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 LIMITED

Annual Report 2004

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QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Khalid Iqbal (Chief Executive) Mr. Tariq Iqbal Mr. Daanish Javed Mr. Asim Khalid Mr. Omer Khalid Mrs. Najma Javed Mrs. Tabbasum Tariq
AUDIT COMMITTEE	Mr. Omer Khalid (Chairman) Mrs. Najma Javed (Member) Mrs. Tabbasum Tariq (Member) Mr. Sheikh Muhammed Abdullah (Secretary)
CHIEF FINANCIAL OFFICER	Mr. Daanish Javed
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank of Pakistan Limited Al-Baraka Islamic Bank Ltd. Askari Commercial Bank Limited Bank Al-Habib Limited Bank Al-Falah Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited Muslim Commercial Bank Limited Metropolitan Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited Soneri Bank Limited Saudi Pak Commercial Bank Limited United Bank Limited Union Bank Limited
REGISTERED OFFICE	Nadir House (Ground Floor) I. I. Chundrigar Road Karachi
MILLS	P/3, S.I.T.E., Kotri B/4, S.I.T.E Kotri 47.5 K.M. Lahore Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 37th Annual General Meeting of the Shareholders to be held on Monday, January 31, 2005 at 10.15 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 36th Annual General Meeting held on 19th January, 2004.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended September 30, 2004.
3. To appoint Auditors for the year 2004-2005 and fix their remuneration.
4. To approve NIL Cash Dividend for the year ended 30.9.2004 as recommended by the Board of Directors.
5. To elect seven directors, as fixed by the board of the company including chief executive for a period of three years under section 178 (1) of the companies ordinance 1984. Following retiring Directors being elligible have notified their Intention to offer themselves for re-election.

    1. Mr. Khalid Iqbal (Chief Executive)
    2. Mr. Tariq Iqbal
    3. Mr. Daanish Javed
    4. Mr. Asim Khalid
    5. Mr. Omer Khalid
    6. Mrs. Najma Javed
    7. Mrs. Tabbasum Tariq

6. To fix the remuneration of the directors and chief executive.
7. To transact any other business with the permission of the Chairman.

By order of the Board
MOHAMMAD SOHRAB GHANI
Company Secretary

Karachi: January 08, 2005

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. Nomination for election to office of director's should be received at the registered office of the company not less than, 14 days before Annual General Meeting. The consent should accompany the following declaration as required under the Code of Corporate Governance. That:

    a. I am aware of my duties and power to act as director under the relevant law(s) of the Memorandum and Articles of Association and Listing Regulations.
    b. I am not serving as director on the Board of more than 10 listed companies, including this Company.
    c. I am registered tax payer
    d. I have not been convicted by a court if competent jurisdiction as a defaulter in payment of any loan to a Banking company, a Development Financial Institution or I, being a member of a Stock Exchange, have not been declared as a defaulter by such Stock Exchange.
    e. Neither of my spouse nor I are engaged in the business of Stock Exchange Brokerage.

3. The Register of the members of the company will remain closed at registered office from January 19, 2005 to January 25, 2005 (both days inclusive).
4. 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

5. 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,

It gives me great pleasure to present to you the audited accounts and director's report for the year ended 30th September 2004.

Your company earned a pre-tax profit of Rs.85.58 million as compared to last year's profit of Rs. 76.02 million. Total turnover stood at Rs. 3.998 billion as compared to the last year's figure of Rs. 3.2 billion. Financial expenses were reduced from Rs. 151.35 million to Rs.141.88 million – a decrease of Rs. 9.5 million because of competitive rates being offered by banks.

The start of the financial year saw cotton prices rising sharply for the first 6 months, but on the contrary, world yarn prices did not show the corresponding increase. In fact they increased by a much lower rate as compared to cotton prices. During the last 6 months of the year, cotton prices declined abruptly. This resulted in reduced profits during this period.

In October 2002 the company issued TFCs of Rs.750 million at an interest rate of 13% per annum. This 13% interest rate has eaten up the profitability of the company during the past two years. During this period interest rates came down, but the company could not take full benefit of the extremely low rates. The TFC has been adjusted in October 2004 in full by exercising the call option. The same has been re-financed by a syndicated loan at a much lower rate.

Now we have entered the new post-WTO quota-free era, and we need to equip ourselves to face quality challenges in the international market. Keeping this view in mind, we have planned to import the latest textile machinery to further improve quality of our yarn and fabrics, to make our manufacturing cost more economical, to control our overheads and to diversify our customer portfolio. Our BMR plan requires an investment of approximately Rs. 700 million, which your company has undertaken. Letter of Credit has been opened for import of 12,000 spindles of compact and conventional ring frames. Expansion of our weaving unit is also under way with an addition of 108 air jet looms. This will make a total of 228 looms under one shed by mid June this year.

To minimize our electricity generating costs, we have established Letter of Credit for the import of two gas generators which will be capable of generating 4.1 MW/hour. Our existing furnace oil generators would partly be on standby, and 80% of the generation would be through gas, thereby, decreasing our generating cost.

The future of spinning and weaving industry looks bright. Continuous re-location of textile industry is taking place from the developed countries to the developing world. Countries such as Pakistan stand to benefit from the post WTO environment. The demand for yarns and fabrics in Pakistan is increasing and your company needs to continuously expand production capacities and at the same time modernize itself. In the coming year, efforts will be made to diversify our product range, with an emphasis on producing value added yarns & fabrics.

In pursuance of our policy of expansion to cater to the different needs of our customers, and to feed our own requirement of yarns at our weaving unit, we acquired Pioneer Spinning Mills Ltd. which is now a wholly-owned subsidiary of Quetta Textile Mills Ltd.

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

Karachi: January 08, 2005

KHALID IQBAL
CHIEF EXECUTIVE

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 35th Annual Report of the company and the Auditor's Report thereon for the year ended September 30, 2004

FINANCIAL RESULTS	Rupees
Net Profit before taxation	85,579,325
Less: Taxation - Current	33,660,384
Net profit after taxation	51,918,941
Less: Deferred taxation	(17,011,877)
Un-appropriated profit brought forward	219,063,276
Available for appropriation	253,970,340
Proposed dividend 2004@ 0%	NIL
Un-appropriated profit carried to balance sheet	254,675,382
Profit after Taxation	34,907,064
Ordinary Share	3,125,000
Earning per share	**11.17**

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.

DIVIDENDS

The Board of Directors have not recommended any dividend for the year ended September 30, 2004 due to allocation of funds required for repayment of debts and investment in balancing and modernization of the existing production facilities.

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 September 30 2004 is annexed to this report.

