2009, inclusive of perquisites and benefits to which he is entitled under his term of employment, and for the remainder of the term remuneration per annum not exceeding the said amount as increased by the sums that may be applicable under respective terms of employment.

FURTHER RESOLVED THAT in the event of any of the aforesaid offices of profit falling vacant, the approval hereby given shall, subject to the terms of appointment, be equally applicable to any other person appointed to fill such vacancy”.

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW REPORT

Dear Shareholders:

It is my pleasure to present to you the results of your company for the year ended 30th June, 2009.

Your company earned a pre-tax profit of Rs.98.968 million as compared to Rs.46.556 million in the corresponding year. Turnover for the year was Rs.7.2 billion as compared to Rs.5.8 billion in June 2008 showing an increase of 24.8% over last year. The Gross Profit margin improved to 14.21% of sales, as compared to 10.29% in the corresponding last year.

Bottom line of the company is still suffering due to very high interest rates. The financial cost has increased sharply which has eroded the profit margins of the company, despite improvement in the Gross Profit margin. The leverage of the company is high, but without the necessary expansions and BMR, QTML would not have been able to survive the current crisis. Prices of local and imported cotton have remained at high levels as compared to corresponding period, and high mark-up rates has put pressure on the profitability of the company. The company had entered into Cross Currency Swap arrangements. Due to steep depreciation of PKR against US dollar, the company had unwound these arrangements. Some of the transactions were unwound in July '2008 which resulted in net loss to the company.

Cost of doing business in Pakistan has gone up tremendously. The cost push factors continue to exert tremendous strain on textile industry with all cost rising e.g. wages and salaries, finance cost, electricity and fuel prices, etc.

The Government has realized that the textile industry is the back bone of country providing valuable exchange and employment opportunities, and the recently announced Textile Policy will provide the much needed relief to the textile industry in the next few years in terms of mark-up relief under long-term and under LTFF. In our humble opinion, SBP should seriously consider allowing Export Refinance facility on yarns and fabrics as a temporary measure to bring the spinning and weaving industry out from the present crisis.

In the end I would like to thank all the financial institutions for their continued support that they have lent the company during these difficult times. To the workers, staff and officers, I extend my gratitude for their dedication and honesty to the company.

KHALID IQBAL

Karachi: October 09, 2009

CHIEF EXECUTIVE

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 40th Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2009.

FINANCIAL RESULTS	Rupees
Net Profit before taxation	98,968,167
Less: Taxation	<u>68,246,960</u>
Net Profit after taxation	30,721,207
Un-appropriated profit brought forward	366,096,970
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year	<u>20,013,092</u>
Available for appropriation	<u>416,831,269</u>
Un-appropriated profit	<u>416,831,269</u>
Profit after Taxation	30,721,207
Ordinary Shares	3,125,000
Earnings per share	9.83

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Director's report.

DIVIDEND

The Board of Directors have recommended Nil dividend for the year ended June 30, 2009. Due to additions to fixed assets done for BMR and liquidity crunch, the board has not recommended any dividend.

AUDITORS

The Present Auditors M/s. Mushtaq and Company Chartered Accountants retired and being eligible offer themselves for re-appointment

PATTERN OF SHARE HOLDING

The pattern of shareholding as on June 30, 2009 is annexed to this report.

SUMMARY OF FINANCIAL DATA

Financial data for last six years in summarized form is annexed.

ATTENDANCE AT THE BOARD MEETING DURING THE YEAR 2008-2009

All the directors keenly take interest in the company's affairs. During the year eleven board meetings were held, Attendance by each director was as under:-

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	12
Mr. Tariq Iqbal	10
Mr. Daanish Javed	9
Mr. Asim Khalid	11
Mr. Omer khalid	12
Mrs. Najma Javed	10
Mrs. Tabbasum Tariq	07

Leave of absence was granted to the directors who could not attend some of the meetings. During the period under review there was no trading of the Company's share by the Chief Executive, Chief Financial Officer, and Company Secretary, there spouses and minor children.

QUETTA TEXTILE MILLS LIMITED

AUDIT COMMITTEE

The board of directors in compliance with the Code of Corporate Governance has established an Audit Committee. The name of its members are given in the company profile.

The term of reference of the Audit Committee based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the board of directors from time to time to improve the system and procedures. Within the frame work of term of reference determined by board of directors, the Audit Committee, among other things, will recommend appointment of external auditors and review of periodical statements.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2009.

- a) The Financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of Internal control is sound in design and has been effectively implemented and monitored.
- f) There is no significant doubt upon the Company's ability to continuous a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last six years in summarized from is annexed.

AUDITORS REPORT

Reference to the observation made by auditors in their report regarding Note No. The note refers only the pattern of presentation and it has got no effect on the profitability of the company.

CONCLUSION

The Directors place on record their appreciation to the officers, members of the staff and workers for their efforts and hard work

For and on behalf of the Board of Directors

KHALID IQBAL
Chief Executive

Karachi: October 09, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes two non-executive Directors and none representing minority share holders.
2. The Directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. The Directors have voluntarily declared that all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the Directors is a member of a stock exchange.
4. During the year, no casual vacancies occurred in the Board of Directors.
5. The Board have developed and adopted a "Statement of Ethics and Business Practices" which is regularly circulated within the Company and it is in the knowledge of Company's Directors and employees.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions 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, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and Board met at least once in every Quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Board arranged orientation courses for its directors during the year to appraise them of their duties and responsibilities.
10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non executive Directors
16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and financial results of the Company and as required by the Code. The terms of

reference of the Committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance

17. The Board has set up an effective Internal Audit Function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On Behalf of the Board of Directors

KHALID IQBAL
CHIEF EXECUTIVE

Quetta Textile Mills Limited

KARACHI: October 9, 2009.

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the 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 **Quetta Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control 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 controls and the effectiveness of such internal controls.

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

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

Karachi:
Dated: _____

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2004-2009

	September 2004	June 2005- 9 Months	June 2006	June 2007	Jun-08 2008	Jun-09 2009
Profit and Loss						
Net sales (Rs.000)	3,998,022	2,739,162	4,562,635	4,912,815	5,769,155	7,200,724
Gross Profit (Rs.000)	249,394	251,825	396,000	500,414	593,843	1,023,531
Profit before tax (Rs.000)	85,579	113,702	91,291	144,334	46,556	98,968
Profit after tax (Rs.000)	52,624	85,504	52,633	83,197	27,187	30,721
Cash Outflows						
Taxes paid (Rs.000)	29,853	14,763	6,855	51,087	56,467	31,468
Financial charges paid (Rs.000)	143,073	132,907	289,559	265,246	501,913	859,771
Fixed capital expenditures (Rs.000)	331,642	924,575	844,277	516,070	863,987	458,072
Balance sheet						
Current assets (Rs.000)	1,542,145	1,855,513	2,104,795	2,225,983	3,254,813	3,857,386
Current liabilities (Rs.000)	1,512,944	1,969,999	2,419,535	2,246,671	3,568,583	4,408,998
Operating fixed assets (Rs.000)	1,549,434	2,019,550	2,803,300	3,340,924	3,972,109	4,871,288
Total assets (Rs.000)	3,175,058	4,389,778	5,177,570	5,661,208	7,513,237	8,912,046
Long term loans and finances (Rs.000)	1,223,208	1,422,649	1,554,972	2,090,583	2,164,689	1,858,763
Share holders' equity (Rs.000)	399,802	485,306	534,308	612,897	413,903	490,192
Ratios						
Current ratio (As per SBP regulations)	1.02	0.95	0.87	0.99	0.91	0.87
Equity: Debt ratio (As per SBP regulations)	0.46	0.37	0.39	0.35	0.35	0.23
Leverage	2.84	3.29	3.37	3.27	3.69	3.35
Gross profit to sales	6.2%	9.2%	8.7%	10.2%	10.3%	14.2%
Net Profit before tax to sales	2.14%	4.15%	2.00%	2.94%	0.81%	1.37%
Earning per share	11.17	27.36	16.84	26.62	8.70	9.83
Proposed Dividend	NIL%	15%	15%	15%	NIL%	NIL%

PATTERN OF SHAREHOLDING (FORM - A)

Pattern of holding of the shares held by the shareholders as at 30-06-2009 is given below

No of Shareholders	Shareholding					Total Share Held
52	From	1	To	100	Shares	2,522
58	From	101	To	500	Shares	13,915
25	From	500	To	1000	Shares	20,098
19	From	1001	To	5000	Shares	39,076
5	From	5001	To	10000	Shares	37,120
4	From	10001	To	15000	Shares	53,982
4	From	15001	To	20000	Shares	78,582
1	From	20001	To	25000	Shares	24,272
1	From	25001	To	30000	Shares	25,884
2	From	30001	To	35000	Shares	65,102
1	From	40001	To	45000	Shares	41,402
1	From	45001	To	50000	Shares	49,477
4	From	50001	To	55000	Shares	206,403
2	From	55001	To	60000	Shares	117,812
1	From	60001	To	65000	Shares	64,519
4	From	65001	To	70000	Shares	267,787
1	From	70001	To	75000	Shares	71,777
4	From	75001	To	80000	Shares	305,245
3	From	80001	To	85000	Shares	250,614
2	From	85001	To	95000	Shares	186,750
1	From	105001	To	110000	Shares	107,100
1	From	115001	To	120000	Shares	119,075
1	From	130001	To	135000	Shares	130,315
1	From	141001	To	145000	Shares	142,812
1	From	155001	To	160000	Shares	158,170
1	From	160001	To	165000	Shares	161,051
1	From	165001	To	170000	Shares	166,912
1	From	215001	To	220000	Shares	217,226
202	Total					3,125,000

