QUETTA TEXTILE MILLS LIMITED

CORPORATE VISION / MISSION STATEMENT

VISION

Quetta Textile Mills Limited is one of the leading manufacturers & exporters of yarns & fabrics in Pakistan. The Company aims to become a market leader by producing high quality products with the help of latest technologies. The Company strives to explore new markets worldwide and at the same time tries to integrate its supply chain and diversify its customer portfolio. The Company aims to be fittest in a changing market scenario through effective Balancing, Modernization & Replacement of existing machinery.

MISSION

Our aim is to make Quetta Textile Mills Limited a secure & rewarding investment for its shareholders & investors, a reliable source of high quality yarns & fabrics at affordable prices to its customers all over the world, a secure place of work to its employees & an ethical partner to its business associates.

QUETTA TEXTILE MILLS IMITED

Annual Report 2011

For the Year Ended June 30, 2011

CONTENTS

QUETTA TEXTILE MILLS LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Tariq Iqbal (Chief Executive) Mr. Mr. Tauqir Tariq Mr. Asim Khalid Mr. Omer Khalid Mrs. Saima Asim Mrs. Tabbasum Tariq Mrs. Sadaf Khalid
AUDIT COMMITTEE	Mr. Asim Khalid (Chairman) Mrs. Saima Asim (Member) Mrs. Tabbasum Tariq (Member)
CHIEF FINANCIAL OFFICER	Mr. Omer Khalid
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited AlBaraka Bank (Pakistan) Limited Al- Noor Modarba Askari Bank Limited Bank Alfalah Limited Burj 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 Soneri Bank Limited Silk Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited 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. Lahore Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 47th Annual General Meeting of the Shareholders to be held on Monday , October 31, 2011 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 46th General Meeting held on January 29, 2011.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2011.
3. To appoint Auditors for the year 2011-2012 and fix their remuneration.
4. To transact any other business with the permission of the Chairman.

5. To approve 15% cash dividend for the year ended June 30, 2011 as recommended by the Board of Directors

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By order of the Board

Karachi: October 08, 2011

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. For the purpose of entitlement of dividend, the Register of the members of the company will remain closed at registered office from October 25, 2011 to October 31, 2011 (both days inclusive) and dividend approved will be paid to such members whose name appear in the Company's register of member at the close of business on October 24, 2011.

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.
4. Shareholders are required to promptly notify at registered office of the company of any change in their address.

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders:

Presentation of these financial results for the year ended June 30, 2011 come at an extremely sad time for your company, it's officers, workers, staff, financial institutions, and everyone else associated with this organization. On August 30, 2011, we lost our dear and beloved CEO Mr. Khalid Iqbal, while on company duty. He spent nearly half of his life of 68 years working relentlessly to build this company from a sick spinning mill to what it is today. He will always be remembered as a good muslim, a simple, direct, yet an assertive leader, a man of commitment with a special dedication to work and business ethics. He will be in our hearts forever.

Your company earned a profit before tax of Rs.773.47 (M) as compared to Rs.375.60 (M) last year. Turnover for the year ended was Rs.14.34 (B), as compared to corresponding year 2010 amounting to Rs.9.33 (B), showing an increase of 53.67%. Good demand for textile products in the west, and timely purchase of raw cotton at good prices at the start of the cotton season have resulted in improved profit after tax from Rs.255.03 (M) to Rs.583.80 (M). Prices of yarn and fabric increased exorbitantly during the first 9 months of this fiscal year, caused by sharp and continuous rise in raw cotton prices. After April, prices abruptly dropped and kept declining further till June 2011. This caused severe pressure on profitability due to remaining cotton stocks, which luckily were held by your company only till June. So impact of this phenomenon negatively affected profitability for the last two months of this year only. As a result your company managed to keep bulk of the profits for the year.

We expect cotton prices to stabilize this year due to good cotton crop in Pakistan as well as the world. However, productions may be curtailed due to severe electricity/ gas load-shedding.

Cotton prices for the coming year are expected to remain stable and attractive for the spinning industry. Yet the highly uncertain global financial conditions, especially those prevailing in Europe and the US continue to threaten world economy in general and textile markets particularly.

Textile industry in Pakistan continues to suffer from very high interest rates, acute gas and electricity shortage and severe lawlessness. Gas load-shedding has further increased from 2 days weekly to 3 days. Next year is expected to be even worse with respect to gas shutdowns.

The company continues its focus on BMR in our spinning and weaving mills that is critical for the company to keep its edge over competition and cater to the ever-changing demands of customers.

In the end I would like to thank all the financial institutions for their continued support and confidence they have showed towards the company. To the workers, staff and officers, I extend my gratitude for their dedication and honesty.

TARIQ IQBAL
Chief Executive
Karachi: October 08, 2011

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 42 nd Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2011.

FINANCIAL RESULTS	**Rupees**
Net Profit before taxation	773,468,337
Less: Taxation	189,672,887
Net Profit after taxation	583,795,450
Un-appropriated profit brought forward	706,287,162
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year	31,612,807
Dividend paid @ 20% for the year ended June 30, 2010	(26,000,000)
Available for appropriation	1,295,695,419
Un-appropriated profit	**1,295,695,419**
Profit after Taxation	583,795,450
Ordinary Shares	13,000,000
Earnings per share	**44.91**

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.

Operational Performance

	Year ended June 30		Increase /
	2011	**2010**	(Decrease)
	(Amount in Rupees)		%age
Total Sales	14,343,553,424	9,334,111,703	53.67%
Local Sales	7,660,755,907	4,622,449,385	65.73%
Export Sales	6,682,797,517	4,711,662,318	41.84%
Gross Profit	2,293,589,872	1,707,970,650	34.29%

Salient Feature of the Accounting Results

The achievement of the year under review my be compared against preceding year in are as under

	Year ended June 30	
	2011	**2010**
	(Amount in Rupees)	
Sales	14,343,553,424	9,334,111,703
Cost of Sales	(12,049,963,552)	(7,626,141,053)
Gross profit	2,293,589,872	1,707,970,650
Distribution cost	(389,769,766)	(286,765,433)
Administrative Expenses	(35,755,750)	(32,762,174)
Other operating expenses	(122,050,909)	(73,147,100)
Finance cost	(978,217,081)	(962,309,108)
	(1,525,793,506)	(1,354,983,815)
Other Operating Income	5,671,971	22,604,700
Profit before Tax	773,468,337	375,591,535

Financial Management

Cash flow Management

The Company has an effective Cash Flow Management system in Place whereby cash inflows and out flows are projected on regular basis. Working Capital requirements are planned to be financed through internal cash generation and short term borrowings from external resources where necessary.

Risk Mitigation

The Inherent risks and uncertainties in running a business directly affect the success of business. The management of Quetta Textile Mills Limited has identified its exposure to the potential risks. As a part of our policy to produced forward looking statement we are outlining the risks which may effect our business. This exercise also helps the management focus on a strategy to mitigate risk factors.

Credit Risk

All financial assets of the company except cash in hand are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk. Exposure is Managed through application of credit limits to its customers secured by and on the base of past experience, sales volume, consideration of financial position, past track records and recoveries, economic conditions of particularly the textile sector and generally the industry. The company believes that it is prudent to provide Provision of doubt full debts.

Liquidity Risk

Prudent liquidity risk management ensures availability of the sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

Interest Rate Risk

Majority of the interest rate exposure arises from short and long term borrowing from banks. Therefore, a change in interest rates at the reporting date would not effect the profit and loss accounts.

Foreign Exchange Risk.

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The company is mainly exposed to short term USD/ PKR parity on its imports of raw material and Plant and Machinery.

Production facilities.

Performance of our production facilities was excellent with unprecedented levels of output. Our team continued to improve efficiencies through harmonized efforts, eliminating wastage and avoidance of shutdowns on numerous occasions. The Company is determined to continue its focus on maximum capacity utilization for sustained profitability and to maintain its position as the leading Textile Manufacturer of the Country.

DIVIDEND

The Board of Directors have Proposed a final cash dividend @15 % i.e Rs.1.5/= per share for the year ended June 30, 2011.

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, 2011 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 2010-2011

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

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	15
Mr. Tariq Iqbal	13
Mr. Daanish Javed	3
Mr. Asim Khalid	11
Mr. Omer khalid	16
Mrs. Najma Javed	6
Mrs. Saima Asim	5
Mr.s Tauqir Tariq	6
Mrs. Tabbasum Tariq	09

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.

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 prsedures.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, 2011.

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.

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

TARIQ IQBAL
Chief Executive
Karachi: October 08, 2011

QUETTA TEXTILE MILLS LIMITED

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 NBFI. 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

TARIQ IQBAL
CHIEF EXECUTIVE

Quetta Textile Mills Limited

KARACHI: October- 08, 2011.

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS
407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 362639843
Branch Office: 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360
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Member of
THE Leading Edge ALLIANCE
Illinois, USA

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, 2011.

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

KARACHI:
Date: **October 08, 2011**

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2006-2011

	June 2006	June 2007	Jun-08 2008	Jun-09 2009	Jun-10 2010	Jun-10 2011
Profit and Loss						
Net sales (Rs.000)	4,562,635	4,912,815	5,769,155	7,514,898	9,334,111	14,343,553
Gross Profit (Rs.000)	396,000	500,414	593,843	1,337,706	1,707,970	2,293,589
Profit before tax (Rs.000)	91,291	144,334	46,556	98,968	375,591	773,468
Profit after tax (Rs.000)	52,633	83,197	27,187	30,721	255,034	583,795
Cash Outflows						
Taxes paid (Rs.000)	6,855	51,087	56,467	31,468	51,583	124,745
Financial charges paid (Rs.000)	289,559	265,246	501,913	859,771	958,328	927,091
Fixed capital expenditures (Rs.000)	844,277	516,070	863,987	458,072	156,914	455,966
Balance sheet						
Current assets (Rs.000)	2,104,795	2,225,983	3,254,813	3,857,386	3,552,358	4,483,902
Current liabilities (Rs.000)	2,419,535	2,246,671	3,568,583	4,408,998	4,069,031	4,551,383
Operating fixed assets (Rs.000)	2,803,300	3,340,924	3,972,109	4,871,288	4,775,130	5,090,266
Total assets (Rs.000)	5,177,570	5,661,208	7,513,237	8,912,046	8,508,167	9,646,739
Long term loans and finances (Rs.000)	1,554,972	2,090,583	2,164,689	2,123,703	1,743,354	1,619,468
Share holders' equity (Rs.000)	534,308	612,897	413,903	1,263,353	1,536,790	2,192,119
Ratios						
Current ratio (As per SBP regulations)	0.87	0.99	0.91	0.87	0.87	0.99
Equity: Debt ratio (As per SBP regulations)	0.39	0.35	0.35	**0.39**	**0.47**	**0.58**
Leverage	3.37	3.27	3.69	3.35	2.56	2.07
Gross profit to sales	8.7%	10.2%	10.3%	17.8%	18.3%	15.99%
Net Profit before tax to sales	2.00%	2.94%	0.81%	1.32%	4.02%	5.39%
Earning per share	16.84	26.62	8.70	9.83	28.60	44.91
Proposed Dividend	15%	15%	NIL%	NIL%	20%	15%