SUMMARY OF FINANCIAL DATA

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

ATTENDANCE AT THE BOARD MEETING DURING THE YEAR 2003-2004

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

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	08
Mr. Tariq Iqbal	09
Mr. Daanish Javed	09
Mr. Asim Khalid	08
Mr. Omer Khalid	08
Mrs.Najma Javed	07
Mrs.Tabbasum Tariq	07

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended September 30, 2004

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 continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) Key operating and financial data for the last six years in summarized from is annexed.

CHANGE OF ACCOUNTING YEAR

In compliance with SRO.684(1) / 2004 dated August 10, 2004 issued by Central Board of Revenue, the accounting year of the Company will end on 30th June instead of 30th September. Accordingly the next accounting year of the Company will end June 30, 2005 and will cover the results of the NINE months from October 01, 2004 to June 30, 2005

AUDITORS REPORT

Reference to the observations made by Auditors in their report, we have to state that: -

1. *NOTE NO. 18 : Deferred cost of Term Finance Certificates:*
   Due to recent amendments in 4th Schedule, no cost can be deferred and all are required to be charged to profit and loss account. However, reference costs were transferred by the Company in deferred cost in 2002. The balance in deferred cost has not been transferred to profit and loss account because Company has fully redeemed the Term Finance Certificates on October 26, 2004 and adjustment for the deferred cost has already been made on the same date.

2. *NOTE NO. 23.20 Difference of Rs.53.235 millions*
   There is a difference of Rs.53.235 millions in books of the Company and its subsidiary Pioneer Spinning Mills Limited. This amount has not been acknowledged by the subsidiary in its books. However, Directors being aware of the fact, have negotiated the price including the above amount. The resultant difference has been absorbed in price of investment. This is also evident from Consolidate accounts where Negative goodwill has been reported from the acquisition.

3. *NOTE NO. 38 POST BALANCE SHEET EVENT*
   Subsequent to the balance sheet, the stocks of raw material amounting to Rs. 85 million have burned due to fire. Claim has been filed with the insurance company and we are confident of receiving the entire amount.

TRADING IN SHARES OF THE COMPANY

During the year no trading transaction in respect of shares of the company entered into by the Directors, CEO, CFO, Company Secretary, their spouses or minor children.

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 Director

KHALID IQBAL
Chief Executive

Karachi: January 08, 2005

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 two 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors
KHALID IQBAL
CHIEF XECUTIVE
Quetta Textile Mills Limited

KARACHI: January 08, 2005

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company is in compliance with the best practices on Transfer Pricing as contained in the relevant Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited.

On behalf of the Board of Directors
KHALID IQBAL
CHIEF XECUTIVE
Quetta Textile Mills Limited

KARACHI: January 08, 2005

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Quetta Textile Mills Limited** to comply with the Listing Regulation No.37 of the Karachi Stock Exchange where the Company is listed.

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2004.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: January 08, 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Quetta Textile Mills Limited** as at September 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of 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, except as stated in note 18, and 23.2 to the financial statements, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2004 and of the profit, 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 the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 4.16 in the financial statements regarding reclassification of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: January 08, 2005

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 1999-2004

	1999	2000	2001	2002	2003	2004
Profit and Loss						
Net sales (Rs.000)	1,845,583	1,792,851	2,260,073	2,555,445	3,205,632	3,998,022
Gross Profit (Rs.000)	150,189	265,322	207,873	242,491	247,823	249,394
Profit before tax (Rs.000)	39,696	125,966	74,633	51,427	76,028	85,579
Profit after tax (Rs.000)	23,277	110,374	62,640	25,748	52,660	52,624
Cash Outflows						
Taxes paid (Rs.000)	25,998	18,020	16,329	30,932	45,469	29,853
Financial charges paid (Rs.000)	90,490	160,754	123,918	156,328	166,781	143,073
Fixed capital expenditures (Rs.000)	69,621	89,213	610,206	208,931	269,632	(331,642)
Balance sheet						
Current assets (Rs.000)	763,494	532,738	694,720	753,585	1,059,489	-
Current liabilities (Rs.000)	1,010,058	590,151	870,459	1,134,045	990,650	1,512,944
Operating fixed assets (Rs.000)	598,462	642,147	1,189,254	1,175,781	1,388,106	-
Total assets (Rs.000)	1,410,152	1,199,681	1,889,835	2,032,270	2,473,689	-
Long term loans and finances (Rs.000)	220,373	363,654	726,641	582,865	1,093,793	1,223,208
Share holders' equity (Rs.000)	179,720	245,875	292,734	315,359	364,895	399,802
Ratios						
Current ratio (As per SBP regulations)	0.86	1.09	1.00	1.02	1.07	-
Debt: Equity ratio (As per SBP regulations)	0.50	0.46	0.57	0.43	0.42	0.46
Gross profit to sales	8.1%	14.8%	9.2%	9.5%	7.7%	6.2%
Net Profit before tax to sales	2.15%	7.03%	3.30%	2.01%	2.37%	2.14%
Earning per share	7.45	35.32	20.04	8.24	16.85	11.17
Proposed Dividend	30%	141.5%	50.5%	10%	10%	NIL%

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT 30 TH SEPTEMBER 2004

	Name of shareholders		No's	SHARES HELD	PERCENTAGE
1	**ASSOCIATED COMPANIES**			Nil	
2	**NIT & ICP**		1		
	Investment Corporation of Pakistan			457	0.01
3	**Directors,CEO their Spouse and Minor Children**		10		
	Mr . Khalid Iqbal	(Director & CEO)		84,676	2.71
	Mr . Asim Khalid	(Director)		75,423	2.41
	Mr . Omer Khalid	(Director)		71,777	2.30
	Mrs . Rukhsana Khalid			161,051	5.15
	Mr . Tariq Iqbal	(Director)		92,375	2.96
	Mrs . Tabbasum Tariq	(Director)		166,912	5.34
	Mr . Daanish Javed	(Director)		52,137	1.67
	Mrs . Aisha Daanish			158,170	5.06
	Mrs . Najma Javed	(Director)		51,596	1.65
	Mr . Javed Iqbal			94,375	3.02
4	**Executive**			Nil	
5	**Public Sector Companies & Corporations**			Nil	
6	**Banks,Development Finance Institution, Non- Banking Finance Institution, Insurance Companies , Madarabas & Mutual Funds**		3		
	National Industrial Co-Operative Finance Corporation Ltd			364	0.01
	State Life Insurance Corporation of Pakistan			52,082	1.67
	National Bank of Pakistan, Trustee Wing			38,582	1.23
7	**Shareholders Holding 10% or More**			Nil	
8	**Individuals**		177	2,011,117	64.36
9	**Others**		5		
	Corporate Law Authority			1	0.00
	Freedom Enterprises (Pvt) Ltd			62	0.00
	N.H Security (Pvt) Ltd			16	0.00
	Fazal Cloth Mills Ltd			13,821	0.44
	Jahangir Siddiqui Capital Markets Ltd			6	0.00
	TOTAL		196	3,125,000	100.00