Categories of Shareholders	No of Shareholders	Share Held	Percentage
Individuals	191	3,016,879	96.54
Investment Companies	2	614	0.02
Insurance Companies	1	52,082	1.67
Joint Stock Companies	4	15,842	0.51
Financial Institutions	3	39,582	1.27
Securities & Exchange Commission of Pakistan	1	1	0.00
Total	202	3,125,000	100.00

**DETAIL OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
AS AT 30TH JUNE 2009**

Name of shareholders	No of Shareholder	Share held	Percentage
1 ASSOCIATES COMPANIES		Nil	
2 NIT & ICP	1		
Investment Corporation of Pakistan		250	0.01
3 Directors, CEO their Spouse and Minor Children	10		
Mr. Khalid Iqbal (Director & CEO)		84,676	2.71
Mr. Asim Khalid (Director)		7,542	0.24
Mr. Omer Khalid (Director)		71,777	2.30
Mrs. Rukhsana Khalid		161,051	5.15
Mr. Tariq Iqbal (Director)		92,375	2.96
Mrs. Tabbasum Tariq (Director)		166,912	5.34
Mr. Dannish Javed (Director)		52,137	1.67
Mrs. Aisha Dannish		158,170	5.06
Mrs. Najma Javed (Director)		51,596	1.65
Mr. Javed Iqbal		94,375	3.02
4 Executive		Nil	
5 Public Sector Companies & Corporations		Nil	
6 Bank Development Finance Institution, Non-Banking Finance Institution, Insurance Companies, Modarabas & Mutual Fund	4		
National Industrial Co-Operative Finance Corporation Ltd		364	0.01
State Life Insurance Corporation of Pakistan		52,082	1.67
National Bank Of Pakistan, Trustee Wing		38,582	1.23
Pak Asian Fund Limited		1,000	0.03
7 Shareholders Holding 10% or More		Nil	
8 Individuals	182	2,076,268	66.44
9 Others	5		
Securities & Exchange Commission of Pakistan		1	0.00
Freedom Enterprises (Pvt) Ltd		62	0.00
N. H. Security (Pvt) Ltd		16	0.00
Vohra Engineering Co. (Pvt) Ltd		2,300	0.07
Fazal Cloth Mills Ltd		13,464	0.43
Total	202	3,125,000	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Quetta Textile Mills Limited** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion No Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- (e) Without qualifying our opinion, we draw attention to note 4.1 to the financial statements regarding the representation of direct expenses.

Karachi:
Date: October 09, 2009

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui

QUETTA TEXTILE MILLS LIMITED
BALANCE SHEET

AS AT JUNE 30, 2009

EQUITY AND LIABILITIES	NOTE	June 30, 2009 RUPEES	June 30, 2008 RUPEES	PROPERTY AND ASSETS	NOTE	June 30, 2009 RUPEES	June 30, 2008 RUPEES
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Authorized capital				Property, plant and equipment	16	4,871,287,897	3,972,109,702
20,000,000 Ordinary shares of Rs.10 each		200,000,000	200,000,000				
15,000,000 Preference shares of Rs.10 each		150,000,000	150,000,000				
		<u>350,000,000</u>	<u>350,000,000</u>	Capital work in progress	17	117,382,655	147,512,817
						4,988,670,552	4,119,622,519
Issued, subscribed and paid up capital	5	31,250,000	31,250,000				
Reserves		42,111,612	16,555,537				
Unappropriated profit		416,831,269	366,096,970				
Shareholders equity		<u>490,192,881</u>	<u>413,902,507</u>	LONG TERM INVESTMENTS	18	48,486,269	132,289,086
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT	6	785,938,486	340,391,684	LONG TERM DEPOSITS	19	17,503,512	6,512,523
Loans from directors-Subordinated	7	773,161,770	738,661,770				
NON CURRENT LIABILITIES				CURRENT ASSETS			
Loan from Financial institutions	8	496,845,950	2,164,689,452	Stores, spares and loose tools	20	301,911,812	280,721,841
Redeemable Capital -SUKUK	9	1,361,916,667	-	Stock in trade	21	2,229,193,897	2,074,551,749
FINANCE LEASE	10	264,940,143	154,204,811	Trade debts	22	886,019,035	555,620,382
				Other financial assets	23	101,951,705	61,787,443
DEFERRED LIABILITIES	11	330,051,562	132,804,248	Loans and advances	24	246,023,629	193,336,741
				Short term prepayments	25	106,155	1,350,307
CURRENT LIABILITIES				Other receivables	26	89,066,392	84,589,488
Short term borrowings	12	3,713,509,816	2,744,279,401	Cash and bank balances	27	3,113,086	2,855,264
Current Portion of						3,857,385,711	3,254,813,215
Long term loan- Financial Institution	8	310,287,821	413,479,057				
Redeemable Capital -SUKUK	9	23,083,333	-				
Liabilities against assets subject to finance lease	10	68,311,819	27,396,288				
Trade and other payables	13	180,562,222	240,926,340				
Accrued mark-up on loans	14	113,243,574	142,501,785				
		4,408,998,585	3,568,582,871				
CONTINGENCIES AND COMMITMENTS	15	-	-				
		<u>8,912,046,044</u>	<u>7,513,237,343</u>			<u>8,912,046,044</u>	<u>7,513,237,343</u>

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 09 ,2009

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

		For the Year ended JUNE - 30, 2009 RUPEES	For the Year ended Jun - 30, 2008 RUPEES
Sales - net	28	7,200,724,071	5,769,155,238
Cost of goods sold	29	6,177,193,006	5,175,311,742
Gross profit		<u>1,023,531,065</u>	<u>593,843,496.0</u>
Operating expenses			
Administrative expenses	30	(34,308,236)	(34,780,457)
Other operating expenses	31	(113,635,963)	(29,222,297)
Other operating income	32	53,893,959	11,973,502
Operating profit		<u>(94,050,240)</u>	<u>(52,029,252)</u>
Finance cost - net	33	(830,512,658)	(495,258,209)
Net profit before taxation		<u>98,968,167</u>	<u>46,556,035</u>
Taxation			
Current year	34	(37,317,491)	(33,306,925)
Deferred		(30,929,469)	13,937,469
Net profit after taxation		<u>(68,246,960)</u>	<u>(19,369,456)</u>
Earnings per share - Basic and diluted	36	<u>9.83</u>	<u>8.70</u>

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 09 ,2009

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

	For the Year ended Jun - 30, 2009 RUPEES	For the Year ended Jun - 30, 2008 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations (Note: 37)	514,047,907	(188,138,109)
Taxes paid	(31,467,825)	(56,467,428)
Finance Cost - net paid	(859,770,869)	(501,913,286)
Workers' profit participation fund	(3,570,150)	(7,690,200)
Gratuity paid	(8,670,035)	(9,560,458)
Long term deposit	(10,990,989)	(5,429,559)
Net cash used in operating activities	(400,421,961)	(769,199,040)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(458,072,383)	(863,987,762)
Proceeds against sale of fixed assets	550,000	2,604,500
Long term investment	109,358,892	(130,210,961)
Short term investments	(24,112,291)	211,640
Dividend received	3,609,025	8,991,010
Net cash used / flow from in investing activities	(368,666,757)	984,996,073
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	(1,770,406,414)	269,537,115
Redeemable Capital	1,385,000,000	-
Short term loan - net	969,230,415	1,090,824,752
Finance Lease - net	151,022,539	146,852,402
Loan from directors - net	34,500,000	248,661,770
Dividend paid	-	4,559,066
Net cash flow from investing activities	769,346,540	1,760,435,105
Net increase / (decrease) in cash and cash equivalents	257,821	(2,878,140)
Cash and cash equivalents at beginning of the year	2,855,265	5,733,404
Cash and cash equivalents at end of the year (Note: 27)	3,113,086	2,855,265

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 09 ,2009

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

Share capital	RESERVES					Unappropriated profit	Total	
	Capital reserve	Reserve for power generation plant	Gain / (Loss) on available for sale investment	General reserve	Sub Total			
Rupees								
Balance as at June 30, 2007	31,250,000	1,200	50,000,000	716,437	65,000,000	115,717,637	465,930,301	612,897,938
Dividend paid for the year ended June 30, 2007							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2008							27,186,579	27,186,579
Loss on Merger of Pioneer Spinning Mills Limited refer note 1.2							(131,895,857)	(131,895,857)
Reserve on Merger of Pioneer Spinning Mills Limited refer note 35							5,975,165	5,975,165
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year							3,588,282	3,588,282
Unrealized loss-Available for sale investment				(99,162,100)		(99,162,100)	-	(99,162,100)
Balance as at June 30, 2008	31,250,000	1,200	50,000,000	(98,445,663)	65,000,000	16,555,537	366,096,970	413,902,507
Net profit for the year ended June 30, 2009							30,721,207	30,721,207
Transferred to General Reserve			(50,000,000)		50,000,000	-		-
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year							20,013,092	20,013,092
Unrealized gain-Available for sale investment				25,556,075	-	25,556,075		25,556,075
Balance as at June 30, 2009	31,250,000	1,200	-	(72,889,588)	115,000,000	42,111,612	416,831,269	490,192,881

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 09 ,2009

QUETTA TEXTILE MILLS LIMITED

Notes to the financial statements

For the year ended 30th June 2009

1 The Company and its Operations

1.1 Quetta Textile Mills Limited (the Company) was incorporated in Pakistan on January 29, 1970 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric. The registered office of the company is situated at ground floor Nadir House I.I Chundrigar road Karachi.