PATTERN OF SHAREHOLDING (FORM - A)
Pattern of holding of the shares held by the shareholders as at 30-06-2011 is given below

No of Shareholders	Shareholding					Total Share held
85	From	1	To	100	Shares	2,378
66	From	101	To	500	Shares	15,918
21	From	501	To	1,000	Shares	17,353
24	From	1,001	To	5,000	Shares	45,733
7	From	5,001	To	10,000	Shares	52,086
4	From	10,001	To	15,000	Shares	49,464
2	From	15,001	To	20,000	Shares	38,000
1	From	20,001	To	25,000	Shares	24,272
1	From	25,001	To	30,000	Shares	25,884
2	From	30,001	To	35,000	Shares	67,826
1	From	40,001	To	45,000	Shares	42,460
1	From	50,001	To	55,000	Shares	52,082
1	From	120,001	To	125,000	Shares	124,402
1	From	155,001	To	160,000	Shares	156,358
1	From	160,001	To	165,000	Shares	161,114
1	From	170,001	To	175,000	Shares	173,158
1	From	190,001	To	195,000	Shares	193,358
1	From	210,001	To	215,000	Shares	214,663
1	From	215,001	To	220,000	Shares	218,610
1	From	235,001	To	240,000	Shares	238,438
3	From	245,001	To	250,000	Shares	743,183
1	From	265,001	To	270,000	Shares	267,368
1	From	280,001	To	285,000	Shares	281,686
1	From	310,001	To	315,000	Shares	313,167
2	From	325,001	To	330,000	Shares	656,906
1	From	375,001	To	380,000	Shares	377,137
1	From	390,001	To	395,000	Shares	393,760
1	From	415,001	To	420,000	Shares	419,375
1	From	435,001	To	440,000	Shares	437,393
1	From	445,001	To	450,000	Shares	449,205
1	From	470,001	To	475,000	Shares	471,318
1	From	495,001	To	500,000	Shares	496,921
1	From	530,001	To	535,000	Shares	530,384
2	From	565,001	To	570,000	Shares	1,132,094
1	From	58,001	To	63,000	Shares	582,002
1	From	595,001	To	600,000	Shares	595,177
1	From	605,001	To	610,000	Shares	607,303
1	From	630,001	To	635,000	Shares	631,983
1	From	690,001	To	695,000	Shares	694,353
1	From	1,005,001	To	1,010,000	Shares	1,005,728
247			**Total**			**13,000,000**

Categories of Shareholders	No of Shareholders	Share held	Percentage
Financial Institutions	4	12,348	0.09
Individuals	234	12,918,197	99.37
Investment Companies	1	250	0.00
Insurance Companies	1	52,082	0.40
Joint Stock Companies	6	17,122	0.13
Securities & Exchange Commission of Pakistan	1	1	0.00
	247	13,000,000	100.00

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT 30TH JUNE 2011

	Name of Shareholders		No of Shareholders	Share held	Percentage
1	**Associates Companies**			NIL	
2	**NIT & ICP**		1		
	Investment Corporation of Pakistan			250	0.00
3	**Directors, CEO their SPOUSE and Minor Children**		9		
	Mr. Khalid Iqbal	(Director & CEO)		1,005,728	7.74
	Mr. Asim Khalid	(Director)		582,002	4.48
	Mr. Omer Khalid	(Director)		607,303	4.67
	Mrs. Rukhsana Khalid			246,577	1.90
	Mrs. Saima Asim	(Director)		8,700	0.07
	Mr. Tariq Iqbal	(Director)		566,059	4.35
	Mrs. TabbasumTariq	(Director)		694,353	5.34
	Mr. Tauqeer Tariq	(Director)		631,983	4.86
	Mrs. Tahmina Tauqir			449,205	3.46
4	**Executive**			N I L	
5	**Public Sector Companies & Corporations**			N I L	
6	**Bank Development Finance Institution, Non Banking Finance Institution, Insurance Companies, Modarabas & Mutual Fund**		4		
	State Life Insurance Corporation of Pakistan			52,082	0.40
	National Bank Of Pakistan,			11,496	0.09
	National Investment Trust Ltd			488	0.00
	National Industrial Co-operate Finance Corporation Ltd			364	0.00
7	**Shareholders Holding 10% or More**			NIL	
8	**Individuals**		225	8,126,287	62.51
9	**Others**		8	17,123	0.13
	T O T A L		**247**	**13,000,000**	**100**

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Quetta Textile Mills Limited** as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

KARACHI:
Date: October 08, 2011

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

QUETTA TEXTILE MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	5,090,266,750	4,775,130,044
Capital work in progress	5	43,041,260	136,121,413
Long term investments	6	2,786,576	26,988,433
Long term deposits	7	26,742,702	17,503,512
		5,162,837,288	4,955,743,402
CURRENT ASSETS			
Stores, spare and loose tools	8	449,805,371	436,830,375
Stock in trade	9	2,947,780,363	2,269,203,857
Trade debts	10	658,397,688	524,062,248
Other financial assets	11	15,898,000	11,449,354
Loans and advances	12	192,394,294	184,707,178
Short term prepayments	13	6,450,130	-
Income tax and sales tax	14	188,514,029	122,886,770
Cash and bank balances	15	24,661,647	3,218,580
		4,483,901,522	3,552,358,362
TOTAL ASSETS		9,646,738,810	8,508,101,764
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2010: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
15,000,000 (2010: 15,000,000) preference shares of Rs. 10 each		150,000,000	150,000,000
		350,000,000	350,000,000
Issued, subscribed and paid-up capital	16	130,000,000	130,000,000
Reserves		114,674,209	48,687,626
Share premium reserve		651,750,000	651,750,000
Unappropriated profit		1,295,695,419	706,287,162
		2,192,119,628	1,536,724,788
Surplus on revaluation of property, plant and equipment	17	743,015,956	763,564,281
Loan from directors	18	78,776,000	23,900,000
NON CURRENT LIABILITIES			
Long term finances	19	255,208,177	253,916,615
Redeemable capital - Sukuk	20	1,177,250,000	1,292,666,667
Liabilities against assets subject to finance lease	21	187,010,286	196,772,226
Deferred liabilities	22	461,976,060	371,526,146
CURRENT LIABILITIES			
Trade and other payables	23	360,935,227	256,851,870
Accrued interest / mark-up	24	168,349,923	117,223,936
Short term borrowings	25	3,652,262,111	3,193,828,559
Current portion of long term finance			
Long term finances	19	157,892,190	347,517,765
Redeemable capital - Sukuk	20	115,416,667	69,250,000
Liabilities against assets subject to finance lease	21	96,526,585	84,358,911
		4,551,382,703	4,069,031,041
Contingencies and Commitments	26		
		9,646,738,810	8,508,101,764

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

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	**27**	14,343,553,424	9,334,111,703
Cost of sales	**28**	(12,049,963,552)	(7,626,141,053)
Gross profit		2,293,589,872	1,707,970,650
Selling and distribution expenses	**29**	(389,769,766)	(286,765,433)
Administrative expenses	**30**	(35,755,750)	(32,762,174)
Other operating expenses	**31**	(122,050,909)	(73,147,100)
Finance cost	**32**	(978,217,081)	(962,309,108)
		(1,525,793,506)	(1,354,983,815)
Profit from operations		767,796,366	352,986,835
Other operating income	**33**	5,671,971	22,604,700
Profit before taxation		773,468,337	375,591,535
Taxation	**34**	(189,672,887)	(120,557,496)
Profit after taxation		583,795,450	255,034,039
Earnings per share - basic and diluted	**35**	44.91	28.26

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

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
Profit for the year after taxation	583,795,450	255,034,039
Other comprehensive income:		
Unrealized gain / (loss) on remeasurement of available for sale investments	65,986,583	6,576,014
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation - net of deferred tax	31,612,807	34,421,854
Other comprehensive income for the year	97,599,390	40,997,868
Total comprehensive income for the year	681,394,840	296,031,907

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

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**36**	1,254,960,131	1,869,261,754
Long term loans and deposits		(9,239,190)	-
Interest paid		(927,091,094)	(958,328,746)
Gratuity paid		(15,701,602)	(20,161,717)
Workers' profit participation fund paid		(21,029,058)	(5,284,843)
Taxes paid		(124,745,067)	(51,583,006)
		(1,097,806,011)	(1,035,358,312)
Cash flows from operating activities		157,154,120	833,903,442
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(455,966,320)	(156,914,713)
Long term investments		90,188,441	28,073,849
other financial assets		(3,475,335)	91,326,537
Proceeds from disposal of property, plant and equipment		90,000	30,000
Dividend received		1,086,169	3,161,389
Cash (used in) investing activities		(368,077,045)	(34,322,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(188,334,013)	(205,699,391)
Redeemable capital - Sukuk - net		(69,250,000)	(23,083,333)
Liabilities against assets subject to finance lease - net		2,405,734	(52,120,825)
Short term borrowings - net		458,433,552	(519,681,257)
Loans from directors - net		54,876,000	(749,261,770)
Dividend paid		(25,765,280)	(128,434)
Right shares issued		-	98,750,000
Share premium reserve		-	651,750,000
		232,365,993	(799,475,010)
Net increase in cash and cash equivalents		21,443,067	105,494
Cash and cash equivalent at the beginning of the year		3,218,580	3,113,086
Cash and cash equivalent at the end of the year	**15**	24,661,647	3,218,580

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

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Reserves						Unappropriated profit	Total equity
		Share premium	Capital reserve	Reserve for power generation plant	General reserve	Gain/(loss) on available for sale investment	Sub total		
	Rupees								
Balance as at June 30, 2009	31,250,000	-	1,200	-	115,000,000	(72,889,588)	42,111,612	416,831,269	490,192,881
Right shares issued during the year	98,750,000	-	-	-	-	-	-	-	98,750,000
Share premium reserve	-	651,750,000	-	-	-	-	651,750,000	-	651,750,000
Total comprehensive income for the year ended June 30, 2010									
Profit for the year - 2010	-	-	-	-	-	-	-	255,034,039	255,034,039
Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-	6,576,014	6,576,014	-	6,576,014
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation - net of deferred tax	-	-	-	-	-	-	-	34,421,854	34,421,854
Balance as at June 30, 2010	130,000,000	651,750,000	1,200	-	115,000,000	(66,313,574)	700,437,626	706,287,162	1,536,724,788
Balance as at July 01, 2010	130,000,000	651,750,000	1,200	-	115,000,000	(66,313,574)	700,437,626	706,287,162	1,536,724,788
Final dividend for the year June 30, 2010	-	-	-	-	-	-	-	(26,000,000)	(26,000,000)
Total comprehensive income for the year ended June 30, 2011									
Profit for the year - 2011	-	-	-	-	-	-	-	583,795,450	583,795,450
Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-	65,986,583	65,986,583	-	65,986,583
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation - net of deferred tax	-	-	-	-	-	-	-	31,612,807	31,612,807
Balance as at June 30, 2011	130,000,000	651,750,000	1,200	-	115,000,000	(326,991)	766,424,209	1,295,695,419	2,192,119,628

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

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

1 LEGAL STATUS AND NATURE OF BUSINESS

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.