PATTERN OF SHAREHOLDING (FORM - A)

Pattern of holding of the shares held by the shareholders as at 30-09-2004 is given below

No of Share Holders	Shareholding					Total Share Held
41	From	1	to	100	Shares	1,612
62	From	101	to	500	Shares	14,342
28	From	501	to	1000	Shares	24,022
15	From	1001	to	5000	Shares	32,653
5	From	5001	to	10000	Shares	36,327
2	From	10001	to	15000	Shares	26,841
6	From	15001	to	20000	Shares	116,502
3	From	20001	to	25000	Shares	72,498
2	From	25001	to	30000	Shares	53,696
1	From	30001	to	35000	Shares	31,276
2	From	35001	to	40000	Shares	74,908
1	From	45001	to	50000	Shares	49,477
4	From	50001	to	55000	Shares	206,403
2	From	55001	to	60000	Shares	117,812
1	From	60001	to	65000	Shares	64,519
3	From	65001	to	70000	Shares	199,975
3	From	70001	to	75000	Shares	223,955
2	From	75001	to	80000	Shares	151,985
3	From	80001	to	85000	Shares	250,614
2	From	90001	to	95000	Shares	186,750
3	From	100001	to	110000	Shares	337,890
1	From	140001	to	145000	Shares	142,812
1	From	155001	to	160000	Shares	158,170
1	From	160001	to	165000	Shares	161,051
1	From	165001	to	170000	Shares	166,912
1	From	220001	to	225000	Shares	221,998
196						3,125,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	187	3,019,609	96.63
Investment Companies	1	457	0.01
Insurance Companies	1	52,082	1.67
Joint Stock Companies	4	13,905	0.44
Financial Institutions	2	38,946	1.25
Corporate Law Authority	1	1	0.00
	196	3,125,000	100

QUETTA TEXTILE MILLS LIMITED
BALANCE SHEET AS AT

EQUITY AND LIABILITIES	NOTE	2004 RUPEES	2003 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 Ordinary shares of Rs.10 each		100,000,000	100,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000	-
		250,000,000	100,000,000
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		114,581,252	114,581,252
Unappropriated profit		253,970,340	219,063,276
Shareholders equity		399,801,592	364,894,528
REDEEMABLE CAPITAL	6	749,995,500	749,994,000
LOAN FROM RELATED PARTIES	7	339,462,705	250,048,578
LONG TERM FINANCES	8	133,750,000	93,750,000
DEFERRED LIABILITIES	9	39,104,186	24,352,274
CURRENT LIABILITIES			
Short term loans and running finances	10	1,236,133,672	787,924,575
Current maturity of long term liabilities	11	25,000,000	6,253,000
Creditors, accrued and other liabilities	12	251,810,545	193,347,043
Proposed dividend		-	3,125,000
		1,512,944,217	990,649,618
CONTINGENCIES AND COMMITMENTS	13		
		3,175,058,200	2,473,688,998

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

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
SEPTEMBER 30, 2004

PROPERTY AND ASSETS	NOTE	2004 RUPEES	2003 RUPEES
TANGIBLE FIXED ASSETS			
Operating assets	14	1,549,433,627	1,388,105,764
Capital work in progress	15	19,216,192	15,882,296
		1,568,649,819	1,403,988,060
LONG TERM INVESTMENT	16	57,361,653	874,319
LONG TERM DEPOSIT	17	1,282,129	1,182,129
DEFERRED COST	18	5,619,568	7,452,028
DEFERRED TAX ASSETS		-	703,538
CURRENT ASSETS			
Stores, spares and loose tools	19	158,141,316	142,085,556
Stock in trade	20	646,625,233	389,041,666
Trade debts	21	246,378,396	179,194,737
Short term investment	22	229,188,722	7,118,140
Loans, advances and prepayments	23	249,014,585	328,679,510
Cash and bank balances	24	12,796,780	13,369,315
		1,542,145,032	1,059,488,924
		3,175,058,200	2,473,688,998

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Note	2004 RUPEES	2003 RUPEES
Sales - Net	25	3,998,021,821	3,205,631,601
Cost of sales	26	3,748,628,254	2,957,808,874
Gross profit		249,393,566	247,822,727
Administrative expenses	27	28,677,147	24,594,702
Selling expenses	28	34,068	93,122
		28,711,215	24,687,824
Operating profit		220,682,352	223,134,903
Other income - net	29	11,290,751	8,249,712
		231,973,103	231,384,615
Financial charges - Net	30	141,889,603	151,355,087
Workers' profit participation fund		4,504,175	4,001,476
		146,393,778	155,356,563
Net profit before taxation		85,579,325	76,028,052
Taxation	31		
Current year		32,270,740	26,307,272
Prior year		1,389,644	-
		33,660,384	26,307,272
Net profit after taxation		51,918,941	49,720,780
Deferred Taxation		(17,011,877)	2,939,509
Unappropriated profit brought forward		219,063,276	169,527,987
Profit available for appropriation		253,970,340	222,188,276
Proposed dividend Rs.NIL (2003: Rs.1) per share		-	3,125,000
Unappropriated profit carried forward		253,970,340	219,063,276
Basic - Earnings per share	32	11.17	16.85

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004 RUPEES	2003 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations (Note: 33)	200,306,973	100,988,789
Taxes paid	(29,853,352)	(45,469,401)
Financial charges - net paid	(143,072,709)	(166,780,574)
Workers' profit participation fund	(4,026,000)	(2,846,770)
Gratuity paid	(7,621,755)	(9,414,655)
Deferred cost paid	-	(9,162,330)
Long term deposit	(100,000)	3,907,486
Net cash from/ (used in) operating activities	15,633,157	(128,777,455)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(331,641,690)	(269,632,082)
Proceeds against sale of fixed assets	12,985,267	-
Long term investments	(56,487,334)	-
Short term investments	(238,773,642)	-
Dividend received	4,783,467	-
Net cash used in investing activities	(609,133,932)	(269,632,082)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	58,748,500	121,958,236
Short term loan - net	448,209,097	256,451,050
Loan from directors - net	89,414,127	56,349,287
Repayment of liabilities against assets to finance lease	-	(28,832,545)
Dividend paid	(3,443,484)	(3,105,001)
Net cash from investing activities	592,928,240	402,821,027
Net (decrease)/ increase in cash and cash equivalents	(572,535)	4,411,490
Cash and cash equivalents at beginning of the year	13,369,315	8,957,825
Cash and cash equivalents at end of the year (Note: 24)	12,796,780	13,369,315