1.2 The High Court of Sindh, Karachi through its order dated March 18, 2008 approved the scheme of amalgamation between Quetta Textile Mills Limited and Pioneer Spinning Mills Limited. According to Scheme of amalgamation /Arrangement whole of the undertaking of Pioneer Spinning Mills Limited inclusive of all properties, assets, rights, liabilities and obligations of Pioneer Spinning Mills Limited was transferred to Quetta Textile Mills Limited. 17,500 qualification shares of Directors of PSM was transferred to Quetta Textile Mills Limited by way of gift and all the shares i.e 5,816, 500 were cancelled and no fresh shares were issued in lieu of cancelled shares of Pioneer Spinning Mills Limited. Pioneer Spinning Mills was dissolved without Winding up at the close of business on March 31, 2008.

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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional 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 in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of 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 results of which form the basis of making the judgments about the 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 recognized in the period in which the estimates are 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.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 42 to these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards

2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- ❑ IFRS - 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosures requirements of IAS - 32 Financial Instruments : Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.
- ❑ IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.
- ❑ IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.
- ❑ IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 01 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

- ❑ Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- ❑ Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.
- ❑ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group losses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.

- ❑ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.
- ❑ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.
- ❑ Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.
- ❑ Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.
- ❑ Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.
- ❑ Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.
- ❑ Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.
- ❑ IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- ❑ Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- ❑ The International Accounting Standards Board made certain amendments to existing standards as part of its 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. These amendments are unlikely to have an impact on the company's 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. These amendments are unlikely to have an impact on the Company's financial statements.
- ❑ IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.
- ❑ IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.
- ❑ IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

3 Summary of Significant Accounting Policies

3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

3.2.1 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post retirement benefits

3.2.2 Defined benefit plans

The Company operates an unfunded gratuity scheme for its permanent employees as per the terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company's obligations are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

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

3.3 Taxation

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

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.5 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 to be paid in the future for goods and services received, whether or not billed to the company.

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation

Owned assets

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and building, which are stated at revalued amount and capital work in progress which are stated at cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in process

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.9 Investments

Investments in associate - Equity Method

Investment in associates is accounted for using the equity method. These are entities in which the company has significant influence which is neither a subsidiary nor a joint venture of the company.

Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency borrowings and effects on cash flow of any fluctuations in interest rates. Such derivative financial instruments are stated at fair value.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designed as such are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near item. Gains or losses on such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuations techniques.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available for sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

3.10 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

3.11 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 instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

3.12 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.13 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value applying following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net realisable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.14 Trade debts

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

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.16 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognised when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

3.17 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.18 Impairment

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

3.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.

3.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.21 Transactions with related party

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant noted to the financial statements.

4 Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.

4.1 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-28.1 and 28.2). It has no effect on the net profit for the year.

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
<u>No. of shares</u>		
1,200,000 Ordinary shares of Rs.10 each allotted in consideration paid in cash	12,000,000	12,000,000
1,925,000 Ordinary shares of Rs.10 each allotted as bonus shares	19,250,000	19,250,000
	<u>31,250,000</u>	<u>31,250,000</u>
	<u>31,250,000</u>	<u>31,250,000</u>

5.1 There were no movements during the reporting period.

5.2 The company has one class of ordinary shares which carry no rights to fixed income.

5.3 The Board on Director's of the company in its meeting held on March 3, 2009 decided to issue Right Shares in the ratio of 316 shares for every 100 shares held at Rs. 76/= per shares. The Statutory requirements of SECP and Karachi Stock Exchange is in process as per the schedule.

6 SURPLUS ON REVALUATION OF PROPERTY-PLANT & EQUIPMENT

Opening balance	340,391,684	119,794,763
Add: Revaluation during the year on land & building	622,057,842	-
Transferred from Pioneer Spinning Mills Limited	-	287,062,595
	<u>962,449,526</u>	<u>406,857,358</u>
Less : Related Deferred tax Liability	(163,502,530)	(64,133,291)
	<u>798,946,996</u>	<u>342,724,067</u>
Less: Transferred from surplus on revaluation of Property Plant Equipment on account of incremental depreciation charged in the current period- net of deferred tax	(13,008,510)	(2,332,383)
Closing balance	<u>785,938,486</u>	<u>340,391,684</u>

6.1 On March 31, 2009, further revaluation was made of the Land, Building and Labour Colony, by Asif Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value which resulted in net revaluation of Rs.622,057,842.

6.2 On November 13, 2006 and December 28, 2006, further revaluation was made of the Land, Building and Plant and Machinery, by Asif Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation of Rs.154,291,391.

6.3 On May 27, 2005 and Jun 24, 2005, Land was revalued by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation surplus amounting to Rs. 119,794,763.

6.4 On July 16, 2003, revaluation was made of the land, building and machinery, by MYK Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation of Rs. 20,750,716.

7 DUE TO DIRECTORS AND OTHERS-SUBORDINATED Unsecured

Due to directors	243,700,000	233,800,000
Due to others	529,461,770	504,861,770
	<u>773,161,770</u>	<u>738,661,770</u>

These are non mark-up bearing loan and unsecured. It is repayable after more than one year. The loan upto Rs.738,000,000(2008: 738,000,000) is subordinated to bank loans.

		Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
8	LOAN FROM FINANCIAL INSTITUTIONS		
	Syndicated Term Finance	8.1	15,000,000
	MCB Bank Ltd	8.2	-
	MCB Bank Ltd-LTF	8.3	4,592,000
	Habib Bank Ltd	8.4	6,615,437
	Habib Bank Ltd-LTF	8.5	43,615,324
	Habib Bank Ltd	8.6	15,604,444
	Bank Alfalah Ltd	8.7	-
	Askari Bank Ltd	8.8	23,962,464
	Askari Bank Ltd-LTF	8.9	25,268,144
	Allied Bank Ltd-LTF	8.10	109,354,267
	National Bank of Pakistan	8.11	37,633,670
	National Bank of Pakistan-LTF	8.12	24,821,774
	Bank of Punjab	8.13	6,895,023
	Bank of Punjab-LTF	8.14	15,806,636
	First Credit & Investment Bank	8.15	24,375,000
	Faysal Bank Ltd - LTF	8.16	35,098,778
	Saudi Pak Commercial Bank Ltd - LTF	8.17	35,098,777
	Saudi Pak Ind, & Agri. Investment Company - LTF	8.18	34,499,998
	Habib Metropolitan Bank Ltd	8.19	16,418,000
	Pak Oman Investment Co. Ltd. - LTF	8.20	12,162,000
	National Bank of Pakistan	8.21	-
	Al Baraka Islamic Bank	8.22	21,875,000
	Saudi Pak Commercial Bank Ltd	8.23	75,000,000
	Habib Bank Ltd - LTF	8.24	13,400,000
	Saudi Pak Commercial Bank Ltd - LTF	8.25	26,120,785
	NIB Bank Ltd	8.26	-
	Faysal Bank Ltd	8.27	-
	Citibank	8.28	41,416,250
	Habib Metropolitan Bank Ltd	8.29	7,500,000
	UBL	8.30	60,000,000
	Pak Oman Investment Co. Ltd.	8.31	25,000,000
	Standard Chartered Bank	8.32	50,000,000
			807,133,771
	Less: current portion		310,287,821
			496,845,950
	Add: transferred from short term loans		-
			731,266,557
			496,845,950
			1,846,901,952
			413,479,057
			1,433,422,895
			731,266,557
			2,164,689,452
8.1	Joint pari passu E/M charge on present and future fixed assets of the company of 1 billion with UBL share of Rs. 200 million . The charge cover the principal of the Facility with a 25% margin. <i>Total Facility amount is Rs.15million (2008:750 million)</i> , markup payable semi annually @ 6MK + 2%. Loan is repayable in 10 semi annual installments commencing From 23-04-2005.		
8.2	First registered charge on Generator and mortgage charge over Fixed assets amounting to Rs. 48.5 million located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.65 million, markup payable semi annually @ 6MK + 2%. Loan is repayable in 08 semi annual installments commencing From 21-10-2005		
8.3	First registered Pari Pasu charge for Rs. 75 million over fixed assets of the company. <i>Total Facility amount is Rs.22.960 million</i> , markup payable quarterly @ SBP rate + 2%. <i>Loan is repayable in 05 semi annual installments commencing From 22-04-2007</i>		
8.4	First pari passu E/M and hypo (each) charge of Rs.420million on present and future fixed assets of the company . The charge amount of Rs. 393 million first pari passu and charge amount of Rs. 27 million to remain ranking. <i>Total Facility amount is Rs.10 million</i> , markup payable semi annually @ 6MK + 1.35%. Loan is repayable in 10 semi annual installments commencing From 30-09-2005		
8.5	First pari passu E/M and hypo (each) charge of Rs.420 million on present and future fixed assets of the company . The charge amount of Rs. 393 million first pari passu and charge amount of Rs. 27 million is ranking charge. <i>Total Facility amount is Rs.43.615 million</i> , markup payable quarterly @ SBP rate +2%. Loan is repayable in 06 semi annual installments commencing From 28-04-2007		
8.6	First pari passu E/M and hypo (each) charge of Rs.420 million on present and future fixed assets of the company . The charge amount of Rs. 393 million first pari passu and charge amount of Rs. 27 million is ranking charge. <i>Total Facility amount is Rs.23.407 million</i> , markup payable semi annually @ 6MK +2%. Loan is repayable in 10 semi annual installments commencing From 28-11-2005		