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 provisions of and directives issued under the Companies Ordinance, 1984. In case requirements 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

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.

Standards, interpretations and amendments	Description
IFRS 1 - First-time Adoption of International Financial Reporting Standards *(Amendments)*	The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.
IFRS 2 - Share-based Payments *(Amendments)*	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.

IFRS 3 - Business Combinations *(Amendments)*	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations *(Amendments)*	The amendments provide clarification regarding scope of the standard.
IFRS 8 - Operating Segments *(Amendments)*	The amendments clarify requirements regarding disclosure of segment assets.
IAS 1 - Presentation of Financial Statements *(Amendments)*	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 - Statement of Cash Flows *(Amendments)*	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.
IAS 17 - Leases *(Amendments)*	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 - Financial Instruments: *Presentation (Amendments)*	The amendments provide guidance on classification of right issues.
IAS 36 - Impairment of Assets *(Amendments)*	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 - Intangible Assets *(Amendments)*	The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.
IAS 39 - Financial Instruments: *Recognition and Measurement*	The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments .
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	The interpretation provides guidance on accounting for debt for equity swaps.

Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments issued but are not effective as at the reporting date.

Standards, interpretations and amendments	Description
IFRS 7 - Financial Instruments: Disclosures *(Amendments)*	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRS 7 - Financial Instruments: Disclosures *(Amendments)*	The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets The amendment is effective for annual periods beginning on or after July 01, 2011.

Standards, interpretations and amendments	Description
IFRS 9 - Financial Instruments: *Classification and Measurement*	The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: *Recognition and Measurement* . The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Ventures. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 1 - Presentation of Financial Statements *(Amendments)*	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.
IAS 12 - Income Taxes	The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IAS 24 - Related Party Disclosures *(Revised 2009)*	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting *(Amendments)*	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes *(Amendments)*	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

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 1% 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

Property, plant and equipment except land, building, certain items of plant and machinery and capital work in process are stated at cost less accumulated depreciation and impairment, if any.

Land, building and plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluation are performed with sufficient regularity so that the fair value and carrying value don't differ materially at the end of reporting period.

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 intended 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

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 except waste which is valued at net realizable value. Cost is determined as follows;

Raw material	At weighted average cost or replacement cost which ever is lower
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost or net realisable value which ever is lower
Waste	Net realizable 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 the end of each reporting period 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.

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

3.23 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 PROPERTY, PLANT AND EQUIPMENT- 30-06-2011

PARTICULARS	COST			RATE %	DEPRECIATION			W. D. V.
	AS AT 1-Jul-2010	ADDITION/ (DISPOSAL)	AS AT 30-Jun-2011		AS AT 1-Jul-2010	For the Year	AS AT 30-Jun-2011	AS AT 30-Jun-2011
OWNED ASSETS								
Land								
Land - leased hold	93,037,897	-	93,037,897	-	4,465,505	906,147	5,371,652	87,666,245
Land - free hold	439,940,000	-	439,940,000	-	-	-	-	439,940,000
Building								
Building - lease hold	384,337,524	-	384,337,524	5	76,817,415	15,376,006	92,193,421	292,144,102
Building - free hold	475,880,566	-	475,880,566	5	137,991,463	16,894,455	154,885,918	320,994,648
Labour Colony								
Labour colony - lease hold	49,743,057	31,371,948	81,115,005	5	9,692,310	2,135,760	11,828,070	69,286,935
Labor Colony - free hold	51,652,180	-	51,652,180	5	15,677,466	1,798,736	17,476,202	34,175,978
Plant and machinery	2,836,401,615	98,588,792	2,934,990,407	5	1,352,308,762	76,847,748	1,429,156,510	1,505,833,898
Electrical fitting	49,162,770	950,520	50,113,290	15	30,797,668	2,824,073	33,621,741	16,491,549
Factory equipment	20,925,620	1,500,000	22,425,620	15	14,679,019	973,976	15,652,995	6,772,625
Office premises	22,120,321	-	22,120,321	15	10,204,053	1,787,440	11,991,493	10,128,828
Office equipment	19,882,578	241,254	20,123,832	15	12,795,496	1,089,983	13,885,479	6,238,353
Furniture and fixture	12,547,688	283,792	12,831,480	15	9,181,274	526,160	9,707,434	3,124,046
Vehicles	47,153,003	3,124,960	49,578,798	15	30,281,984	2,594,455	32,252,346	17,326,452
		(699,165)			(624,093)	-		
TOTAL	**4,502,784,818**	**135,362,101**	**4,638,146,919**		**1,704,268,322**	**123,754,939**	**1,828,023,261**	**2,810,123,658**
POWER PLANT								
Building								
Building - lease hold	31,724,992	-	31,724,992	5	25,683,159	302,092	25,985,251	5,739,741
Building - free hold	89,391,861	-	89,391,861	5	21,007,638	3,419,211	24,426,849	64,965,012
Plant and machinery	830,504,028	150,322,004	980,826,032	5	311,028,359	28,110,018	339,138,377	641,687,655
Electrical fitting	43,213,067	1,570,050	44,783,117	15	20,122,485	3,577,039	23,699,524	21,083,593
Office equipment	36,300	30,500	66,800	15	17,848	5,413	23,261	43,539
Furniture and fixture	445,150	-	445,150	15	273,144	25,801	298,945	146,205
Factory equipment	7,044,074	65,000	7,109,074	15	3,268,588	566,351	3,834,939	3,274,135
Vehicles	940,725	-	940,725	15	831,305	16,413	847,718	93,007
TOTAL	**1,003,300,197**	**151,987,554**	**1,155,287,751**		**382,232,526**	**36,022,337**	**418,254,863**	**737,032,887**
WEAVING ASSETS								
Building on free hold land	249,226,961	23,007,098	272,234,059	5	89,145,835	8,162,091	97,307,926	174,926,133
Labour colony free hold	24,609,823		24,609,823	5	6,372,284	911,877	7,284,161	17,325,662
Plant and machinery	1,145,266,784	143,225,552	1,288,492,336	5	399,317,464	39,208,073	438,525,537	849,966,799
Electrical fitting	28,549,109	659,106	29,208,215	15	18,044,078	1,589,298	19,633,376	9,574,839
Factory equipment	10,646,918	1,553,570	12,200,488	15	5,730,661	829,456	6,560,117	5,640,371
Office equipment	1,105,243	2,016,430	3,121,673	15	524,641	243,530	768,171	2,353,502
Furniture and fixture	1,662,674	68,500	1,731,174	15	1,027,170	101,354	1,128,524	602,650
Vehicles	2,465,667	3,618,000	6,083,667	15	1,171,693	449,806	1,621,499	4,462,168
TOTAL	**1,463,533,179**	**174,148,256**	**1,637,681,435**		**521,333,826**	**51,495,485**	**572,829,311**	**1,064,852,124**
TOTAL OWNED ASSETS	**6,969,618,194**	**461,497,911**	**7,431,116,105**		**2,607,834,674**	**211,272,761**	**2,819,107,435**	**4,612,008,669**
LEASED ASSETS								
Plant and machinery	461,685,439	87,548,562	549,234,001	5	47,714,819	23,261,101	70,975,920	478,258,081
G. TOTAL - 30.06.2011 - Rupees	**7,431,303,633**	**549,046,473**	**7,980,350,106**		**2,655,549,493**	**234,533,862**	**2,890,083,355**	**5,090,266,750**

4.1 Depreciation Charged as under:

	Note	June 30 - 2011 Rupees	June 30 - 2010 Rupees
Cost of sale-Spinning	**28**	140,614,591	139,134,556
Cost of sale-Weaving	**28**	51,104,206	51,645,332
Administrative expenses	**30**	6,792,728	7,203,608
Power plant expenses	**33.1**	36,022,337	35,836,815
		234,533,862	**233,820,311**

4.2 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 - 2011 Rupees	June 30 - 2010 Rupees
Freehold Land	439,940,000	439,940,000
Lease hold land	5,915,859	6,822,006
Building on freehold land	269,840,017	264,371,358
Building on lease hold land	66,961,274	82,639,372
Plant and machinery	271,137,079	285,407,452
	1,053,794,229	1,079,180,188

4.3 Disposal of property plant & equipments

Particulars	Cost	Accumulated Depreciation	Net Book	Sale Proceeds	Particulars of Buyers
Vehicles	699,165	624,093	75,072	90,000	Mr. Farhan Saleem, Hyderabad