KHALID IQBAL — **CHIEF EXECUTIVE**

OMER KHALID — **DIRECTOR**

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Share capital	RESERVES							Unappropriated profit	Total
		Capital reserve	Assets replacement reserve	Dividend equalization reserve	Reserve for power generation	General reserve	Surplus on revaluation of securities	Sub Total		
	Rupees									
Balance as at September 30, 2002	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	169,527,987	315,359,239
Net profit for the year	-	-	-	-	-	-	-	-	52,660,289	52,660,289
Dividend	-	-	-	-	-	-	-	-	(3,125,000)	(3,125,000)
Balance as at September 30, 2003	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	219,063,276	364,894,528
Net profit for the year	-	-	-	-	-	-	-	-	34,907,064	34,907,064
Balance as at September 30, 2004	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	253,970,340	399,801,592

Karachi : January 08, 2005

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1. NATURE AND SCOPE OF BUSINESS

The company was incorporated as a Public Limited Company on January 29, 1970, its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprises of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directive issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives takes precedence.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from September 30, 2004 using the Projected Unit Credit Method.

Actuarial gain or loss is recognized in the period in which it occurs.

Compensated absences

The Company accounts for these benefits in the period in which the absences accrue.

4.2 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

4.3 Trade and other payables

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

4.4 Provisions

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

4.5 Fixed assets

Tangible – owned

These are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. Rates of depreciation are designed to write off the cost over the estimated useful lives of the assets.

Depreciation on plant and machinery has been charged on addition during the year on the basis of numbers of days worked. This is in line with the Income Tax Ordinance, 2001. Full year depreciation has been charged in the year of addition whereas no depreciation has been charged in the year of deletion.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized and included in the cost of respective fixed assets.

Gain or loss on disposal of fixed assets is included in the current profit and loss account.

Tangible – assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or lease assets are depreciated on the same basis and on the same rate as owned assets.

Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that a tangible fixed asset may be impaired. If such indication exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, assets are written down to the recoverable amount.

4.6 Investments

Investments in securities are recognised on trade date basis and are initially measured at cost inclusive of transaction cost. After initial recognition, investments held for trading are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

Investments which could not be classified as held for trading or held for maturity are classified as available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Any impairment loss including that had been recognised directly in equity is removed from equity and recognised in the profit and loss account for the period.

The fair value of those investments representing listed equity and other securities are determined on the basis of year end bid prices obtained from the stock exchange quotations.

Investments in associated companies and other non listed securities continue to be stated at cost less provision for permanent impairment in their value.

4.7 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is determined on weighted average basis. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

4.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost in relation to raw and packing material is calculated on average basis. Cost of work in process and finished goods include direct material, labor, and appropriate production overheads.

Net realizable value is arrived at by calculating the estimated selling price in the ordinary course of business less cost of completion and less costs necessary to be incurred in order to make the sale.

4.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable 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.

4.10 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalent comprise of cheques in hand, cash and bank balances.

4.11 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.

4.12 Offsetting of financial assets and liabilities

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

4.13 Revenue recognition

Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

Income from bank deposits, loans, and advances is recognised on accrual basis.

Dividend income is recognized when the right to receive dividend is established.

4.14 Borrowing cost

All markup, interest and other charges are charged to profit and loss account on an accrual basis.

4.15 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities in foreign currency are translated into Rupees at the rates of exchange prevailing at the date of transaction. Exchange gains and losses in respect of non-monetary assets and liabilities are incorporated in the cost of relevant assets. All other exchange gains and losses are included in income currently.

4.16 Related party transactions

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

4.17 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-25.1 and 25.2). It has no effect on the net profit for the year.

		2004 RUPEES	2003 RUPEES
5.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	1,200,000 Ordinary shares of Rs.10 each fully paid in cash	12,000,000	12,000,000
	1,925,000 Ordinary shares of Rs.10 each issued as fully paid bonus shares	19,250,000	19,250,000
	3,125,000	31,250,000	31,250,000
6.	**REDEEMABLE CAPITAL - Secured** **Non-participatory**		
	Term Finance Certificates	749,995,500	749,997,000
	Less: Current maturity shown under current liabilities (Note: 12)	-	3,000
		749,995,500	749,994,000

6.1 These represent Rs.750 million registered and listed Term Finance Certificates (TFCs) issued by the company on October 26, 2002, to financial institutions, trust and general public for a period of five years. The TFCs have an embedded call option for early redemption exercisable by the company during the period from the beginning of the 24th month from the issue date till the 36th month from the issue date. The Principal amount of the TFC is to be repaid in six equal semi - annual installments in arrears after a grace period of 24 months from the date of issue.

6.2 The proceeds of the TFCs were utilized for repayment of loans, repayment of lease liabilities, BMR and balance sheet restructuring.

6.3 The profit on these TFCs is payable on semi annually at SBP discount rate plus 2.5 % subject to floor and cap rate of 13% per annum and 18% per annum respectively.

6.4 These TFCs are secured by way of first pari passu charge on current and future fixed assets, equitable mortgage of land and building.

6.5 Subsequent to the balance sheet date the Company has exercised call option to re-deem the TFCs. All the outstanding amount payable against TFCs have been paid by the company on October 26, 2004 with all mark-up outstanding against these certificates. The above amount has been shown in long term liabilities as per treatment allowed by para 63 IAS - 1.

7. LOAN FROM RELATED PARTIES

	2004 RUPEES	2003 RUPEES
Unsecured		
Due to directors	104,919,177	88,767,437
Due to others	234,543,528	161,281,141
	339,462,705	250,048,578

These are non interest bearing and unsecured. It is repayable after more than one year. The loan is subordinate to all long term and short term loans and creditors of the company.

8 LONG TERM FINANCE

	2004 RUPEES	2003 RUPEES
Secured		
From Bank Alfalah Limited (Note: 8.1)	93,750,000	100,000,000
From Muslim Commercial Bank Limited (Note: 8.2)	65,000,000	-
	158,750,000	100,000,000
Less: Current portion shown under current liabilities		
From Bank Alfalah Limited	25,000,000	6,250,000
	133,750,000	93,750,000

8.1 It carries mark up at the rate of 6.3 percent per annum payable half yearly. It is repayable in eight equal half yearly installment commencing from September 01, 2004. It is secured against first pari passu charge on fixed assets of Unit number 3, B-4 S.I.T.E, Kotri.

8.2 It carries mark up at the rate of six months KIBOR + 2% to be fixed bi annually payable quarterly **.** It is repayable in eight equal half yearly installments after the grace period of one year. The first installment commencing from October 21, 2005. It is secured against first registered charge on Generator and mortgage charge over fixed assets located at unit number 3, S.I.T.E Kotri.