- 8.7 First pari passu charge of Rs. 133.333 (M) on Fixed assets of Unit No. 03, B-4, SITE, Kotri amounting to Rs. 200 million. Total Facility amount is Rs.100 million, markup payable quarterly @ 6mk +2%. Loan is repayable in 16 semi annual installments commencing From 31-08-2004
- 8.8 First pari passu Equitable mortgage charge of Rs. 180 million over land ,building and machinery of the company. *Total Facility amount is Rs.23.962 million* , markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 08 semi annual installments *commencing From 11-10-2006*.
- 8.9 First pari passu Equitable mortgage charge of Rs. 180 million over land ,building and machinery of the company. *Total Facility amount is Rs.25.268 million* . markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual installments *commencing From 27-04-2007*
- 8.10 First exclusive charge on Specific Fixed assets of the Company . *Total Facility amount is Rs. 291.611 million* , markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual installments *commencing From 22-04-2007*.
- 8.11 First pari passu charge of Rs .200 million on all present and future Fixed assets of the Company and equitable mortgage over land and building of the company. *Total Facility amount is Rs.150 million* , markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual installments commencing From 28-05-2007
- 8.12 First pari passu charge of PKR 428 milion over present and future Fixed assets of the Company and equitable mortgage over land and building. *Total Facility amount is Rs.49.643 million* , markup payable quarterly @ 6MK + 2%. rate Loan is repayable in 08 semi annual installments *commencing From 28-05-2007*
- 8.13 First pari passu charge on all Fixed assets of the Company amounting to Rs. 24.66 million. *Total Facility amount is Rs. 50 million* , markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annual installments *commencing From 31-05-2007*
- 8.14 First pari passu charge on all Fixed assets of the Company amounting to Rs. 42.0 million. *Total Facility amount is Rs.31.613 million* , markup payable quarterly @ 6MK +1.75%. Loan is repayable in 08 semi annual installments *commencing From 31-05-2007*
- 8.15 First pari passu charge over all Fixed assets of the Company including land and building with atleast 25% margin. *Total Facility amount is Rs.65 million* , markup payable semi annually @ 6MK + 1.75%. Loan is repayable in 08 semi annual installments *commencing From 31-05-2007*
- 8.16 First pari passu charge on all Fixed assets of the Company amounting to Rs. 61.33 million. *Total Facility amount is Rs.44.3 million* , markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual installments *commencing From 14-09-2007*
- 8.17 First pari passu hypothecation charge of Rs. 61.33 (M) over Plant and Machinery of the company. *Total Facility amount is Rs.37.229 Million* , markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 semi annual installments *commencing From 14-09-2007*
- 8.18 First pari passu hypothecation charge on all Fixed assets of the Company with atleast 25% margin. *Total Facility amount is Rs.46 million* , markup payable quarterly @ SBP rate +2%. Loan is repayable in 24 semi annual installments *commencing From 14-09-2007*.
- 8.19 First pari Pasu hypothecation Charge on imported machinery . Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual installments *commencing from 10-11-2007*
- 8.20 First pari pasu hypothecation charge on present and future fixed assets (Land , building and machinery) of the company with 25 % margin over the facility amount. *Total facility amount is Rs. 25 million* , markup payable quarterly @ SBP rate + 2.5%. Loan is repayable in 20 semi annual installments *commencing from 28-02-200*.
- 8.21 First pari pasu charge on all present and future fixed assets including Plant and Machinery and Equitable Mortgage over land and Building of the company with over 25% margin over security . *Total facility amount is Rs. 500 million* , markup payable semi annually @ 6MK +2..25%. Loan is repayable in 08 semi annual installments *commencing from 23-05-2010*
- 8.22 Equitable mortgage over property Token registered mortgage of Rs. 100,000 over commercial property. *Total facility amount is Rs. 35 million* , markup payable quarterly @ 6MK +2.4 % . Loan is repayable in 08 semi annual installments *commencing from 28-06-2008*
- 8.23 Equitable Mortgage over charge on specific Land and property of the company amounting to Rs. 200 million. Total facility amount is Rs. 75 million, markup payable quarterly @ 6MK + 2.75%. Loan is repayable in 18 semi annual installments *commencing from 30-09-2008*
- 8.24 First pari passu E/M and hypo (each) charge of Rs.420 million on present and future fixed assets of the company . The charge amount of Rs. 393 million first pari passu and charge amount of Rs. 27 million to remain ranking. *Total facility amount is Rs.13 .5 million* , markup payable quarterly @ SBP rate + 2%. Loan is repayable in 12 semi annual installments *commencing from 24-05-2009*
- 8.25 First pari Pasu Charge over fixed assets of the company of Rs. 80 (M). *Total facility amount is Rs. 26.120 million* , markup payable quarterly @ SBP RATE + 2% . / 3M+3K This LTF Loan is repayable in 18 semi annual installments commencing from 22-08-2009
- 8.26 Ranking charge of Rs. 167 million on fixed assets of the company. *Total amount of the facility is Rs. 100 (M)* markup is payable quarterly on @ 3MK+2% the loan is repayable in 16 semi annual instalment *commencing from 31-12-2009*.

- 8.27** First charge on the fixed assets of the company to the extent of Rs.250 million first charge by way of MOTD for Rs.75(m). *Total facility amount is Rs. 200 million* , markup payable quarterly @ 3MK + 2%. This Loan is repayable in 16 semi annual *installments commencing from 31-12-2009*
- 8.28** Registered hypothecation charge over plant and machinery of the company . Markup payable monthly @ 1 MK + 1.5%. The facility amount is 58.470 million. This Loan is repayable in 24 equal monthly installments *commencing from 26-09-2008*.
- 8.29** Exclusive Hypothecation charge of Rs. 12.5 (M) with 40% margin over Machinery including imported Plant and Machinery. *Total facility amount is Rs. 7.5 million* , markup payable quarterly @ 3MK + 3%. This Loan is repayable in 14 quarterly installments *commencing from 21-10-2009*
- 8.30** First pari pasu EMP charge of Rs.81 on all present and future fixed assets of the company. *Total facility amount is Rs. 60 million* , markup payable quarterly @ SBP rate + 2.5%. This Loan is repayable in 14 quarterly installments commencing from 25-01-2011
- 8.31** First Pari Pssu charge charge over all the present and future fixed assets of the company with 25% margin . *Total facility amount is Rs. 25 million* , markup payable quarterly @ 6MK + 2.5%. This Loan is repayable in 16 quarterly installments *commencing from 25-07-2010*
- 8.32** Pari Pasu charge of RS. 66.66 (M) over the company's present and future fixed assets of the company with 25% margin. Total facility amount is Rs. 50 million, markup payable quarterly @ 6MK + 2%. This Loan is repayable in 8 semi annual installments commencing from 11-07-2009
- 8.33** The Company has entered into a cross currency SWAPS against long term finances for a notional amount of Rs. 814 millions, maturing upto March 30, 2010. Keeping in view of major foreign exchanges risk which is currently prevailing, the agreement has been unwinded on 11.08.2008 and resulted a net loss of rupees 113,973,204. The cost of unwinding is shown in note 32 to the financial Statements. The net fair value of SWAPS at the end of June 30, 2009 is NIL (June 30, 2008 Rs. 2.464 million in favor of the company)
- 8.34** The Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 360 million, maturing on October 23, 2009. The outstanding balance of this arrangement is Rs40 million as at the balance sheet date. Under the swap arrangement, the Company would receive interest rate of six months KIBOR and pay fixed rate of 8.20%, which will be settled semi-annually. As at the balance sheet date, the net fair value of this interest rate swap was Rs 0.030million .

9 Redeemable Capital-Sukuk

DIMINISHING MUSHARAKA SUKSK CERTIFICATE	(Note : 9.1)	1,385,000,000	-
Less: Current Maturity		(23,083,333)	-
		<u>1,361,916,667</u>	<u>-</u>

- 9.1** During the year the company has issued privately placed Sukuk Certificates of Rs.1,385,000,000 divided into 277,000 certificates of Rs. 5,000 each. The significant terms and conditions and security of the Sukuk / certificates are as follows;

Tenure	7 years
Date of First instalment	March 31, 2010
Rate of return	6 M-KIBOR + 1.5
Convertible/ Non convertible	Non Convertible
Redeemable/Perpetual	Redeemable

Security

First Pari Passu charge of Rs. 2 billion on all fixed assets of the company .

10 Liabilities against assets subject to Finance lease

payable within one year	117,498,338	10,933,878
Payable after one year but not more than 05 years	322,997,708	191,326,764
	<u>440,496,046</u>	<u>241,454,091</u>
Less: deferred finance cost	(121,731,402)	(64,873,570)
	<u>318,764,644</u>	<u>176,580,521</u>
Add: security deposit	14,487,318	5,020,578
Less: current maturity	(68,311,819)	(27,396,288)
Present value of minimum lease payments	<u>264,940,143</u>	<u>154,204,811</u>

- 10.1** The Company has entered into lease agreement/ Ijarah of Plant and Machinery with various leasing companies and financial institutions on half yearly payment basis. The lease contains bargain purchase option.
- 10.2** The lease is secured by way of a ranking charge of Rs 175million (2008 Rs 46.67million) over immovable assets of the Company, personal guarantees of two directors and security deposit equivalent to 0.1% to 10% of the facility amount.
- 10.3** Implicit rate of return on lease varies from 14.67% to 17.70 %.
- 10.4** Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company.