PROPERTY, PLANT AND EQUIPMENT- 30-06-2010

PARTICULARS	COST			RATE %	DEPRECIATION			W. D. V.
	AS AT 1-Jul-2009	ADDITION/ (DISPOSAL)	AS AT 30-Jun-2009		AS AT 1-Jul-2009	For the Year/(Adjustment)	AS AT 30-Jun-2010	AS AT 30-Jun-2010
OWNED ASSETS								
Land - leased hold	92,502,187	535,710	93,037,897	-	3,559,358	906,147	4,465,505	88,572,392
Land - free hold	439,940,000	-	439,940,000	-	-	-	-	439,940,000
Building								
Building - lease hold	357,769,929	26,567,595	384,337,524	5	61,363,704	15,453,711	76,817,415	307,520,109
Building - free hold	428,412,502	47,468,064	475,880,566	5	121,460,408	16,531,055	137,991,463	337,889,103
Labour colony - lease hold	49,743,057	-	49,743,057	5	7,584,376	2,107,934	9,692,310	40,050,747
Labor Colony - free hold	51,652,180	-	51,652,180	5	13,784,060	1,893,406	15,677,466	35,974,714
Plant and machinery	2,809,475,635	26,925,980	2,836,401,615	5	1,274,784,115	77,524,647	1,352,308,762	1,484,092,854
Electrical fitting	46,307,972	2,854,798	49,162,770	15	27,761,653	3,036,015	30,797,668	18,365,102
Factory equipment	19,177,602	1,748,018	20,925,620	15	13,805,017	874,002	14,679,019	6,246,601
Office premises	22,020,321	100,000	22,120,321	15	8,115,331	2,088,722	10,204,053	11,916,268
Office equipment	18,706,640	1,175,938	19,882,578	15	11,648,096	1,147,400	12,795,496	7,087,082
Furniture and fixture	12,313,888	233,800	12,547,688	15	8,618,211	563,063	9,181,274	3,366,414
Vehicles	46,929,503	725,000	47,153,003	15	27,862,936	2,908,549	30,281,984	16,871,019
		(501,500)				(489,501)		
TOTAL	**4,394,951,416**	**108,334,902**	**4,502,784,818**		**1,580,347,265**	**125,034,651**	**1,704,892,415**	**2,797,892,404**
POWER PLANT								
Building - lease hold	31,724,992	-	31,724,992	5	25,365,168	317,991	25,683,159	6,041,833
Building - free hold	89,391,861	-	89,391,861	5	17,408,468	3,599,170	21,007,638	68,384,223
Plant and machinery	825,009,258	5,494,770	830,504,028	5	283,783,247	27,245,112	311,028,359	519,475,669
Electrical fitting	42,460,306	752,761	43,213,067	15	16,110,411	4,012,074	20,122,485	23,090,582
Office equipment	36,300	-	36,300	15	14,593	3,256	17,848	18,452
Furniture and fixture	445,150	-	445,150	15	242,790	30,354	273,144	172,006
Factory equipment	6,968,254	75,820	7,044,074	15	2,606,120	662,468	3,268,588	3,775,486
Vehicles	940,725	-	940,725	15	811,995	19,310	831,305	109,420
TOTAL	**996,976,846**	**6,323,351**	**1,003,300,197**		**346,342,792**	**35,889,735**	**382,232,526**	**621,067,671**
WEAVING ASSETS								
Building on free hold land	247,210,625	2,016,336	249,226,961	5	80,770,093	8,375,742	89,145,835	160,081,126
Labour colony free hold	24,609,823	-	24,609,823	5	5,412,413	959,871	6,372,284	18,237,539
Plant and machinery	1,141,605,981	3,660,803	1,145,266,784	5	360,143,643	39,173,821	399,317,464	745,949,320
Electrical fitting	28,549,109	-	28,549,109	15	16,190,249	1,853,829	18,044,078	10,505,031
Factory equipment	10,646,918	-	10,646,918	15	4,863,086	867,575	5,730,661	4,916,253
Office equipment	1,105,243	-	1,105,243	15	422,182	102,459	524,641	580,602
Furniture and fixture	1,662,674	-	1,662,674	15	915,022	112,148	1,027,170	635,504
Vehicles	2,465,667	-	2,465,667	15	943,345	228,348	1,171,693	1,293,974
TOTAL	**1,457,856,040**	**5,677,139**	**1,463,533,179**		**469,660,033**	**51,673,793**	**521,333,826**	**942,199,349**
TOTAL OWNED ASSETS	**6,849,784,302**	**120,335,392**	**6,969,618,194**		**2,396,350,090**	**212,598,178**	**2,608,458,766**	**4,361,159,424**
LEASED ASSETS								
Plant and machinery	444,346,375	17,339,064	461,685,439	5	26,492,686	21,222,133	47,714,819	413,970,620
G. TOTAL - 30.06.2010 - Rupees	**7,294,130,677**	**137,674,456**	**7,431,303,633**		**2,422,842,776**	**233,820,311**	**2,656,173,585**	**4,775,130,044**

	Note	2011 Rupees	2010 Rupees
5 Capital work in progress - at cost			
Plant and machinery		-	88,073,793
Building - civil works		43,041,260	48,047,620
		43,041,260	136,121,413

The movement in Capital work in progress is as follows:

	2011 Rupees	2010 Rupees
Balance at the beginning of the year	136,121,413	117,382,655
Addition during the year		
Building - civil works	-	88,073,793
Plant and machinery	-	-
	-	88,073,793
Transfer to operating fixed assets		
Building - civil works	88,073,793	17,270,762
Plant and machinery	5,006,360	52,064,273
	93,080,153	69,335,035
Balance at the end of the year	43,041,260	136,121,413

6 Long term investments - at fair value

	Note	2011 Rupees	2010 Rupees
Quoted available for sale	**6.1**	473,800	24,719,258
Un-quoted available for sale	**6.2**	2,312,776	2,269,175
		2,786,576	26,988,433

6.1 Quoted available for sale

Name of securities	No. of shares	Cost	Fair value adjustments	Fair value
		Rupees	Rupees	Rupees
Fauji Cement Company Limited	115,000	1,819,300	(1,345,500)	473,800
30.06.2011	115,000	1,819,300	(1,345,500)	473,800
30.06.2010	5,432,804	92,007,741	(67,288,483)	24,719,258

6.2 Un-quoted available for sale

	Note	2011 Rupees	2010 Rupees
National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs. 50.39 per share as on 30.06.2011(2010: 49.44).		1,294,267	1,294,267
Appreciation in the value of investments		1,018,509	974,908
		2,312,776	2,269,175

7 Long term deposits

	Note	2011 Rupees	2010 Rupees
Security deposits			
- WAPDA		2,113,190	1,882,550
- Leasing companies	**21**	23,495,868	14,487,318
- Others		1,133,644	1,133,644
		26,742,702	17,503,512

8 Stores, spares and loose tools

	2011 Rupees	2010 Rupees
Spinning		
Stores	78,315,908	66,412,911
Spares and accessories	195,956,207	170,315,016
Loose tools	22,611,017	19,581,258
	296,883,132	256,309,185
Weaving		
Stores	66,221,349	57,691,542
Power plant		
Oil and stores	86,700,890	122,829,648
	449,805,371	436,830,375

9 Stock - in - trade

	Note	2011 Rupees	2010 Rupees
Spinning			
Raw material		1,241,612,080	1,014,368,879
Work-in-process		94,863,445	79,216,170
Finished goods		432,199,103	240,674,327
Waste		123,856,579	30,502,512
		1,892,531,207	1,364,761,888
Weaving			
Raw material		136,860,035	173,656,148
Work-in-process		71,205,512	44,357,580
Finished goods		846,669,109	686,402,570
Waste		514,500	25,671
		1,055,249,156	904,441,969
		2,947,780,363	2,269,203,857

9.1 The caring value of Pledged stock is Rs. 1,428,364,387 (2010: Rs. 706,347,078).

10 Trade debts

Considered good

		2011 Rupees	2010 Rupees
Export debts - secured		147,970,379	5,861,532
Local debts - unsecured		510,427,309	518,200,716
		658,397,688	524,062,248

11 Other financial assets

Held for trading

	Note	2011 Rupees	2010 Rupees
In listed companies	**11.1**	20,831,937	17,356,602
Revaluation reserve for investment		(4,933,937)	(5,907,248)
		15,898,000	11,449,354

11.1 Details are as under:

Name of securities	No. of shares	Cost	Fair value adjustments	Fair value
The Hub Power Company Limited	44,000	1,412,299	242,101	1,654,400
Askari Bank Limited	2,750	47,895	(17,975)	29,920
Dewan Salman Fibre Limited	10,000	35,260	(9,160)	26,100
Thal Limited	7,500	972,882	(215,082)	757,800
Standard Chartered Leasing Company Limited	120,000	1,867,802	(1,567,802)	300,000
Pakistan Petroleum Limited	25,000	5,281,413	(104,663)	5,176,750
Fauji Fertilizer Company Limited	5,000	697,353	54,397	751,750
Nishat Chunia Power Limited	249,000	4,223,468	(807,188)	3,416,280
Engro Corporation Limited	20,000	3,793,565	(528,565)	3,265,000
Wateen Telecom Limited	250,000	2,500,000	(1,980,000)	520,000
30.06.2011		20,831,937	(4,933,937)	15,898,000
30.06.2010		17,356,602	(5,907,248)	11,449,354

12 Loans and advances

	Note	2011 Rupees	2010 Rupees
Considered good			
Loan to employees		1,104,215	2,152,591
Advance against:			
Letter of credit		15,956,829	5,381,643
Advance to cotton suppliers		132,378,799	126,086,691
Store suppliers and others		42,954,451	51,086,253
		191,290,079	182,554,587
		192,394,294	184,707,178

		Note	2011 Rupees	2010 Rupees
13	**Short term prepayments**			
	Prepayments		6,450,130	-
14	**Income tax and sales tax**			
	Income tax		25,922,302	8,988,644
	Sales tax receivable		162,591,727	113,898,126
			188,514,029	122,886,770
15	**Cash and bank balances**			
	With banks on:			
	- currents accounts		21,242,870	1,737,922
	- saving accounts	**15.1**	300,000	-
			21,542,870	1,737,922
	Cash in hand		3,118,777	1,480,658
			24,661,647	3,218,580

15.1 It carries mark up at the rate of 5% (June 30, 2010 : NIL) per annum.

16 Issued, subscribed and paid-up capital

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
1,200,000	1,200,000	Ordinary shares of Rs. 10 each alloted for consideration paid in cash	12,000,000	12,000,000
9,875,000	9,875,000	Ordinary shares of Rs. 10 each alloted as right shares	98,750,000	98,750,000
1,925,000	1,925,000	Ordinary shares of Rs. 10 each issued as bonus shares	19,250,000	19,250,000
13,000,000	13,000,000		130,000,000	130,000,000

16.1 The Company has only one class of shares which carry no right to fixed income.

16.2 During the year 2010 company has issued 9,875,000 Ordinary Shares in the ratio of 316 shares for every 100 ordinary Shares at exercise price of Rs. 76/= per share having premium of Rs. 66/= per share.