	2004 RUPEES	2003 RUPEES

9. DEFERRED LIABILITIES

Deferred liability for gratuity (Note: 9.1 to 9.4)	22,795,847	24,352,274
Deferred tax (Note: 9.5)	16,308,339	-
	39,104,186	24,352,274

9.1 Movement in the net liability recognized in the balance sheet

Opening net liability	24,352,274	25,816,371
Expense for the year (Note: 9.5)	6,065,328	7,950,558
	30,417,602	33,766,929
Contribution paid	(7,621,755)	(9,414,655)
Closing net liability	22,795,847	24,352,274

9.2 Expense recognized in the profit and loss account

	2004 RUPEES	2003 RUPEES
Current service cost	4,000,857	4,797,127
Interest cost	1,382,029	1,364,313
Net actuarial loss recognized in the year	682,442	1,789,118
	6,065,328	7,950,558

9.3 General description

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

9.4 Principal actuarial assumption

Following is the few important actuarial assumption used in valuation

	2004 %	**2003 %**
Discount rate	7.5	7.5
Expected rate of increase in salary	7.5	10

	2004 RUPEES	2003 RUPEES

9.5 DEFERRED TAX

The liability for deferred taxation comprises of timing differences relating to

	2004 RUPEES	2003 RUPEES
Taxable temporary differences		
Accelerated tax depreciation allowance	19,441,937	2,173,205
Deductible temporary differences		
Deferred debit arising in respect of provisions	3,133,598	2,876,743
	16,308,339	(703,538)
Less: Debit balance shown as deferred assets	-	703,538
	16,308,339	-

10 SHORT TERM LOANS AND FINANCES

	2004 RUPEES	2003 RUPEES
Secured - Banking company		
Finances under mark up arrangement (Note: 10.1)	1,194,128,834	783,936,445
Unsecured (Note: 10.2)		
Directors	16,977,953	960,090
Others	25,026,885	3,028,040
	42,004,838	3,988,130
	1,236,133,672	787,924,575

10.1 The company has aggregate facilities of Rs. 2.567 billion (2003 : Rs. 2.056 billion.) These are secured against hypothecation and pledge of stock in trade. These loans carry interest at the rate ranging from 2.24 % to 3.5 % (2003: 2.4 % to 14.85 %) per annum payable in quarterly. The above facilities are renewable.

10.2 These are interest free.

11 CURRENT MATURITY OF LONG TERM LIABILITIES

	2004 RUPEES	2003 RUPEES
Current maturity of long term loans (Note: 8)	25,000,000	6,250,000
Term Finance Certificate (Note: 6)	-	3,000
	25,000,000	6,253,000

	2004 RUPEES	2003 RUPEES

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

	2004 RUPEES	2003 RUPEES
Trade creditors	142,749,295	74,521,313
Trade deposit	2,289,180	6,684,854
Accrued expenses	43,274,306	46,532,147
Accrued interest/mark up on		
Term Finance Certificate	42,071,631	42,071,923
Long term secured loans	2,343,134	1,587,945
Short term loans and running finances	13,907,474	15,861,938
	58,322,239	59,521,806
Workers' profit participation fund (Note: 12.1)	4,560,817	4,066,182
Unclaimed dividend	90,772	409,256
Others	523,936	1,611,485
	251,810,545	193,347,043

12.1 WORKERS' PROFIT PARTICIPATION FUND

	2004 RUPEES	2003 RUPEES
Balance as at October 01	4,066,182	2,900,776
Interest charged (Note: 30)	16,460	10,700
	4,082,642	2,911,476
Paid during the year	(4,026,000)	(2,846,770)
	56,642	64,706
Contribution for the year	4,504,175	4,001,476
Balance as at September 30, 2004	4,560,817	4,066,182

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

13 CONTINGENCIES AND COMMITMENTS

Contingency

There is a contingent liability in respect of guarantee given to the banking companies for guarantee issued by them in the normal course of business amounting to Rs. 102.026 million (2003: Rs 65.064 million)

Commitment

Capital commitments relating to irrevocable letter of credit are Rs.288.228 million (2003: Rs. 525.235 million).

	2004 RUPEES	2003 RUPEES
16 LONG TERM INVESTMENTS		
Available for sale		
Unquoted		
Related party - Subsidiary (Note: 16.1)		
Pioneer Spinning Mills Limited 5,799,000 Ordinary shares of Rs.10 each	56,487,334	-
Other		
National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs.1,872,557 (2003: Market value Rs. 874,319.)	1,294,267	1,294,267
Diminution in the value of investments	(419,948)	(419,948)
	57,361,653	874,319

16.1 During the year the Company has acquired 2,848,260 Ordinary shares of Rs.10 each at the break up value of Rs. 19.83. 2,000,000 and 950,740 Ordinary shares has been transferred by Nova International (Private) Limited and Directors respectively as a gift .

	2004 RUPEES	2003 RUPEES
17 LONG TERM DEPOSITS		
Security deposits	1,282,129	1,182,129
18 DEFERRED COST		
Expenses incurred on issuance of redeemable capital	7,452,028	9,162,330
Less: Amortized during the year	1,832,460	1,710,302
	5,619,568	7,452,028

This represent expense incurred on issue of Term Finance Certificate. This is amortized over a period of five years. The deferred cost is being amortized as per old accounting policy. No further deferred costs are being recognized in line with the change in law in this regards. The brought forward deferred cost would be fully written off in the following year. Had the deferred cost charge to profit and loss account then the profit for the year would have been reduced by same amount.

		2004 RUPEES	2003 RUPEES
19	**STORES, SPARES AND LOOSE TOOLS**		
	Textile		
	Stores	19,933,213	17,691,216
	Spares and accessories	64,447,063	58,396,425
	Loose tools	4,326,012	4,804,799
		88,706,288	80,892,440
	Weaving		
	Store	10,970,846	8,841,127
	Power plant		
	Oil and stores	58,464,182	52,351,989
		158,141,316	142,085,556
20	**STOCK IN TRADE**		
	Spinning		
	Raw material	452,854,160	158,719,130
	Work-in-process	46,410,351	24,863,520
	Finished goods	62,036,700	81,844,400
	Waste	4,515,576	10,480,549
		565,816,787	275,907,599
	Weaving		
	Raw material	27,509,395	51,552,907
	Works in process	9,756,828	5,312,720
	Finished goods	43,535,591	56,177,570
	Waste	6,632	90,870
		80,808,446	113,134,067
		646,625,233	389,041,666
21	**TRADE DEBTS**		
	Considered good		
	Secured against letter of credit	2,497,423	40,352,956
	Unsecured	243,880,973	138,841,781
		246,378,396	179,194,737