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
11 DEFERRED LIABILITIES		
Deferred liability for gratuity (Note: 11.1)	59,490,576	49,670,676
Deferred tax (Note: 11.6)	51,185,649	20,256,180
Deferred tax on Surplus of revaluation of Property Plant and Equipment.	<u>219,375,337</u>	<u>62,877,392</u>
	<u><u>330,051,562</u></u>	<u><u>132,804,248</u></u>

11.1 Movement in the net liability recognized in the balance sheet

Opening net liability	49,670,676	30,871,145
Transferred from Pioneer Spinning Mills Ltd	-	4,478,954
	49,670,676	35,350,099
Expense for the year (Note: 11.2)	<u>18,489,935</u>	<u>23,881,035</u>
	68,160,611	59,231,134
Contribution paid	<u>(8,670,035)</u>	<u>(9,560,458)</u>
Closing net liability	<u><u>59,490,576</u></u>	<u><u>49,670,676</u></u>

11.2 Expense recognized in the profit and loss account

Current service cost	7,262,627	8,074,886
Interest cost	5,730,593	5,379,628
Net actuarial (gain) / loss recognized in the year	<u>5,496,715</u>	<u>10,426,521</u>
	<u><u>18,489,935</u></u>	<u><u>23,881,035</u></u>

11.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

11.4 Principal actuarial assumption

The principal assumptions used in the valuation of gratuity are as follows;

Discount rate	15%	12%
Expected rate of increase in salary	14%	10%

11.5 Comparison for five years

Present value of defined benefit obligation

AS ON				
June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
59,490,576	49,670,677	30,871,145	27,624,694	25,773,532

11.6 DEFERRED TAX

The liability for deferred taxation comprises of timing differences relating to:

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
Accelerated tax depreciation allowance & Deductible temporary differences	169,747,784	106,170,806
Deferred debit arising in respect of provisions, tax losses and refunds	<u>118,562,135</u>	<u>85,914,626</u>
	51,185,649	20,256,180
	<u><u>51,185,649</u></u>	<u><u>20,256,180</u></u>
11.6.1 Opening balance	20,256,180	42,832,983
Less: Debit balance of Pioneer Spinning Mills Ltd	-	(8,639,336)
Closing balance of deferred tax liability	<u>(51,185,649)</u>	<u>(20,256,180)</u>
Reversal/(Provision) of defferred tax liability	<u><u>(30,929,469)</u></u>	<u><u>13,937,467</u></u>

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
12 SHORT TERM BORROWINGS		
Secured - Banking company		
Finances under mark up arrangement (Note: 12.1)	3,705,561,769	3,467,157,605
Less: transfer to long term loan	-	(731,266,557)
	3,705,561,769	2,735,891,048
Unsecured - (Note: 12.2)		
Directors	935,592	3,236,066
Others	7,012,455	5,152,287
	7,948,047	8,388,353
	3,713,509,816	2,744,279,401

12.1

The company has aggregate facilities of Rs.5.295 billion (2008 : Rs. 5.5 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry mark up at the rate ranging from 4.5875% to 16.69% (2008: 3.74 % to 13.13 %) per annum payable quarterly and on the maturity dates. The above facilities are expiring on various dates and renewable annually.

12.2 These are non mark up bearing and unsecured. These are renewable and due on various dates within one year.

13 TRADE AND OTHER PAYABLES

Trade creditors	83,424,615	148,869,261
Accrued expenses	87,157,913	85,623,176
Workers' profit participation fund (Note: 13.1)	5,089,676	3,316,238
Unclaimed dividend	128,434	499,418
Workers' welfare fund payable	4,575,748	2,600,762
Others	185,836	17,485
	180,562,222	240,926,340

13.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 01, 2008	3,316,238	7,795,040
Transferred from Pioneer Spinning Mills Ltd	-	145,932
Interest charged	406,124	615,148
	3,722,362	8,556,120
Paid during the year	(3,570,150)	(7,690,200)
	152,212	865,920
Contribution for the year	4,937,464	2,450,318
Balance as at June 30, 2009	5,089,676	3,316,238

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. The interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

14 ACCRUED MARK - UP

Accrued mark up on		
Long term loan- Financial Institution	24,720,489	97,921,897
Redeemable Capital -SUKUK	51,419,176	-
Short term loans and running finances	37,103,909	44,579,888
	113,243,574	142,501,785

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingency

Appeal filed by the Government of Sindh in the Supreme Court of Pakistan against judgment of the High Court of Sindh at Karachi allowing the petition challenging the levy and collection of professional tax of Rs. 6.5 million on limited companies is pending. Based on the opinion from the legal advisor, the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liability.

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2009 were Rs.195.302 million (2008: Rs 167.736 million)

15.2 Commitment

15.2.1 Capital Commitments

Plant and Machinery under letter of Credit	-	76,991,480
Civil works and others	150,000,000	164,000,000
	150,000,000	240,991,480

15.2.2 Other commitments

Stores, spares, raw and packing materials under letter of credit	70,255,497	7,856,421
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16 PROPERTY, PLANT AND EQUIPMENT 30-06-09

PARTICULARS	COST / REVALUATION				RATE %	DEPRECIATION / AMORTIZATION			W. D. V. AS AT 30-Jun-2009
	AS AT 1-Jul-2008	ADDITION/ (ADJUSTMENT)	REVALUATION	AS AT 30-Jun-2009		AS AT 1-Jul-2008	FOR THE year	AS AT 30-Jun-2009	
OWNED ASSETS									
Land									
Land - Leased Hold	66,196,828		26,305,359	92,502,187	-	2,653,211	906,147	3,559,358	88,942,829
Land - Free Hold	311,337,604		128,602,396	439,940,000	-	-	-	-	439,940,000
Building									
Building - Lease Hold	91,505,374	39,705,041	226,559,514	357,769,929	5	56,574,975	4,788,729	61,363,704	296,406,225
Building - Free Hold	285,362,017	30,602,027	112,448,458	428,412,502	5	111,238,016	10,222,392	121,460,408	306,952,094
Labour Colony									
Labour Colony - Lease Hold	7,717,203		42,025,854	49,743,057	5	7,019,868	564,508	7,584,376	42,158,681
Labour Colony - Free Hold	34,924,988		16,727,192	51,652,180	5	12,449,476	1,334,584	13,784,060	37,868,120
Plant And Machinery	2,767,805,483	41,670,151		2,809,475,634	5	1,195,576,357	79,207,758	1,274,784,115	1,534,691,519
Electrical Fitting	41,060,132	5,247,840		46,307,972	15	24,753,688	3,007,966	27,761,654	18,546,318
Factory Equipment	18,851,302	326,300		19,177,602	15	12,892,022	912,995	13,805,017	5,372,585
Office Premises	22,020,321			22,020,321	15	5,661,509	2,453,822	8,115,331	13,904,990
Office Equipment	17,942,241	764,399		18,706,640	15	10,439,374	1,208,722	11,648,096	7,058,544
Furniture And Fixture	12,258,888	55,200		12,313,888	15	7,969,625	648,586	8,618,211	3,695,677
Vehicles	42,641,852	4,657,800		47,299,652	15	25,190,615	3,032,053	27,862,938	19,066,565
		(370,149)		(370,149)		(359,730)			
TOTAL	3,719,624,033	122,658,609	552,668,773	4,394,951,415		1,472,059,006	108,288,262	1,580,347,268	2,814,604,147
POWER PLANT									
Building									
Building - Lease Hold	39,775,911	-	(8,050,919)	31,724,992	5	24,713,512	651,656	25,365,168	6,359,824
Building - Free Hold	37,733,364	479,027	51,179,470	89,391,861	5	15,640,930	1,767,538	17,408,468	71,983,393
Plant And Machinery	701,308,760	123,700,498		825,009,258	5	260,382,120	23,401,127	283,783,247	541,226,011
Electrical Fitting	36,383,481	6,076,825		42,460,306	15	11,837,694	4,272,717	16,110,411	26,349,895
Office Equipment	36,300	-		36,300	15	10,763	3,830	14,593	21,707
Furniture And Fixture	445,150	-		445,150	15	207,080	35,710	242,790	202,360
Factory Equipment	5,474,930	1,493,324		6,968,254	15	1,990,610	615,510	2,606,120	4,362,134
Vehicles	940,725			940,725	15	783,278	22,717	811,995	128,730
TOTAL	822,098,621	131,749,674	43,128,551	996,976,846		315,571,987	30,770,805	346,342,792	650,634,054
WEAVING ASSETS									
Building On Free Hold Land	202,144,414	19,767,632	25,298,579	247,210,625	5	74,010,773	6,759,320	80,770,093	166,440,532
Labour Colony Free Hold	23,647,884	-	961,939	24,609,823	5	4,439,890	972,523	5,412,413	19,197,410
Plant And Machinery	1,138,955,581	2,650,400	-	1,141,605,981	5	319,068,259	41,075,384	360,143,643	781,462,338
Electrical Fitting	28,549,109	-	-	28,549,109	15	14,009,274	2,180,975	16,190,249	12,358,860
Factory Equipment	10,646,918	-	-	10,646,918	15	3,842,410	1,020,676	4,863,086	5,783,832
Office Equipment	931,573	173,670	-	1,105,243	15	307,772	114,410	422,182	683,061
Furniture And Fixture	1,662,674	-	-	1,662,674	15	783,083	131,939	915,022	747,652
Vehicles	1,325,900	1,139,767	-	2,465,667	15	707,733	235,612	943,345	1,522,322
TOTAL	1,407,864,053	23,731,469	26,260,518	1,457,856,040		417,169,194	52,490,839	469,660,033	988,196,007
TOTAL OWNED ASSETS	5,949,586,707	278,139,752	622,057,842	6,849,784,301		2,204,800,187	191,549,906	2,396,350,093	4,453,434,208
LEASED ASSETS									
Plant And Machinery	234,653,731	209,692,644		444,346,375	5	6,970,816	19,521,870	26,492,686	417,853,689
G.TOTAL 30.06.2009 Rupees	6,184,240,438	487,832,396	622,057,842	7,294,130,676		2,211,771,003	211,071,776	2,422,842,779	4,871,287,897