		2011 Rupees	2010 Rupees
17	**Surplus on revaluation of property, plant and equipment**		
	Opening balance	763,564,281	785,938,486
	Less: Transferred from surplus on revaluation of Property Plant Equipment on account of incremental depreciation charged in the current period- net of deferred tax	(20,548,325)	(22,374,205)
	Closing balance	743,015,956	763,564,281

17.1 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 surplus of Rs. 622,057,842.

17.2 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 surplus of Rs. 154,291,391.

17.3 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.

17.4 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 which resulted in net revaluation surplus of Rs. 20,750,716.

18 Loan from directors	**Note**	**2011 Rupees**	**2010 Rupees**
Unsecured			
Due to directors		26,394,000	-
Due to others	**18.1**	52,382,000	23,900,000
		78,776,000	23,900,000

18.1 These are non mark-up bearing loan and are unsecured. It is repayable after more than one year. The loan upto Rs. 23,900,000 (2010: Rs. 23,900,000) is subordinated to bank loans.

19 Long term finances	**Note**	**2011 Rupees**	**2010 Rupees**
Loans from banking companies - secured			
Al Baraka Islamic Bank Limited	**19.1**	4,375,000	13,125,000
Allied Bank Limited - LTF	**19.2**	36,451,422	109,354,267
Askari Bank Limited	**19.3**	-	7,987,464
Askari Bank Limited - LTF	**19.4**	-	16,845,430
Bank of Punjab	**19.5**	-	4,596,682
Bank of Punjab - LTF	**19.6**	3,952,004	15,806,636
Citi Bank N.A	**19.7**	19,327,586	30,371,918
Faysal Bank Limited - LTF	**19.8**	23,598,213	31,265,446
First Credit & Investment Bank Limited	**19.9**	-	15,136,907
Habib Bank Limited - LTF	**19.10**	-	21,807,662
Habib Bank Limited - LTF	**19.11**	10,049,999	12,283,333
Habib Metropolitan Bank Limited	**19.12**	4,200,000	6,400,000
National Bank of Pakistan	**19.13**	-	25,089,114
National Bank of Pakistan - LTF	**19.14**	6,204,886	18,616,330
Pak Oman Investment Co. Limited	**19.15**	9,375,000	12,500,000
Pak Oman Investment Co. Limited - LTF	**19.16**	9,375,000	12,500,000
Pak Oman Investment Co. Limited - LTF	**19.17**	6,080,975	10,134,999
Silk Bank Limited	**19.18**	-	30,000,000
Silk Bank Limited - LTF	**19.19**	25,514,000	33,395,969
Silk Bank Limited - LTF	**19.20**	8,489,000	11,170,000
Silk Bank Limited - LTL	**19.21**	8,489,000	11,380,559
Saudi Pak Ind. & Agri. Investment Co. Limited - LTF	**19.22**	22,999,996	30,666,664
Soneri Bank Limited	**19.23**	22,750,000	26,000,000
Soneri Bank Limited - LTF	**19.24**	128,297,000	-
Standard Chartered Bank (Pakistan) Limited	**19.25**	10,000,000	35,000,000
United Bank Limited	**19.26**	25,714,286	30,000,000
United Bank Limited - LTF	**19.27**	27,857,000	30,000,000
		413,100,367	601,434,380
Less: Current portion shown under current liabilities		(157,892,190)	(347,517,765)
		255,208,177	253,916,615

19.1 Equitable mortgage over property and Token registered mortgage of Rs. 63.75 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.

19.2 First exclusive charge of Rs. 435 million on Specific Fixed assets of the Company . Total Facility amount is Rs. 326 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual installments commencing From 22-04-2007.

19.3 First pari passu Equitable mortgage charge of Rs. 180 million over land ,building and machinery of the company. Total Facility amount is Rs. 55.913 million, markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 07 semi annual installments commencing from 27-04-2007.

19.4 Security charge same as notes no. 19.3. Total Facility amount is Rs. 58.959 million. markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual installments commencing from 27-04-2007.

19.5 First pari passu charge on all Fixed assets of the Company amounting to Rs. 24.66 million. Total Facility amount is Rs. 18.387 million, markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annual installments commencing From 30-05-2007.

19.6 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 @ SBP rate +1.75%. Loan is repayable in 08 semi annual installments commencing From 30-05-2007.

19.7 Registered hypothecation charge over plant and machinery of the company & 78 million charge ranking . Markup payable monthly @ 1 MK + 1.5%. The facility amount is 58.470 million. This Loan is repayable in 45 monthly installments commencing from 25-07-2009.

19.8 First pari passu charge on all Fixed assets of the Company amounting to Rs. 61.33 million. Total Facility amount is Rs. 46 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

19.9 First pari passu charge of Rs. 86.67 million over all Fixed assets of the Company including land and building with atlest 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.However the loan was settled during the year.

19.10 The loan was secured by 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. 130.846 million. markup payable quarterly @ SBP rate + 2% loan is repayable in 06 semi annual installment commencing from 28-04-2007.However the loan was settled during the year.

19.11 Security charge same as notes no. 19.10 .Total facility amount is Rs. 13.4 million, markup payable quarterly @ SBP rate + 2% loan is repayable in 12 semi annual installments commencing from 24-05-2009

19.12 Ranking charge of Rs. 12.5 (M) with 40% margin over Machinery including importered Plant and Machinery. Total facility amount is Rs. 7.5 million, markup payable quarterly @ 3MK + 3%.Loan is repayable in 14 quarterly installments commencing from 21-10-2009

19.13 First pari passu charge of Rs. 200 million on all present & future Fixed assets of the Company. and equitable mortgage over land & building of the company. Total Facility amount is Rs. 100.356 million, markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual installments commencing from 28-05-2007.However the loan was settled during the year.

19.14 Security charge same as notes no. 19.13. Total Facility amount is Rs. 49.644 million, markup payable quarterly @ SBP rate + 2%. rate Loan is repayable in 08 semi annual installments commencing from 28-05-2007.

19.15 Ranking charge of Rs. 34 million over all the present and future fixed assets of the company with 25% margin . Total facility amount is Rs. 12.5 million, markup payable quarterly @ 3MK + 3%. Loan is repayable in 16 quarterly installments commencing from 18-08-2010.

19.16 Security charge same as notes no. 19.15. Total facility amount is Rs. 12.5 million, markup payable quarterly @ SBP rate + 2.5%.Loan is repayable in 16 quarterly installments commencing from 18-08-2010.

19.17 Ranking Charge of Rs. 28 million 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. 20.27 million, markup payable quarterly @ SBP rate + 2.5%. Loan is repayable in 20 quarterly installments commencing from 28-02-2007.

19.18 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 05 quarterly installments commencing from 08-05-2009.However the loan was settled during the year.

19.19 First pari passu hypothecation charge of Rs. 61.33 (M) over Plant and Machinery of the company. Total Facility amount is Rs. 46 Million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

19.20 Ranking Charge over fixed assets of the company of Rs. 80 (M). Total facility amount is Rs. 13.060 million, markup payable quarterly @ SBP RATE + 2.5%Loan is repayable in 20 semi annual installments commencing from 20-09-2009.

19.21 Security charge same as notes no. 8.20. Total facility amount is Rs. 13.060 million, markup payable quarterly @ 3MK+3% Loan is repayable in 20 semi annual installments commencing from 22-08-2009.

19.22 First pari passu hypothecation charge of Rs. 61.33 (M) over Plant and Machinery of the company. Total Facility amount is Rs.46 Million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

19.23 Exclusive charge over imported machinery of the company. Total facility amount is Rs. 26 million, markup payable quarterly @ 6MK + 3%. Loan is repayable in 08 semi annual installments commencing from 03-05-2011.

19.24 Our first specific charge over imported Machinery for Rs. 155 million of the company. Total facility amount is Rs. 128.3 million, markup payable quarterly @ SBP Rate + 2.5%. (11.10%) Loan is repayable in 16 quarterly installments commencing from 23-02-2012.

19.25 Ranking charge of RS. 66.700 (M) over the company's present and future fixed assets of the company with 25% margin. Total facility amount is Rs. 35 million, markup payable quarterly @ 3MK + 2.5%. Loan is repayable in 10 semi annual installments commencing from 25-09-2009.

19.26 Joint pari pasu EMP charge over fixed assets for Rs. 300 million situated at unit 1. Total facility amount is Rs. 30 million, markup payable quarterly @ 3MK + 2.0%. Loan is repayable in 14 quarterly installments commencing from 29-06-2011.

19.27 Security charge same as note 19.26 above. Total facility amount is Rs. 30 million, markup payable quarterly @ SBP rate + 2.0%. The loan is repayable in 14 quarterly installments commencing from 24-06-2011.

20 Redeemable capital - Sukuk	**Note**	**2011 Rupees**	**2010 Rupees**
Diminishing musharaka sukuk certificate		1,292,666,667	1,361,916,667
Less: Current portion shown under current liabilities		(115,416,667)	(69,250,000)
		1,177,250,000	1,292,666,667

20.1 The company had 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	7 years
Date of first installment	March 31, 2010	March 31, 2010
Rate of return	6 M-KIBOR + 1.5	6 M-KIBOR + 1.5
Convertible/non convertible	Non Convertible	Non Convertible
Redeemable/perpetual	Redeemable	Redeemable

20.2 Security

First Pari Passu charge of Rs. 1.846 (2010: Rs. 1.846) billion on all fixed assets of the company.

21 Liabilities against assets subject to finance lease	**Note**	**2011 Rupees**	**2010 Rupees**
Payable within one year		135,040,713	123,682,966
Payable after one year but not more than 05 years		197,967,626	223,095,403
		333,008,339	346,778,369
Less: deferred finance cost		(72,967,336)	(80,134,550)
		260,041,003	266,643,819
Add: security deposit	**7**	23,495,868	14,487,318
Less: Current portion shown under current liabilities		(96,526,585)	(84,358,911)
Present value of minimum lease payments		187,010,286	196,772,226

21.1 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.

21.2 The lease is secured by ranking charge of Rs. 321 million (2010: Rs. 266 million) over immovable assets of the Company, personal guarantees of two directors and security deposit equivalent to 0.1% to 10% of the facility amount.

21.3 Implicit rate of return on lease varies ranging from 14.07% to 18.07% (2010: 14.67% to 17.70 %).

21.4 Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company.