	2004 RUPEES	2003 RUPEES

22 SHORT TERM INVESTMENTS

Held for trading

	2004 RUPEES	2003 RUPEES
In listed companies	243,530,522	4,756,880
Revaluation reserve for investment	(14,341,800)	2,361,260
	229,188,722	7,118,140

Detail are as under: -

		2004 (Rupees)		
Name of Securities	No. of shares	Cost	Fair value adjustment	Market value
Adamjee Insurance	132,250	10,358,602	(2,688,102)	7,670,500
Abamco Composite Fund	500	5,000	(775)	4,225
Engro Chemicals	125,000	12,831,250	(1,462,500)	11,368,750
Fauji Fertilizers	165,000	20,830,805	(3,382,055)	17,448,750
Hub Power Company	1,250,000	40,424,602	(1,737,102)	38,687,500
Maple Leaf Cement	100,000	4,098,055	(478,055)	3,620,000
Meezan Bank	50,050	835,750	100,185	935,935
National Bank	740,000	52,392,249	(1,184,249)	51,208,000
NIB-IFIC Bank	342,299	3,749,999	2,496,958	6,246,957
Nimir Chemical	50,000	325,000	(42,500)	282,500
New Jubilee Life Insurance	75,000	2,588,948	(526,448)	2,062,500
Oil & Gas Development Co	104,836	6,535,200	74,710	6,609,910
Pak Suzuki Motor Co	5,000	690,000	(80,000)	610,000
Pakistan Capital Markets Fund	60,000	600,000	(48,000)	552,000
Pioneer Cement Ltd	10,000	176,250	(79,250)	97,000
Pakistan Oil Fields	160,500	35,120,101	(2,939,851)	32,180,250
Pakistan Int'll Airlines	36	766	(322)	445
Pakistan Serves Ltd	598	2,990,000	-	2,990,000
Pakistan State Oil	100,000	25,920,400	(890,400)	25,030,000
Pakistan Telecommunication Co	325,000	13,140,609	1,061,891	14,202,500
Pakistan Petroleum Ltd	500	27,500	33,600	61,100
Sadi Cement	325,000	5,765,634	(1,118,134)	4,647,500
Saudipak Commercial Bank	200,000	4,062,708	(1,442,708)	2,620,000
Sui Southern Gas Co.	2,000	61,095	(8,695)	52,400
		243,530,521	**(14,341,800)**	**229,188,721**

	2004 RUPEES	2003 RUPEES
23 LOANS, ADVANCES AND PREPAYMENTS		
Unsecured - considered good		
Loans to		
Executives (Note: 23.1)	-	300,000
Other employees	1,353,142	1,853,900
	1,353,142	2,153,900
Advance against letter of credit	26,426,879	86,034,563
Advance against cotton suppliers	221,073	43,234,349
Advance against store suppliers and others (Note: 23.2)	138,370,313	95,541,548
Sales tax refundable	38,108,876	53,190,727
	203,127,141	278,001,187
Prepayments	369,848	552,937
Income tax deducted at source	44,164,454	47,971,486
	249,014,585	328,679,510

23.1 The maximum aggregate amount due at the end of any month during the during the year was Rs. Nil (2003: Rs.700,000).

23.2 It includes Rs.112.03 million (2003: Rs. 75.759 million) in respect of subsidiary company. Markup at the rate ranging from 11 to 12 paisa per thousand rupee per day (2003 : 16 to 30 paisa per thousand rupee per day) has been charged on above amount upto June 30, 2004. After this date company had acquired 99.7% shares to make it wholly owned subsidiary. However, as per direct confirmation from Pioneer Spinning Mills Limited there is a difference of Rs. 53.235 million which the subsidiary have not acknowledged.

	2004 RUPEES	2003 RUPEES
24 CASH AND BANK BALANCES		
Cash in hand	7,175,527	7,318,749
Cash at bank in current accounts	5,621,253	6,050,566
	12,796,780	13,369,315
25 SALES - NET		
Local sales (Note: 25.1)	1,530,408,197	1,080,494,821
Export sales (Note: 25.2)	2,467,613,624	2,125,136,780
	3,998,021,821	3,205,631,601

		2004 RUPEES	2003 RUPEES
25.1	**Local sales**		
	Yarn	690,955,903	590,724,901
	Fabric	816,713,199	475,152,715
	Waste	32,980,607	22,615,874
		1,540,649,709	1,088,493,490
	Less: Direct expenses		
	Commission	7,386,385	6,279,117
	Freight	2,855,127	1,719,552
		10,241,512	7,998,669
		1,530,408,197	1,080,494,821

		2004 RUPEES	2003 RUPEES
25.2	**Export sales (Note: 25.2.1)**		
	Yarn	2,128,406,256	1,706,707,948
	Fabric	445,995,642	543,495,884
		2,574,401,898	2,250,203,832
	Less: Direct expenses		
	Commission	26,883,356	33,151,772
	Export development surcharge	4,500,265	5,832,003
	Freight	47,433,246	55,178,053
	Selling expenses	27,971,409	30,905,224
		106,788,275	125,067,052
		2,467,613,624	2,125,136,780

25.2.1 There is no gain or loss on account of exchange difference.

		2004 RUPEES	2003 RUPEES
26	**COST OF SALES**		
	Raw material consumed (Note: 26.1)	2,849,224,942	2,160,216,101
	Wages, salaries and amenities (Note: 26.2)	182,356,862	196,180,732
	Store consumed	117,078,833	126,536,593
	Power, fuel and water	275,751,385	310,442,513
	Rent, rates and taxes	632,891	250,975
	Insurance	4,782,752	7,389,785
	Repair and maintenance	9,568,286	10,242,664
	Other expenses	9,445,881	8,561,258
	Depreciation	112,450,598	111,434,625
		3,561,292,430	2,931,255,246
	Work in process		
	Opening	30,176,240	28,571,888
	Closing	(56,167,179)	(30,176,240)
		(25,990,939)	(1,604,352)
	Cost of goods manufactured	3,535,301,491	2,929,650,894
	Finished goods & waste		
	Opening	148,593,389	90,219,013
	Yarn Purchased	174,827,873	86,532,356
	Closing	(110,094,499)	(148,593,389)
		213,326,763	28,157,980
		3,748,628,254	2,957,808,874

		2004 RUPEES	2003 RUPEES
26.1	**Raw material consumed**		
	Opening stock	210,272,037	151,933,862
	Add: Purchases	3,091,807,065	2,218,554,276
		3,302,079,102	2,370,488,138
	Closing stock	(452,854,160)	(210,272,037)
		2,849,224,942	2,160,216,101