	June 30, 2009 Rupees	June 30 - 2008 Rupees
16.1 Depreciation Charged as under:		
Cost of Sale-Spinning	120,123,836	85,919,635
Cost of Sale-Weaving	52,351,991	53,529,900
Administrative Expenses	7,825,144	7,303,697
Power Plant Expenses	30,770,805	29,743,317
	211,071,776	176,496,549

16.2 Had there been no revaluation, the related figures of cost, accumulated depreciation and W.D.V of revalued assets, would have been as follows:

	June 30, 2009 Rupees	June 30 - 2008 Rupees
Lease Hold Land	7,181,059	8,087,206
Building on freehold land	200,199,924	267,437,279
Building on lease hold land	86,988,812	-
Plant and machinery	214,507,554	116,556,942
	508,877,349	392,081,427

16.3 DISPOSAL OF PROPERTY PLANT & EQUIPMENTS

Particulars	Purchase Date	Original Cost	Accumulated Depreciation	Written Down Value	Sale Date	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
SUZUKI KHYBER	09-07-1993	370149	359730	10419	04-11-2008	55000	BY PAY ORDER	MR.SHEIKH ZAHEERUDDIN H/NO E-20/18, FIRDOUS PARK NEAR GENERAL HOSPITAL LAHORE

PROPERTY, PLANT AND EQUIPMENT- 30-06-08

PARTICULARS	COST / REVALUATION				RATE %	DEPRECIATION / AMORTIZATION				W. D. V. AS AT 30/06/2008
	AS AT 1-Jul-2007	ADDITION/ (ADJUSTMENT)	TRANSFERRED FROM PSM	AS AT 30/06/2008		AS AT 1-Jul-2007	TRANSFERRED FROM PSM	FOR THE YEAR	AS AT 30/06/2008	
OWNED ASSETS										
Land - Leased Hold	66,196,828	-		66,196,828	-	1,747,064		906,147	2,653,211	63,543,617
Land - Free Hold	243,337,604	-	68,000,000	311,337,604	-	-			-	311,337,604
Building - Lease Hold	91,505,374	-		91,505,374	5	54,736,533		1,838,442	56,574,975	34,930,399
Building - Free Hold	97,732,724	21,367,434	166,261,859	285,362,017	5	52,440,257	54,658,002	4,139,757	111,238,016	174,124,001
Labour Colony - Lease Hold	7,717,203			7,717,203	5	6,983,166		36,702	7,019,868	697,335
Labor Colony - Free Hold	34,924,988			34,924,988	5	11,266,554		1,182,922	12,449,476	22,475,512
Plant And Machinery	2,184,340,206	61,032,867	540,372,665	2,767,805,483	5	883,082,567	242,835,531	69,931,049	1,195,576,357	1,572,229,126
		(17,940,255)				(272,790)				
Electrical Fitting	31,656,537	3,976,326	5,427,269	41,060,132	15	17,677,835	4,729,076	2,346,777	24,753,688	16,306,444
Factory Equipment	16,281,553	1,000,108	1,569,641	18,851,302	15	10,886,310	1,108,909	896,803	12,892,022	5,959,280
Office Premises	22,020,321	-	-	22,020,321	15	2,774,660	-	2,886,849	5,661,509	16,358,812
Office Equipment	13,266,309	1,433,834	3,242,098	17,942,241	15	7,134,342	2,245,612	1,059,420	10,439,374	7,502,867
Furniture And Fixture	10,283,782	564,615	1,410,291	12,258,688	15	6,275,002	1,031,376	663,247	7,969,625	4,289,063
Vehicles	31,565,304	6,934,310	4,142,238	42,641,852	15	19,680,359	3,173,061	2,337,195	25,190,615	17,451,237
TOTAL	2,850,828,733	96,309,494	790,426,061	3,719,624,033		1,074,411,859	309,781,567	88,225,310	1,472,418,736	2,247,205,297
		(17,940,255)	-							
POWER PLANT										
Building - Lease Hold	39,775,911	-		39,775,911	5	23,920,754		792,758	24,713,512	15,062,399
Building - Free Hold	37,456,234	277,130		37,733,364	5	14,482,023		1,158,907	15,640,930	22,092,434
Plant And Machinery	691,275,510	10,033,250		701,308,760	5	237,457,138		22,924,982	260,382,120	440,926,640
Electrical Fitting	34,278,295	2,105,186		36,383,481	15	7,649,794		4,187,900	11,837,694	24,545,786
Office Equipment	36,300	-		36,300	15	6,257		4,506	10,763	25,537
Furniture And Fixture	439,150	6,000		445,150	15	165,190		41,890	207,080	238,068
Factory Equipment	5,399,325	75,605		5,474,930	15	1,384,962		605,648	1,990,610	3,484,320
Vehicles	940,725	-		940,725	15	762,552		26,726	789,278	151,447
TOTAL	809,601,450	12,497,171		822,098,621		285,828,670		29,743,317	315,571,987	506,526,631
WEAVING ASSETS										
Building On Free Hold Land	200,450,274	1,694,140	-	202,144,414	5	67,308,816		6,701,957	74,010,773	128,133,641
Labour Colony Free Hold	23,647,884	-	-	23,647,884	5	3,428,943		1,010,947	4,439,890	19,207,994
Plant And Machinery	1,104,293,949	34,661,632	-	1,138,955,581	5	277,003,151		42,065,108	319,068,259	819,887,322
Electrical Fitting	28,549,109	-	-	28,549,109	15	11,443,421		2,565,853	14,009,274	14,539,835
Factory Equipment	10,540,418	106,500	-	10,646,918	15	2,660,151		1,182,259	3,842,410	6,804,508
Office Equipment	931,573	-	-	931,573	15	197,690		110,082	307,772	623,801
Furniture And Fixture	1,562,674	100,000	-	1,662,674	15	645,267		137,816	783,083	879,591
Vehicles	1,325,900	-	-	1,325,900	15	598,645		109,088	707,733	618,167
TOTAL	1,371,301,781	36,562,272	-	1,407,864,053		363,286,084		53,883,110	417,169,194	990,694,859
TOTAL OWNED ASSETS	5,031,731,964	145,368,937 (17,940,255)		5,949,586,707		1,723,526,613		171,851,737	2,205,159,917	3,744,426,787
LEASED ASSETS										
Plant And Machinery	35,044,338	181,669,138		234,653,731	5	2,326,004		4,644,812	6,970,816	227,682,915.00
		17,940,255								
G.TOTAL 30.06.2008 Rupees	5,066,776,302	327,038,075	790,426,061	6,184,240,438		1,725,852,617	309,781,567	176,496,549	2,212,130,733	3,972,109,702

Jun-30
2009
RUPEES

Jun-30
2008
RUPEES

CAPITAL WORK IN PROGRESS - At Cost

Plant & Machinery	17,270,762	19,278,732
Building	100,111,893	128,234,085
	117,382,655	147,512,817

The movement in capital Work in Progress is as follows

Balance at the begning of the year	147,512,817	91,207,681
Addition during the year		
Plant & Machinery	17,270,762	19,278,732
Building	38,663,586	60,302,900
	55,934,348	79,581,632
Transfer to Property Plant & Equipment		
Plant & Machinery	19,278,732	23,276,496
Building	66,785,778	-
	86,064,510	23,276,496
	117,382,655	147,512,817

18 LONG TERM INVESTMENTS

Quoted Available for Sale- At Fair vale	18.1	46,255,210	130,210,961
Un-quoted Available for Sale-At Fair Value	18.2	2,231,059	2,078,125
		48,486,269	132,289,086

18.1 Quoted Available for Sale- At Fair vale

Name of Securities	No.of Shares	Cost	Fair value adjustment	Fair value
FAUJI CEMENT LIMITED	7,019,000	120,081,590	(73,826,380)	46,255,210
		120,081,590	(73,826,380)	46,255,210

**18.2 Unquoted - Available for sale
- At Fair Value**

National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs.48.61 per share as on 30.06.2009 (2008: 45.279).	1,294,267	1,294,267
Appreciation in the value of investments	936,792	783,858
	2,231,059	2,078,125

19 LONG TERM DEPOSITS

Security deposits		
Electricity - WAPDA	1,882,550	358,300
Leasing companies	14,452,569	4,985,830
Others	1,168,393	1,168,393
	17,503,512	6,512,523