22 Deferred liabilities	**Note**	**2011 Rupees**	**2010 Rupees**
Deferred taxation	**22.1 & 22.2**	178,298,025	96,436,547
Staff retirement benefits - gratuity	**22.3 & 22.7**	87,414,829	67,761,911
Deferred tax on Surplus on revaluation of property, plant and equipment		196,263,206	207,327,688
		461,976,060	371,526,146

22.1 Deferred taxation

Deferred tax credits / (debits) arising in respect of:			
Taxable temporary differences (deferred tax liabilities)			
Accelerated tax depreciation allowances		187,747,673	239,188,824
Deferred debit arising in respect of provisions, tax losses and refunds	**22.2**	9,449,648	142,752,277
		178,298,025	96,436,547

	Note	2011 Rupees	2010 Rupees
22.2 Deferred debit arising in respect of provisions, tax losses and refunds			
Opening balance		96,436,547	51,185,649
Closing balance of deferred tax liability reversal/(provision) of differed tax liability		(178,298,025)	(96,436,547)
		(81,861,478)	(45,250,898)
22.3 Movement in the net liability recognized in the balance sheet			
Opening net liability		67,761,911	59,490,576
Expense for the year		35,354,520	28,433,052
		103,116,431	87,923,628
Benefits paid during the year		(15,701,602)	(20,161,717)
Closing net liability		87,414,829	67,761,911
22.4 Expense recognized in the profit and loss account			
Current service cost		14,098,008	11,485,767
Interest cost		9,106,445	7,589,155
Net actuarial (gain) / loss recognized in the year		12,150,067	9,358,130
		35,354,520	28,433,052

22.5 Historical information

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	87,414,829	67,761,911	59,490,576	49,670,677	30,871,145

22.6 General description

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

	Note	2011 Rupees	2010 Rupees
22.7 Principal actuarial assumption			
Following are a few important actuarial assumption used in the valuation.			
		%	%
Discount rate		14.5%	14%
Expected rate of increase in salary		12%	12%
23 Trade and other payables			
Trade creditors		180,364,861	105,372,372
Accrued liabilities		135,776,183	119,442,390
Workers' profit participation fund	**23.1**	40,843,711	20,189,866
Workers' welfare fund		2,600,762	10,265,895
Unclaimed dividend		234,720	-
Others		1,114,990	1,581,347
		360,935,227	256,851,870
23.1 Workers' profit participation fund			
Balance at the beginning of the year		20,189,866	5,089,676
Allocation for the year		40,744,918	20,171,404
Interest on fund utilized in the Company's business		937,985	213,629
		41,682,903	20,385,033
		61,872,769	25,474,709
Less: Payments during the year		(21,029,058)	(5,284,843)
Balance at the end of the year		40,843,711	20,189,866

24 Accrued interest / mark-up	Note	2011 Rupees	2010 Rupees
Accrued interest / mark-up on secured:			
- long term finances		20,032,837	24,700,065
- redeemable capital - Sukuk		52,824,377	50,417,407
- short term borrowings		95,492,709	42,106,464
		168,349,923	117,223,936

25 Short term borrowings	Note	2011 Rupees	2010 Rupees
Secured - Banking companies			
Finances under mark-up arrangement	**25.1**	3,641,533,673	3,183,277,905
Unsecured	**25.2**		
Directors		947,117	5,442,963
Others		9,781,321	5,107,691
		10,728,438	10,550,654
		3,652,262,111	3,193,828,559

25.1 Aggregate facilities amounting to Rs. 6.530 billion (2010 : Rs. 5.295 billion) were available to the Company from banking companies. These are secured against hypothecation charge and pledge of stock in trade, book debts, plant & machinery, export bills under collection. These loans carry mark up at the rate ranging from 15.62% to 17.02% (2010: 11.02% to 17.94 %) per annum payable quarterly and on the maturity dates. The above facilities are expiring on various dates and renewable annually.

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

26 Contingencies and commitments	Note	2011 Rupees	2010 Rupees
26.1 Contingencies			
Guarantees issued by banks on behalf of the Company		135,822,000	183,218,000
26.2 Commitments			
Civil work		83,000,000	90,000,000
Confirmed letter of credit in respect of:			
- raw material		117,608,268	157,388,380
- Stores and spares		60,104,487	1,896,719
		177,712,755	159,285,099

27 Sales

	Export Sales		Local Sales		Total	
	2011	2010	2011	2010	2011	2010
	Rupees					
Yarn	4,281,252,035	3,463,356,078	4,965,046,417	2,881,694,169	9,246,298,452	6,345,050,247
Fabric	2,401,545,482	1,248,306,240	2,432,145,899	1,572,455,525	4,833,691,381	2,820,761,765
Waste	-	-	263,563,591	95,858,009	263,563,591	95,858,009
Cotton	-	-	-	63,513,008	-	63,513,008
Other	-	-	-	8,928,674	-	8,928,674
	6,682,797,517	4,711,662,318	7,660,755,907	4,622,449,385	14,343,553,424	9,334,111,703

28 Cost of sales	Note	2011 Rupees	2010 Rupees
Raw material consumed	**28.1**	9,849,834,174	5,515,387,477
Salaries, wages and benefits	**28.2**	694,853,447	580,917,565
Stores and spares consumed		380,015,350	287,660,379
Fuel, power and water		1,051,199,266	695,157,855
Rent, rates and taxes		1,118,527	2,878,677
Insurance expenses		23,959,381	21,822,630
Repairs and maintenance		15,148,914	14,112,695
Other expenses		33,603,792	25,219,068
Depreciation expenses	**4.1**	191,718,797	190,779,888
		12,241,451,648	7,333,936,234
Work in process			
Opening stock		123,573,750	95,959,817
Closing stock		(166,068,957)	(123,573,750)
		(42,495,207)	(27,613,933)
Cost of goods manufactured		12,198,956,441	7,306,322,301
Cost of cotton sold		-	54,914,222
Cost of other material sold		-	(6,501,398)
		12,198,956,441	7,354,735,125
Finished goods			
Opening balance		957,605,080	756,673,509
Goods purchased:			
Cotton purchases		-	6,501,398
Yarn for processing		194,026,950	388,842,807
Fabric for processing		102,614,372	76,993,294
		296,641,322	472,337,499
Closing stock		(1,403,239,291)	(957,605,080)
		12,049,963,552	7,626,141,053

28.1 Raw material consumed

Opening balance	1,188,025,027	1,376,560,571
Purchases	9,847,083,582	5,381,766,155
	11,035,108,609	6,758,326,726
Less: Cost of cotton sold	-	(54,914,222)
Closing stock	(1,185,274,435)	(1,188,025,027)
	9,849,834,174	5,515,387,477

28.2 Salaries, wages and benefits include Rs. 28,357,006 (2010: Rs. 27,672,518) in respect of staff retirement benefits.

29 Selling and distribution expenses	2011 Rupees	2010 Rupees
On export sales		
Export development surcharges	14,791,863	10,036,721
Regulatory duty on export	787,285	565,515
Freight	125,662,502	99,313,950
Commission	71,880,324	48,744,376
Clearing and forwarding	111,154,972	91,219,467
	324,276,946	249,880,029
On local sales		
Freight	18,080,778	15,461,593
Commission	47,412,042	21,423,811
	65,492,820	36,885,404
	389,769,766	286,765,433

			2011 Rupees	2010 Rupees
30	**Administrative expenses**			
	Director's remuneration	**30.1**	3,298,350	1,632,000
	Salaries and benefits	**30.2**	10,401,404	10,270,091
	Printing and stationery		1,491,330	1,174,615
	Communication		1,691,177	1,980,344
	Traveling and conveyance		1,881,985	2,317,709
	Legal and professional charges		1,244,925	863,887
	Auditors' remuneration	**30.3**	1,281,450	1,169,950
	Rent, rates and taxes		288,670	384,862
	Entertainment		691,951	464,185
	Electricity, gas and water charges		2,309,400	1,859,715
	Fees and subscription		351,377	408,977
	Repairs and maintenance		365,600	66,600
	Charity and donation	**30.4**	3,647,403	2,943,630
	Depreciation	**4.1**	6,792,728	7,203,609
	Brokerage and discount		18,000	22,000
			35,755,750	32,762,174
30.1	**Chief Executive**			
	Remuneration		480,024	279,996
	House rent allowance		192,024	112,008
	Perquisites		96,002	27,996
			768,050	420,000
	Number of person		1	1
	Director			
	Remuneration		1,480,074	807,996
	House rent allowance		592,074	323,208
	Perquisites		458,152	80,796
			2,530,300	1,212,000
	Number of person		3	3

30.2 Salaries, wages and benefits include Rs. 663,860 (2010: Rs. 935,940) in respect of staff retirement benefits.

			2011 Rupees	2010 Rupees
30.3	**Auditors' remuneration**			
	Audit fee		1,100,000	1,000,000
	Half yearly review fee		126,450	114,950
	Code of corporate governance review fee		30,000	30,000
	Out of pocket expenses		25,000	25,000
			1,281,450	1,169,950

30.4 Directors and their spouse have no interest in the donees.

			2011 Rupees	2010 Rupees
31	**Other operating expenses**			
	Loss on sale of shares		80,620,887	45,310,563
	Workers' profit participation fund	**23.1**	40,744,918	20,171,404
	Workers' welfare fund	**31.1**	685,104	7,665,133
			122,050,909	73,147,100

31.1 Honorable High Court in writ petition bearing number W.P. No. 8763/2011 has decided that the amendment made in the Workers' Welfare Fund ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful. Therefore, provision for workers welfare fund has been made in the financial statements based on the taxable income.