26.2 It includes Rs. **5,040,470** (2003 : Rs. 5,728,215) on account of staff retirement benefits.

		2004 RUPEES	2003 RUPEES
27	**ADMINISTRATIVE EXPENSES**		
	Director's remuneration (Note: 27.1)	1,436,170	1,436,460
	Salaries and amenities (Note: 27.2)	9,227,921	8,229,510
	Printing and stationery	1,303,702	1,479,170
	Postage, telegram and telephone	1,321,613	1,452,530
	Travelling and conveyance	3,743,430	3,495,302
	Legal and professional charges	393,500	135,000
	Auditors remuneration (Note: 27.3)	225,000	200,000
	Rent, rates and taxes	331,425	427,944
	Books, papers and periodicals	628	2,594
	Entertainment	586,654	660,522
	Electricity, gas and water charges	783,687	658,254
	Fees and subscription	1,176,962	608,740
	Repairs and maintenance	486,971	502,809
	Charity and donation (Note: 27.4)	2,158,230	1,095,940
	Depreciation	2,236,965	2,403,820
	TFC amortization	1,832,460	1,710,302
	Brokerage and discount	1,431,829	95,805
		28,677,147	24,594,702

27.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

Chief Executive

Remuneration	240,000	240,000
House rent allowance	108,000	108,000
Perquisites	11,080	8,960
	359,080	356,960

	2004	2003
Number of person	1	1

The chief executive is also provided with company maintained car and telephone at residence.

Directors

	2004 RUPEES	2003 RUPEES
Remuneration	726,000	726,000
House rent allowance	326,700	326,700
Perquisites	24,390	26,800
	1,077,090	1,079,500

	2004	2003
Number of person	4	4

The directors are also provided with a company maintained car and telephone at residence.
The company has also allowed to its NIL (2003: nine) executives to use company maintained cars.

27.2 It includes Rupees 511,460 (2003 : Rupees 452,623) on account of staff retirement benefits.

27.3 Auditors' remuneration

	2004 RUPEES	2003 RUPEES
Audit fee	175,000	150,000
Half yearly review and other certification fee	50,000	50,000
	225,000	200,000

27.4 Directors and their spouse have no interest in the donees

28 SELLING AND DISTRIBUTION EXPENSES

	2004	2003
Advertisement	34,068	93,122

29 OTHER INCOME - NET

	2004	2003
Loss on sale of assets	(625,213)	-
Electric power income (Note: 29.1)	5,035,065	2,575,952
Rent income	1,547,904	723,460
Dividend income	11,250,141	-
Capital gain on shares	10,785,914	-
Diminution in the value of investment	(16,703,060)	4,950,300
	11,290,751	8,249,712

	2004 RUPEES	2003 RUPEES

29.1 Electric power income

	2004 RUPEES	2003 RUPEES
Salaries and wages	8,970,773	8,745,842
Fuel and store consumed	205,894,955	220,342,104
Repair and maintenance	1,807,043	3,383,728
Other expenses	2,232,899	1,939,151
Depreciation	32,329,410	24,526,300
Financial charges	3,459,145	3,492,502
	254,694,225	262,429,627
Less: Self use - spinning	182,815,090	193,927,194
weaving	55,681,635	61,616,356
	238,496,725	255,543,550
	16,197,500	6,886,077
Outside sales	21,232,565	9,462,029
Profit for the year	5,035,065	2,575,952

30 FINANCIAL CHARGES - NET

	2004 RUPEES	2003 RUPEES
Mark up on		
Short term loans	35,899,559	45,508,921
Long term loans	6,575,099	13,377,158
Term Finance Certificate	97,499,512	92,505,457
Workers' profit participation fund (Note: 12.1)	16,460	10,700
Financial charges on financial lease	-	5,169
Bank charges	3,395,753	3,027,999
	143,386,383	154,435,404
Less: Financial income		
Interest on term deposit	3,289	16,043
Interest on TFC Investment	145,762	-
Interest on related party loan - Pioneer Spinning Mills Limited	1,347,729	3,064,274
Total financial income	1,496,780	3,080,317
Net financial charges	141,889,603	151,355,087

30.1 Interest charge on principal amount receivable. Interest has been charged at the rate of 11 to 12 paisa per thousand rupee per day upto June'2004.

31 TAXATION

The income tax assessment of the company have been finalized upto tax year 2003 (Income year ended 30th September, 2002)

32 BASIC - EARNINGS PER SHARES

	2004	2003
Profit after taxation in rupees	34,907,064	52,660,289
Weighted average number of Ordinary shares	3,125,000	3,125,000
Earning per share in rupees	11.17	16.85

33 CASH GENERATED FROM OPERATION

	2004	2003
Profit before taxation	85,579,325	76,028,052
Adjustment for item involving non movement of fund		
Depreciation	153,369,451	138,364,745
Financial charges - net	141,889,603	151,344,387
Loss on sale of fixed assets	625,213	-
Dividend income	(11,250,141)	-
Provision for gratuity	6,065,328	7,961,257
Provision for diminution in the value of investment	16,703,060	(4,950,300)
Provision for workers' profit participation fund	4,504,175	4,001,476
Amortization of Term Finance Certificate	1,832,460	1,710,302
	313,739,149	298,431,867
Profit before working capital changes	399,318,474	374,459,919
(Increase)/decrease in current assets		
Stocks, stores and spares	(273,639,327)	(117,622,594)
Trade debts	(67,183,659)	(101,225,196)
Advances, deposits, prepayments and other receivables	82,324,567	(58,532,236)
	(258,498,419)	(277,380,026)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	59,486,918	3,908,896
	200,306,973	100,988,789

34 EMPLOYEES

	2004	2003
Average number of employees during the year	2,707	2,764

35 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises the subsidiary company, directors and key management personal. Amount due to/from are shown in relevant note to the accounting policies. Transaction other than remuneration paid to Chief Executive and Directors are as follows:

	2004 RUPEES	2003 RUPEES
Purchase of yarn from subsidiary	(78,712,431)	-
Purchase of waste from subsidiary	(3,037,469)	-
Sale of electricity to subsidiary	10,757,073	-
Interest on loan to subsidiary	1,347,729	
	(69,645,098)	-

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 08, 2005 by the board of directors of the company.