20 STORES, SPARES AND LOOSE TOOLS

Spinning		
Stores	45,618,215	40,818,913
Spares and accessories	142,761,419	129,858,836
Loose tools	12,650,994	10,619,201
	201,030,628	181,296,950
Weaving		
Store	46,571,396	49,535,754
Power plant		
Oil and stores	54,309,788	49,889,137
	301,911,812	280,721,841

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
21 STOCK IN TRADE		
Spinning		
Raw material	1,276,470,008	1,182,390,236
Work-in-process	54,917,688	50,080,024
Finished goods	205,997,798	275,137,142
Waste	16,460,505	6,857,261
	<u>1,553,845,999</u>	<u>1,514,464,663</u>
Weaving		
Raw material	100,090,563	133,524,692
Work in process	41,042,129	32,758,126
Finished goods	534,191,650	390,556,268
Waste	23,556	3,248,000
	<u>675,347,898</u>	<u>560,087,086</u>
	<u>2,229,193,897</u>	<u>2,074,551,749</u>
22 TRADE DEBTS		
- Considered good		
Exports - secured against letter of credit	338,518,141	131,679,522
Local debts - unsecured	547,500,894	423,940,860
	<u>886,019,035</u>	<u>555,620,382</u>
23 OTHER FINANCIAL ASSETS		
23.1 Held for trading		
In listed companies	108,683,140	84,659,731
Revaluation reserve for investment	(6,731,435)	(22,872,288)
	<u>101,951,705</u>	<u>61,787,443</u>

Details are as under: -

2009 (Rupees)				
Name of Securities	No.of Shares	Cost	Fair value adjustment	Fair value
THE HUB POWER COMPANY LIMITED	44,000	1,412,299	(220,339)	1,191,960
JAVED OMER VOHRA & COMPANY LIMITED	22,000	1,970,491	(1,674,152)	296,339
STANDARD CHARTERED LEASING LIMITED	120,000	1,867,802	(1,626,602)	241,200
JAHANGIR SIDDIQUI & COMPANY LIMITED	17	638	(245)	393
JS INVESTMENT LIMITED	10,800	764,101	(581,149)	182,952
WORLDCALL TELECOM LIMITED	156	2,707	(2,317)	390
TRIPACK FILM LIMITED	92,100	14,801,297	(5,601,429)	9,199,868
NISHAT MILLS LIMITED	284,600	9,585,753	1,177,819	10,763,572
ALLIED BANK LIMITED	40	4,091	(2,587)	1,504
D G KHAN CEMENT COMPANY LIMITED	238,600	4,344,863	2,729,627	7,074,490
ADAMJEE INSURANCE COMPANY LIMITED	71,500	3,664,112	2,341,173	6,005,285
ARIF HABIB INVESTMENT LIMITED	367,000	12,951,317	(5,607,647)	7,343,670
DAWOOD HERCULES CHEMICAL LIMITED	10,000	1,672,783	(387,683)	1,285,100
ENGRO CHEMICAL PAKISTAN LIMITED	56,100	8,586,874	(1,381,951)	7,204,923
FAUJI FERTILIZER BIN QASIM LIMITED	35,000	1,148,601	(529,451)	619,150
FAUJI FERTILIZER COMPANY LIMITED	30,800	3,116,904	(438,844)	2,678,060
LUCKY CEMENT LIMITED	268,500	10,796,012	4,919,292	15,715,304
MARI GAS COMPANY LIMITED	99,900	15,047,409	(179,292)	14,868,117
MCB BANK LIMITED	65,000	10,325,656	(248,706)	10,076,950
NETSOL TECHNOLOGIES LIMITED	72,300	1,500,461	(209,184)	1,291,278
PICIC ENERGY FUND	50,000	232,446	(7,446)	225,000
PAKISTAN PETROLEUM LIMITED	30,000	4,886,522	799,678	5,686,200
	30-Jun-09	108,683,139	(6,731,435)	101,951,705
	30-Jun-08	84,659,731	(22,872,288)	61,787,443

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
24. LOANS AND ADVANCES		
Unsecured - considered good		
Loans to - Employees	1,031,177.00	895,660
Advance against;		
Letter of credit	36,354,285	11,548,722
Advance to cotton suppliers	129,589,405	124,880,435
Store suppliers and others	46,336,526	17,450,022
Income tax	32,712,236	38,561,902
	244,992,452	192,441,081
	<u>246,023,629</u>	<u>193,336,741</u>
25. SHORT TERM PREPAYMENTS		
Prepayments	106,155	1,350,307
	<u>106,155</u>	<u>1,350,307</u>
26. OTHER RECEIVABLES		
Sales tax refundable	89,066,392	81,654,971
Fair value of derivatives	-	2,934,517
	<u>89,066,392</u>	<u>84,589,488</u>
27. CASH AND BANK BALANCES		
Cash in hand	1,041,572	1,092,964
Cash at bank in current accounts	2,071,514	1,762,300
	<u>3,113,086</u>	<u>2,855,264</u>
28. SALES - NET		
Local sales (Note: 28.1)	3,599,753,615	2,678,660,878
Export sales (Note: 28.2)	3,600,970,456	3,090,494,360
	<u>7,200,724,071</u>	<u>5,769,155,238</u>
28.1 Local sales		
Yarn	1,814,820,462	1,165,996,307
Fabric	1,727,695,452	1,430,759,462
Waste	86,677,802	99,862,988
	3,629,193,716	2,696,618,757
Less: direct expenses		
Commission	16,162,452	11,324,716
Freight	13,277,649	6,633,163
	29,440,101	17,957,879
	<u>3,599,753,615</u>	<u>2,678,660,878</u>
28.2 Export sales		
Yarn	3,085,343,768	2,557,004,984
Fabric	800,361,279	761,923,620
	3,885,705,047	3,318,928,604
Less: Direct expenses		
Commission	66,961,190	41,836,783
Export development surcharge	9,540,842	6,407,589
Freight	105,432,631	91,041,372
Selling expenses	102,799,928	89,148,500
	284,734,591	228,434,244
	<u>3,600,970,456</u>	<u>3,090,494,360</u>

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
29. COST OF GOODS SOLD		
Finished goods		
Opening	675,798,671	391,867,182
Transferred from Pioneer Spinning Mills Ltd (refer note 1.2)	-	204,732,426
Yarn purchased	206,843,771	216,642,092
Cost of goods manufactured (Note:29.1)	6,051,224,073	5,037,868,713
	6,933,866,515	5,851,110,413
Closing	(756,673,509)	(675,798,671)
	<u>6,177,193,006</u>	<u>5,175,311,742</u>
29.1 Cost of goods manufactured		
Raw material consumed (Note: 29.1.1)	4,307,016,503	3,719,631,147
Wages, salaries and benefits (Note: 29.1.2)	512,961,366	415,142,180
Stores and spares consumed	362,106,792	303,252,621
Power, fuel and water	649,051,433	424,617,152
Rent, rates and taxes	2,886,952	711,877
Insurance	14,716,940	12,623,580
Repair and maintenance	12,067,481	9,640,785
Other expenses	31,062,446	23,141,285
Depreciation (Note : 16.1)	172,475,827	139,449,535
	6,064,345,740	5,048,210,162
Work in process		
Opening	82,838,150	63,447,474
Transferred from Pioneer Spinning Mills Ltd	-	9,049,227
Closing	(95,959,817)	(82,838,150)
	(13,121,667)	(10,341,449)
	<u>6,051,224,073</u>	<u>5,037,868,713</u>
29.1.1 Raw material consumed		
Opening stock	1,315,914,928	648,681,967
Transferred from pioneer Spinning Mills		395,271,595
Add: Purchases	4,367,662,146	3,991,592,513
	5,683,577,074	5,035,546,075
Closing stock	(1,376,560,571)	(1,315,914,928)
	<u>4,307,016,503</u>	<u>3,719,631,147</u>
29.1.2 It includes Rs.17,511,664 (2008 : Rs.17,407,832) on account of staff retirement benefits.		
30 ADMINISTRATIVE EXPENSES		
Director's remuneration (Note: 30.1)	1,968,000	1,788,000
Salaries and benefits (Note: 30.2)	11,285,774	11,583,838
Printing and stationery	1,659,614	1,855,358
Communication	1,750,225	1,366,595
Traveling and conveyance	2,143,576	2,515,955
Legal and professional charges	1,335,411	1,476,950
Auditors remuneration (Note: 30.3)	824,500	480,000
Rent, rates and taxes	328,830	398,170
Entertainment	739,585	740,185
Electricity, gas and water charges	1,002,635	1,672,436
Fees and subscription	1,330,146	245,710
Repairs and maintenance	123,030	194,172
Charity and donation (Note: 30.4)	1,950,766	3,046,388
Depreciation (Note : 16.1)	7,825,144	7,303,697
Brokerage and discount	41,000	113,003
	<u>34,308,236</u>	<u>34,780,457</u>

**30.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES
REMUNERATION**

	CHIEF EXECUTIVE		DIRECTORS	
	For the year ended June 30, 2009	For the year ended June 30, 2008	For the year ended June 30, 2009	For the year ended June 30, 2008
Remuneration	240,000	240,000	1,072,000	952,000
House rent allowance	96,000	96,000	428,800	380,000
Perquisites	24,000	24,000	107,200	95,200
TOTAL	360,000	360,000	1,608,000	1,428,000