32 Finance cost

	Note	2011 Rupees	2010 Rupees
Interest / mark-up on			
- short term finances		689,304,030	650,096,999
- long term loans		240,979,232	266,484,068
- lease		35,876,571	39,244,449
- Workers' profit participation		937,985	213,629
Bank charges, commission and others charges		11,130,608	6,269,963
		978,228,426	962,309,108
Less: Finance income			
- on TDR - National Bank of Pakistan		11,345	-
		978,217,081	962,309,108

33 Other operating income

	Note	2011 Rupees	2010 Rupees
Profit on sale of property, plant and equipment		14,928	18,001
Rental income		3,597,564	2,286,448
Dividend income		1,086,169	3,161,389
Electric power income	33.1	-	16,314,675
Appreciation in the fair value of investment		973,310	824,187
		5,671,971	22,604,700

33.1 Electric power income

	Note	2011 Rupees	2010 Rupees
Salaries and wages		15,019,021	12,469,719
Fuel and store consumed		820,001,923	777,069,461
Repair and maintenance		4,211,815	3,484,661
Other expenses		4,633,074	5,707,974
Depreciation	4.1	36,022,337	35,836,815
		879,888,170	834,568,630
Less: Self use - spinning		496,486,482	423,002,467
weaving		383,401,688	178,615,312
		879,888,170	601,617,779
		-	232,950,851
Sale out side		-	249,265,526
Less expense		-	(232,950,851)
Profit		-	16,314,675

34 Taxation

	2011 Rupees	2010 Rupees
Current		
- for the year	107,811,409	75,306,598
Deferred	81,861,478	45,250,898
	189,672,887	120,557,496

35 Earnings per shares

	2011	2010
Profit after taxation	583,795,450	255,034,039
	Number of shares	
Weighted average number of ordinary shares	13,000,000	9,025,000
	(Rupees)	
Earnings per share - basic and diluted	44.91	28.26

35.1 There is no dilutive effect on basic earnings per share.

36 Cash generated from operations	2011 Rupees	2010 Rupees
Profit before taxation	773,468,337	375,591,535
Adjustment for items involving non movement of fund		
Depreciation	234,533,862	233,820,311
Financial charges - net	978,217,081	962,309,108
(Gain) / loss on sale of fixed assets	(14,928)	(18,001)
Dividend income	(1,086,169)	(3,161,389)
Provision for gratuity	35,354,520	28,433,052
Provision for (appreciation)/ diminution in the value of investment	(973,310)	824,187
Provision for workers' profit participation fund	40,744,918	20,171,404
	1,286,775,974	1,242,378,672
Profit before working capital changes	2,060,244,311	1,617,970,207
(Increase)/decrease in current assets		
Stocks, stores and spares	(691,551,502)	(174,928,523)
Trade debts	(134,335,440)	361,956,787
Loans and advances, prepayments, sales tax and other receivables	(62,592,030)	3,226,825
	1,171,765,339	1,808,225,296
Increase in current liabilities		
Creditors, accrued and other liabilities	83,194,792	61,036,458
	1,254,960,131	1,869,261,754

37 Segment Analysis

The segment information for the reportable segments for the year ended June 30, 2011 is as follows:

37.1 Operating results

	Note	Spinning 2011	Spinning 2010	Weaving 2011	Weaving 2010	Power Generation 2011	Power Generation 2010	Company 2011	Company 2010
		Rupees						Rupees	
Sales									
Export		4,281,252,035	3,463,356,078	2,401,545,482	1,248,306,240	-	-	6,682,797,517	4,711,662,318
Local		4,965,046,417	2,881,694,169	2,432,145,899	1,572,455,525	-	249,265,526	7,397,192,316	4,703,415,220
Waste		263,563,591	95,858,009		-	-	-	263,563,591	95,858,009
Cotton		-	63,513,008	-	-	-	-	-	63,513,008
Other		-	8,928,674	-	-	-	-	-	8,928,674
		9,509,862,043	6,513,349,938	4,833,691,381	2,820,761,765	-	249,265,526	14,343,553,424	9,583,377,229
Inter - segment sales		1,621,408,283	913,250,691	-	-	879,888,170	601,617,779	2,501,296,453	1,514,868,470
Total sales		11,131,270,326	7,426,600,629	4,833,691,381	2,820,761,765	879,888,170	850,883,305	16,844,849,877	11,098,245,699
Cost of sales	39	(9,585,365,878)	(6,115,260,886)	(4,086,005,957)	(2,424,130,858)	(879,888,170)	(834,568,630)	(14,551,260,005)	(9,373,960,374)
Gross profit		1,545,904,448	1,311,339,743	747,685,424	396,630,907	-	16,314,675	2,293,589,872	1,724,285,325
Selling and distribution expenses	40	(325,460,632)	(242,031,872)	(64,309,134)	(44,733,561)	-	-	(389,769,766)	(286,765,433)
Administrative expenses	41	(23,706,277)	(22,902,119)	(12,049,473)	(9,860,055)	-	-	(35,755,750)	(32,762,174)
		(349,166,909)	(264,933,991)	(76,358,607)	(54,593,616)	-	-	(425,525,516)	(319,527,607)
Operating Results		1,196,737,539	1,046,405,752	671,326,817	342,037,291	-	16,314,675	1,868,064,356	1,404,757,718
37.2 Segment assets		6,078,248,832	5,335,708,913	2,499,990,924	2,234,381,883	834,557,746	759,182,899	9,412,797,503	8,329,273,695
37.3 Unallocated assets								233,941,307	178,828,069
								9,646,738,810	8,508,101,764
37.4 Segment liabilities		176,338,420	119,678,298	127,007,902	90,946,440	57,588,905	46,227,132	360,935,227	256,851,870
37.5 Unallocated liabilities								6,350,667,999	5,950,960,825
								6,711,603,226	6,207,812,695
37.6 Depreciation		145,118,210	144,157,039	53,393,315	53,826,457	36,022,337	35,836,815	234,533,862	233,820,311

37.7 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

37.8 There were no major customer of company which formed 10 percent or more of the company's revenue.

	Note	2011 Rupees	2010 Rupees
38 Reconciliations of reportable segments sales, cost of sales, assets and liabilities			
38.1 Sales			
Total sales for reportable segment	**37.1**	16,844,849,877	10,848,980,173
Elimination of inter-segment	**37.1**	(2,501,296,453)	(1,514,868,470)
Total sales		14,343,553,424	9,334,111,703
38.2 Cost of sales			
Total cost of sales for reportable segment	**39**	14,551,260,005	9,141,009,523
Elimination of inter-segment	**39.1**	(2,501,296,453)	(1,514,868,470)
Total cost of sales		12,049,963,552	7,626,141,053
38.3 Assets			
Total assets for reportable segments	**37.2**	9,412,797,503	8,329,273,695
Long term investments	**6**	2,786,576	26,988,433
Long term deposits	**7**	26,742,702	17,503,512
Other financial assets	**11**	15,898,000	11,449,354
Income tax and sales tax	**14**	188,514,029	122,886,770
Unallocated assets	**37.3**	233,941,307	178,828,069
		9,646,738,810	8,508,101,764
38.4 Liabilities			
Total liabilities for reportable segments	**37.4**	360,935,227	256,851,870
Loans from directors	**18**	78,776,000	23,900,000
Long term finances	**19**	413,100,367	601,434,380
Redeemable capital - Sukuk	**20**	1,292,666,667	1,361,916,667
Liabilities against assets subject to finance lease	**21**	283,536,871	281,131,137
Deferred liabilities	**22**	461,976,060	371,526,146
Accrued interest / mark-up	**24**	168,349,923	117,223,936
Short term borrowings	**25**	3,652,262,111	3,193,828,559
Unallocated liabilities	**37.5**	6,350,667,999	5,950,960,825
		6,711,603,226	6,207,812,695

	Note	Spinning 2011	Spinning 2010	Weaving 2011	Weaving 2010	Power Generation 2011	Power Generation 2010	Company 2011	Company 2010
		Rupees						Rupees	
39 Cost of sales									
Raw material consumed	39.1	7,983,655,009	4,355,855,494	3,487,587,448	2,072,782,674	-	-	11,471,242,457	6,428,638,168
Stores and spares consumed		277,166,889	209,852,540	37,863,194	77,807,822	820,001,923	777,069,461	1,135,032,006	1,064,729,823
Sizing material consumed		-	-	64,985,267	-	-	-	64,985,267	-
Salaries, wages and benefits		573,483,789	479,286,889	121,369,658	101,630,676	15,019,021	12,469,719	709,872,468	593,387,284
Fuel, power and water:									
Inter-segment		496,486,482	423,002,467	383,401,688	178,615,312	-	-	879,888,170	601,617,779
Others		165,438,266	87,674,046	5,872,830	5,866,030	-	-	171,311,096	93,540,076
Repairs and maintenance		11,869,778	10,463,523	3,279,136	3,649,172	4,211,815	3,484,661	19,360,729	17,597,356
Insurance expenses		17,833,326	17,147,886	6,126,055	4,674,744	-	-	23,959,381	21,822,630
Rent, rates and taxes		1,118,527	2,878,677	-	-	-	-	1,118,527	2,878,677
Other expenses		24,198,389	19,224,798	9,405,403	5,994,289	4,633,074	5,707,974	38,236,866	30,927,061
Depreciation expenses		140,614,591	139,134,556	51,104,206	51,645,331	36,022,337	35,836,815	227,741,134	226,616,702
		9,691,865,046	5,744,520,876	4,170,994,885	2,502,666,050	879,888,170	834,568,630	14,742,748,101	9,081,755,556
Work in process									
Opening stock		79,216,170	54,917,687	44,357,580	41,042,129	-	-	123,573,750	95,959,816
Closing stock		(94,863,445)	(79,216,170)	(71,205,512)	(44,357,580)	-	-	(166,068,957)	(123,573,750)
		(15,647,275)	(24,298,483)	(26,847,932)	(3,315,451)	-	-	(42,495,207)	(27,613,934)
Cost of goods manufactured		9,676,217,771	5,720,222,393	4,144,146,953	2,499,350,599	879,888,170	834,568,630	14,700,252,894	9,054,141,622
Cost of cotton sold		-	54,914,222	-	-	-	-	-	54,914,222
Cost of other material sold		-	(6,501,398)	-	-	-	-	-	(6,501,398)
		9,676,217,771	5,768,635,217	4,144,146,953	2,499,350,599	879,888,170	834,568,630	14,700,252,894	9,102,554,446
Finished goods									
Opening balance		271,176,839	222,458,303	686,428,241	534,215,206	-	-	957,605,080	756,673,509
Finished goods purchased:									
Cost of other material sold		-	6,501,398	-	-	-	-	-	6,501,398
Yarn		194,026,950	388,842,807	102,614,372	76,993,294	-	-	296,641,322	465,836,101
		194,026,950	395,344,205	102,614,372	76,993,294	-	-	296,641,322	472,337,499
Closing stock		(556,055,682)	(271,176,839)	(847,183,609)	(686,428,241)	-	-	(1,403,239,291)	(957,605,080)
		9,585,365,878	6,115,260,886	4,086,005,957	2,424,130,858	879,888,170	834,568,630	14,551,260,005	9,373,960,374
39.1 Raw material consumed									
Opening balance		1,014,368,879	1,276,470,008	173,656,148	100,090,563	-	-	1,188,025,027	1,376,560,571
Purchases:									
Inter-segment		-	-	1,621,408,283	913,250,691	-	-	1,621,408,283	913,250,691
Other		8,017,700,530	4,148,668,587	1,829,383,052	1,233,097,568	-	-	9,847,083,582	5,381,766,155
		8,017,700,530	4,148,668,587	3,450,791,335	2,146,348,259	-	-	11,468,491,865	6,295,016,846
Cost of cotton sold		-	(54,914,222)	-	-	-	-	-	(54,914,222)
Closing stock		(1,048,414,400)	(1,014,368,879)	(136,860,035)	(173,656,148)	-	-	(1,185,274,435)	(1,188,025,027)
		7,983,655,009	4,355,855,494	3,487,587,448	2,072,782,674	-	-	11,471,242,457	6,428,638,168