Number of persons 1 1 4 4

30.2 It includes Rupees 935,940 (2008 : Rupees 1,549,573) on account of staff retirement benefits.

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
30.3 Auditors' remuneration		
Audit fee	665,000	330,000
Half yearly review and other certification fee	104,500	95,000
Code of corporate governance review	30,000	30,000
Out of pocket expenses	25,000	25,000
	824,500	480,000
30.4 Directors and their spouse have no interest in the donees		
31 OTHER OPERATING EXPENSE		
Capital loss on sale of shares	106,723,513	3,661,347
W.P.P.F	4,937,464	2,450,318
W.W.F	1,974,986	-
Diminution in the value of investment	-	23,110,632
	113,635,963	29,222,297
32 OTHER OPERATING INCOME		
Profit on sale of assets	44,581	-
Rental income	2,600,744	2,982,492
Dividend income	3,609,025	8,991,010
Electric Power income (Note 32.1)	31,498,756	-
Appreciation in the fair value of investment	16,140,853	-
	53,893,959	11,973,502
32.1 Electric power income		
Salaries and wages	11,847,701	12,725,042
Fuel and store consumed	560,060,259	339,289,342
Repair and maintenance	3,567,726	3,104,514
Other expenses	4,898,198	3,649,050
Depreciation	30,770,805	29,743,317
	611,144,689	388,511,265
Less: self use - spinning weaving	417,128,388 158,125,222	279,166,076 109,345,189
	575,253,610	388,511,265
	35,891,079	(388,511,265)
Sale Out Side	67,389,835	-
Less expense	(35,891,079)	-
Profit (Note : 32)	31,498,756	-

	Jun-30 2009 RUPEES	Jun-30 2008 RUPEES
33 FINANCE COST - NET		
Mark up on		
Finance charges on lease assets	44,119,337	7,705,525
Short term loans	404,525,463	268,223,599
Long term loans	263,730,277	192,793,941
Loss on Derivative Financial instrument (Note : 8.33)	113,972,204	46,967,705
Workers' profit participation fund (Note: 13.2)	406,124	615,148
Bank charges	7,190,726	5,198,075
	<u>833,944,131</u>	<u>521,503,993</u>
Less: Financial income		
Interest on TFC Investment	27,214	127,533
Interest on TDR	3,404,259	-
Interest on related party loan - Pioneer Spinning Mills Ltd . (Note 1.2)	-	26,118,251
Total financial income	<u>3,431,473</u>	<u>26,245,784</u>
Net finance cost	<u>830,512,658</u>	<u>495,258,209</u>

34 TAXATION

34.1 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under presumptive tax regime under section 115 (4) of the Income Tax Ordinance, 2001.

35 Reserve on Merger of Pioneer Spinning Mills Limited

Paid up Capital of Pioneer Spinning Mills Ltd.	-	58,165,000.00
Capital reserve of Pioneer Spinning Mills Ltd.	-	4,297,500.00
Net book value of the assets	-	62,462,500.00
less: Cost of Investment of Quetta Textile Mills Ltd.	-	(56,487,335.00)
Reserve on Merger of Pioneer Spinning Mills Ltd	<u>-</u>	<u>5,975,165.00</u>

According to the Order of Sindh High Court, the Merger of Pioneer Spinning Mills Limited into Quetta Textile Mills Limited have been taken with effect from March 31, 2008. The reserve is the excess of book value of assets taken over the cost of investment at that date.

36 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basis earnings per share of the Company which is based on:

Profit after taxation	Rs.	30,721,207	27,186,579
Number of Ordinary shares		3,125,000	3,125,000
Earnings per share in rupees	Rs.	<u>9.83</u>	<u>8.70</u>

37 CASH GENERATED FROM OPERATIONS

Profit before taxation	98,968,167	46,556,035
Adjustment for item involving non movement of fund		
Depreciation	211,071,776	176,496,549
Finance cost - net	830,512,658	495,258,209
(Gain) / Loss on sale of fixed assets	(44,581)	-
Dividend income	(3,609,025)	(8,991,010)
Provision for gratuity	18,489,935	23,881,035
Provision for appreciation/ (diminution) in the value of investment	(16,140,853)	23,110,632
Provision for workers' profit participation fund	4,937,464	2,450,318
	<u>1,045,217,374</u>	<u>712,205,733</u>
Profit before working capital changes	1,144,185,541	758,761,768
(Increase)/decrease in current assets		
Stocks, stores and spares	(175,832,119)	(1,031,933,752)
Trade debts	(330,398,653)	(179,284,110)
Loans and advances, prepayments and other receivables	(61,769,306)	237,861,471
	<u>(568,000,078)</u>	<u>(973,356,392)</u>
Increase in current liabilities		
Creditors, accrued and other liabilities	(62,137,556)	26,456,515
	<u>514,047,907</u>	<u>(188,138,109)</u>

38 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises of the subsidiary company, directors and key management personnel. Amount due to/from are shown in relevant notes. Transaction with subsidiary company, Pioneer Spinning Mills Limited, now merged with Quetta Textiles Mills Limited refer note 1.1 (other than remuneration paid to Chief Executive and Directors) upto March 31, 2008 are as follows:

	Jun-30 2009	Jun-30 2008
	RUPEES	RUPEES
Purchase of yarn from subsidiary	-	96,479,288
Purchase of waste from subsidiary	-	3,176,375
Interest on loan to subsidiary	-	26,118,251

39 POST BALANCE SHEET EVENTS

The Board of Directors proposed the final dividend for the year ended June 30, 2009 of Rs.NIL (2008: Rs.NIL) per share amounting to Rs.NIL (2008: Rs. NIL) at their meeting held on October 9, 2009 for the approval of the member at the Annual General Meeting to be held on October 31, 2009. These financial statements do not reflect dividend payable.

40 FINANCIAL INSTRUMENT RELATED DISCLOSURE

40.1 Yield / Mark up rate risk

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

		FOR YEAR ENDED JUNE 30, 2009							
Effective interest rates		interest/mark up bearing			non interest/mark up bearing			TOTAL	
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
%		RUPEES							
FINANCIAL ASSETS									
	Investment	-	-	-	101,951,705	-	101,951,705	101,951,705	
	Deposits	-	-	-	-	-	-	-	
	Trade debts	-	-	-	886,019,035	-	886,019,035	886,019,035	
	Cash and bank balances	-	-	-	3,113,086	-	3,113,086	3,113,086	
		-	-	-	991,083,826	-	991,083,826	991,083,826	
FINANCIAL LIABILITIES									
	Loans	07-14.0	-	496,845,950	496,845,950	-	773,161,770	773,161,770	1,270,007,720
	Short term finance	3.74-13.13	3,713,509,816	-	3,713,509,816	7,948,047	-	7,948,047	3,721,457,863
	Trade and other payables		5,089,676	-	5,089,676	175,472,546	-	175,472,546	180,562,222
	Dividend		-	-	-	128,434	-	128,434	128,434
			3,718,599,492	496,845,950	4,215,445,442	183,549,027	773,161,770	956,710,797	5,172,156,239
	Total yield / mark up rate risk sensitivity gap		(3,718,599,492)	(496,845,950)	(4,215,445,442)	807,534,799	(773,161,770)	34,373,029	(4,181,072,413)

		FOR YEAR ENDED JUNE 30, 2008							
Effective interest rates		interest/mark up bearing			non interest/mark up bearing			TOTAL	
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
%		RUPEES							
FINANCIAL ASSETS									
	Investment	-	-	-	61,787,443	132,289,086	194,076,529	194,076,529	
	Deposits	-	-	-	-	6,512,523	6,512,523	6,512,523	
	Trade debts	-	-	-	555,620,382	-	555,620,382	555,620,382	
	Cash and bank balances	-	-	-	2,855,264	-	2,855,264	2,855,264	
		-	-	-	620,263,089	138,801,609	759,064,698	759,064,698	
FINANCIAL LIABILITIES									
	Loans	07-14.0	440,875,345	2,164,689,452	2,605,564,797	-	738,661,770	738,661,770	3,344,226,567
	Short term finance	3.74-13.13	2,744,279,401	-	2,744,279,401	8,388,353	-	8,388,353	2,752,667,754
	Trade and other payables		3,316,238	-	3,316,238	237,610,102	-	237,610,102	240,926,340
	Dividend		-	-	-	499,418	-	499,418	499,418
			3,188,470,984	2,164,689,452	5,353,160,436	246,497,873	738,661,770	985,159,643	6,338,320,079
	Total yield / mark up rate risk sensitivity gap		(3,188,470,984)	(2,164,689,452)	(5,353,160,436)	373,765,216	(599,860,161)	(226,094,945)	(5,579,255,381)

	June 30, 2009	June 30, 2008
	Rupees	Rupees
OFF BALANCE SHEET ITEMS		
Letter of credit	70,255,497	7,856,421
Other commitments	150,000,000	164,000,000
Guarantees	195,302,000	167,736,000
	415,557,497	339,592,421

40.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing

40.3 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

40.4 Foreign exchange risk management and its policy

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

40.5 Liquidity risk

Liquidity risk reflects an enterprise inability in raising funds to meet commitments. The company's management closely monitors the company's

41 DATE OF AUTHORIZATION FOR ISSUE

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

42 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

**KHALID IQBAL
CHIEF EXECUTIVE**

**OMER KHALID
DIRECTOR**

Karachi : October 09 ,2009