	Note	Spinning 2011	Spinning 2010	Weaving 2011	Weaving 2010	Power Generation 2011	Power Generation 2010	Company 2011	Company 2010
		Rupees						Rupees	
40 Selling and distribution expenses									
On export sales									
Export development surcharge		9,502,903	7,593,933	5,288,960	2,442,788	-	-	14,791,863	10,036,721
Regulatory duty on export		787,285	565,515	-	-	-	-	787,285	565,515
Freight		89,032,681	72,588,954	36,629,821	26,724,996	-	-	125,662,502	99,313,950
Commission		65,005,683	45,630,902	6,874,641	3,113,474	-	-	71,880,324	48,744,376
Clearing and forwarding		104,839,061	82,941,371	6,315,911	8,278,096	-	-	111,154,972	91,219,467
		269,167,613	209,320,675	55,109,333	40,559,354	-	-	324,276,946	249,880,029
On local sales									
Freight		17,826,053	15,104,193	254,725	357,400	-	-	18,080,778	15,461,593
Commission		38,466,966	17,607,004	8,945,076	3,816,807	-	-	47,412,042	21,423,811
		56,293,019	32,711,197	9,199,801	4,174,207	-	-	65,492,820	36,885,404
		325,460,632	242,031,872	64,309,134	44,733,561	-	-	389,769,766	286,765,433

	Note	Spinning 2011	Spinning 2010	Weaving 2011	Weaving 2010	Power Generation 2011	Power Generation 2010	Company 2011	Company 2010
		Rupees						Rupees	
41 Administrative expenses									
Director's remuneration		2,186,826	1,134,077	1,111,524	497,923	-	-	3,298,350	1,632,000
Salaries and benefits		6,896,193	7,136,686	3,505,211	3,133,405	-	-	10,401,404	10,270,091
Printing and stationery		988,761	816,240	502,569	358,375	-	-	1,491,330	1,174,615
Communication		1,121,261	1,332,357	569,916	584,980	-	-	1,691,177	1,917,337
Traveling and conveyance		1,247,767	1,610,576	634,218	707,133	-	-	1,881,985	2,317,709
Legal and professional charges		825,393	600,315	419,532	263,572	-	-	1,244,925	863,887
Auditors' remuneration		849,609	931,987	431,841	237,963	-	-	1,281,450	1,169,950
Rent, rates and taxes		191,390	267,441	97,280	117,421	-	-	288,670	384,862
Entertainment		458,768	322,562	233,183	141,623	-	-	691,951	464,185
Electricity, gas and water charges		1,531,146	1,292,316	778,254	567,399	-	-	2,309,400	1,859,715
Fees and subscription		232,965	284,198	118,412	124,779	-	-	351,377	408,977
Repairs and maintenance		242,395	90,064	123,205	39,543	-	-	365,600	129,607
Charity and donation		2,418,250	2,045,529	1,229,153	898,101	-	-	3,647,403	2,943,630
Depreciation		4,503,619	5,022,483	2,289,109	2,181,126	-	-	6,792,728	7,203,609
Brokerage and discount		11,934	15,288	6,066	6,712	-	-	18,000	22,000
		23,706,277	22,902,119	12,049,473	9,860,055	-	-	35,755,750	32,762,174

42 FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

42.1 - Credit risk
42.2 - Liquidity risk
42.3 - Market risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

42.1 Credit risk

42.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs. 927.331 million (June 30, 2010 : Rs. 767.929 million), financial assets which are subject to credit risk aggregate to Rs. 902.669 million (June 30, 2010 : Rs. 764.711million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2011	2010
	Rupees	Rupees
Long term investments	2,786,576	26,988,433
Long term deposits	26,742,702	17,503,512
Trade debts	658,397,688	524,062,248
Other financial assets	15,898,000	11,449,354
Loans and advances	192,394,294	184,707,178
Short term prepayments	6,450,130	-
Cash and bank balances	24,661,647	3,218,580
	927,331,037	767,929,305

42.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows.

Domestic	510,427,309	518,200,716
Export	147,970,379	5,861,532
	658,397,688	524,062,248

42.1.3 The maximum exposure to credit risk for debts at the reporting date by type of product is as follows:

Yarn	356,711,252	232,550,422
Fabric	302,633,434	279,837,420
Waste	-	4,907,551
Others	552,822	6,766,856
	659,897,508	524,062,249

42.1.4 The aging of trade debts at the reporting date as follows:

Not past due	264,676,275	210,194,526
Past due 0 - 30 days	228,019,067	181,082,946
Past due 31 - 90 days	141,930,968	112,715,477
Past due 91 - 1 year	25,271,198	20,069,300
More than one year	-	-
	659,897,508	524,062,249

42.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding trough an adequate amount of committed credits facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2011				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Loan from directors	78,776,000	78,776,000	-	-	78,776,000
Long term finances	413,100,367	503,443,930	214,610,870	288,833,060	-
Redeemable capital - Sukuk	1,292,666,667	1,752,874,990	299,880,200	1,452,994,790	-
Finance lease	283,536,871	387,415,910	142,090,960	245,324,950	-
Trade and other payables	360,935,227	360,935,227	360,935,227	-	-
Accrued interest / mark-up	168,349,923	168,349,923	168,349,923	-	-
Short term borrowings	3,652,262,111	4,248,311,288	4,248,311,288	-	-
	6,249,627,165	7,500,107,268	5,434,178,468	1,987,152,800	78,776,000

	2010				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Loan from directors	23,900,000	23,900,000	-	-	23,900,000
Long term finances	601,434,380	677,518,364	257,069,971	420,448,393	-
Redeemable capital - Sukuk	1,361,916,667	2,099,518,879	182,955,372	1,716,536,621	200,026,886
Finance lease	281,131,137	361,265,687	76,362,284	284,903,403	-
Trade and other payables	256,851,870	256,851,870	256,851,870	-	-
Accrued interest / mark-up	117,223,936	117,223,936	117,223,936	-	-
Short term borrowings	3,193,828,559	3,518,980,728	3,518,980,728	-	-
	5,836,286,549	7,055,259,464	4,409,444,161	2,421,888,417	223,926,886

42.2.1 The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

42.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments.

42.3.1 Currency risk

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

	US Dollar	Euro	Others	Rupees
Trade debts 2011	1,723,592	-	-	147,970,379
Trade debts 2010	68,862		-	5,861,532

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2011	**2010**	**2011**	**2010**
US Dollar to Rupee	85.63	82.90	85.85	85.40

42.3.2 Sensitivity analysis

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

	2011 Rupees	**2010 Rupees**
US Dollar	(7,398,519)	(293,077)

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

42.3.3 Interest rate risk

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

	Carrying Amount	
	2011 Rupees	**2010 Rupees**
Fixed rate instruments		
Financial assets	300,000	-
Financial liabilities	176,620,491	353,846,736
Variable rate instruments		
Financial assets	-	-
Financial liabilities	5,464,945,525	5,184,464,007

42.4 Fair value sensitivity analysis for fixed rate instruments

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

42.5 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2010.

	Profit and loss		**Equity**	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
	Rupees			
Cash flow sensitivity - variable rate instruments 2011	54,649,455	(54,649,455)	-	-
Cash flow sensitivity - variable rate instruments 2010	51,844,640	(51,844,640)	-	-

42.6 Fair value of financial assets and liabilities

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

42.7 Off balance sheet items	**2011 Rupees**	**2010 Rupees**
Bank guarantees issued in ordinary course of business	135,822,000	183,218,000
Letters of credit for raw material	117,608,268	157,388,380
Letters of credit for stores and spares	60,104,487	1,896,719

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

42.8 Capital risk management

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

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2011 Rupees	**2010 Rupees**
Borrowings		5,641,566,016	5,438,310,743
Total equity		3,013,911,584	2,324,189,069
Total capital employed		8,655,477,600	7,762,499,812
Gearing ratio	Percentage	65.18	70.06

43 Plant capacity and production

Spinning

	2011	2010
Total no of spindles installed	73,488	73,488
Total no of rotors installed	1,104	1,104
Average no of spindles worked	73,488	73,488
Average no of rotors worked	1,104	1,104
Numbers of shift worked per day	3	3
Capacity of industrial unit after conversion into 20/s count - KGS	29,438,125	29,438,125
Actual production after conversion into 20/s count - KGS	27,623,440	26,266,460

It is difficult to describe the production capacity in textile industry since it fluctuates widely depending upon various factors such as count of the yarn spun spindles speed twist per inch and raw material used etc.

Weaving	2011	2010
Rated capacity converted into 60 picks - Square meters	70,763,414	70,763,414
Actual production converted to 60 picks - square meters	64,344,192	65,614,543
Total numbers of looms worked	234	234
Number of shifts worked per day	3	3

Power Plant

Installed capacity	MW	36.2	35.6
Installed capacity per hour per day	MWH	317.112	311.856
Prime capacity	MW	20	19.3
Stand by	MW	16.2	16.2
Installed prime capacity per hour per day	MWH	175.2	169.944
Actual generated per hour per day	MWH	117.587	148.324

Reason for Short Fall if Any

The installed capacity includes the stand by generation which is only used case of emergency shutdown of the prime engines.

44 Non adjusting event after balance sheet date

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2011 of Rs. 1.5/- (June 30, 2010: Rs. 2/-) per ordinary share amounting to Rs. 19,500,000 (June 30, 2010: Rs. 26,000,000) at their meeting held on **October 8, 2011** for approval of the members at the Annual General meeting to held on **October 31, 2011**. These financial statements don't reflect this impact.

45 Corresponding Figures

Comparative information has been rearranged and reclassified, wherever necessary, for better presentation and comparison.

46 General

The figures have been rounded off to the nearest Rupees.

47 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Company on **October 8, 2011**.

Karachi: October 08, 2011

TARIQ IQBAL
Chief Executive

OMER KHALID
Director