37 PLANT CAPACITY AND ACTUAL PRODUCTION

37.1 Spinning

		2004	2003
a.	Total number of spindles installed	43,784	43,784
	Total number of rotors installed	864	864
b.	Average number of spindles worked	43,784	43,784
	Average number of rotors worked	864	864
c.	Number of shift worked per day	3	3
d.	Capacity of industrial unit after conversion into 20/s count	15,193,792 kgs	15,193,792 kgs
e.	Actual production after conversion into 20/s count	17,218,628 kgs	17,296,310 kgs

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

	2004	2003

37.2 Power Plant

	2004	2003
Installed capacity per hour per day	21.8 MW	15.80 MW
Installed capacity	190,938 MW	138,408 MW
Prime capacity	13.2 MW	9.60 MW
Stand by	8.6 MW	6.20 MW
Installed prime capacity per hour per day	115,632 MW	84,096 MW
Actual generated	81,252 MW	74,859 MW

The reason for short fall in power generation is due to shut down of SWD engines for repair and maintenance

37.3 Weaving

	2004	2003
Rated capacity converted to 60 picks (square meter)	36,117,502	36,117,502
Actual production converted to 60picks (square meter)	34,145,060	33,085,301
Total number of looms installed	120	120
Total number of looms worked	120	115
Number of shifts worked per day	3	3

The installed capacity includes the standby generation which is only used in case of emergency shut down of the prime engines.

38 POST BALANCE SHEET EVENTS

Subsequent to the balance sheet, the stock of raw material amounting to Rs. 85 million have burned. Claim have been filed with the insurance company

39 GENERAL

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

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Quetta Textile Mills Limited** (the holding company) and **its subsidiary company** as at September 30, 2004 and the related consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the **Quetta Textile Mills Limited and its subsidiary**. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except as stated in note 18.1 & 24.1 to the consolidated financial statements, the consolidated financial statements examined by us present fairly the financial position of **Quetta Textile Mills Limited and its subsidiary company** as at September 30, 2004 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to note 4.17 in the consolidated financial statements regarding reclassification of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: January 08, 2005

40 FINANCIAL INSTRUMENT RELATED DISCLOSURE

40.1 YIELD / MARK UP RATE RISK

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

	2 0 0 4						
	interest/mark up bearing			non interest/mark up bearing			TOTAL
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	RUPEES						
FINANCIAL ASSETS							
Investment	-	-	-	229,188,722	57,361,653	286,550,375	286,550,375
Deposits	-	-	-	-	1,282,129	1,282,129	1,282,129
Trade debts	-	-	-	246,378,396	-	246,378,396	246,378,396
Cash and bank balances	-	-	-	12,796,780	-	12,796,780	12,796,780
	-	-	-	488,363,898	58,643,782	547,007,680	547,007,680
FINANCIAL LIABILITIES							
Redeemable capital	-	749,995,500	749,995,500	-	-	-	749,995,500
Loans	25,000,000	133,750,000	158,750,000	-	339,462,705	339,462,705	498,212,705
Short term finance	1,194,128,834	-	1,194,128,834	42,004,838	-	42,004,838	1,236,133,672
Creditors, accrued and other liabilities	-	-	-	247,158,956	-	247,158,956	247,158,956
Dividend	-	-	-	90,772	-	90,772	90,772
	1,219,128,834	883,745,500	2,102,874,334	289,254,566	339,462,705	628,717,271	2,731,591,605
Total yield / mark up rate risk sensitivity gap	(1,219,128,834)	(883,745,500)	(2,102,874,334)	199,109,332	(280,818,923)	(81,709,591)	(2,184,583,925)

	2 0 0 3						
	interest/mark up bearing			non interest/mark up bearing			TOTAL
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	RUPEES						
FINANCIAL ASSETS							
Investment	-	-	-	7,118,140	874,319	7,992,459	7,992,459
Deposits	-	-	-	-	1,182,129	1,182,129	1,182,129
Trade debts	-	-	-	179,194,737	-	179,194,737	179,194,737
Cash and bank balances	-	-	-	13,369,315	-	13,369,315	13,369,315
	-	-	-	199,682,192	2,056,448	201,738,640	201,738,640
FINANCIAL LIABILITIES							
Redeemable capital	3,000	749,994,000	749,997,000				
Loans	6,250,000	93,750,000	100,000,000	-	250,048,578	250,048,578	350,048,578
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-
Short term finance	783,936,445	-	783,936,445	3,988,130	-	3,988,130	787,924,575
Creditors, accrued and other liabilities	-	-	-	188,871,605	-	188,871,605	188,871,605
Dividend	-	-	-	3,534,256	-	3,534,256	3,534,256
	790,189,445	843,744,000	1,633,933,445	196,393,991	250,048,578	446,442,569	2,080,376,014
Total yield / mark up rate risk sensitivity gap	(790,189,445)	(843,744,000)	(1,633,933,445)	3,288,201	(247,992,130)	(244,703,929)	(1,878,637,374)

Effective yield / mark up rate was mentioned in the relevant notes.

40.2 Concentration of credit risk

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

40.3 Fair value of financial instruments

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

40.4 Foreign exchange risk management and its policy

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

40.5 Liquidity risk

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

	KHALID IQBAL	**OMER KHALID**
Karachi : January 08, 2005	**CHIEF EXECUTIVE**	**DIRECTOR**

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Quetta Textile Mills Limited** (the holding company) and **its subsidiary company** as at September 30, 2004 and the related consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the **Quetta Textile Mills Limited and its subsidiary**. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except as stated in note 18.1 & 24.1 to the consolidated financial statements, the consolidated financial statements examined by us present fairly the financial position of **Quetta Textile Mills Limited and its subsidiary company** as at September 30, 2004 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to note 4.17 in the consolidated financial statements regarding reclassification of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: January 08, 2005

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2004

EQUITY AND LIABILITIES	NOTE	2004 RUPEES
SHARE CAPITAL AND RESERVES		
Authorized capital		
10,000,000 Ordinary shares of Rs.10 each		100,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000
		250,000,000
Issued, subscribed and paid up capital	5	31,250,000
Reserves		114,581,252
Unappropriated profit		238,066,261
Shareholders equity		383,897,513
MINORITY INTEREST	6	313,332
REDEEMABLE CAPITAL	7	749,995,500
LOAN FROM RELATED PARTIES	8	339,571,941
LONG TERM FINANCES AND MURABAHA	9	333,750,000
DEFERRED LIABILITIES	10	39,832,600
CURRENT LIABILITIES		
Short term loans and running finances	11	1,338,557,773
Current maturity of long term liabilities	12	25,000,000
Creditors, accrued and other liabilities	13	272,547,429
Proposed dividend		-
		1,636,105,202
CONTINGENCIES AND COMMITMENTS	14	
		3,483,466,088

PROPERTY AND ASSETS	NOTE	2004 RUPEES
TANGIBLE FIXED ASSETS		
Operating assets	15	1,834,081,482
Capital work in progress	16	19,216,192.00
		1,853,297,674
LONG TERM INVESTMENT	17	874,319
LONG TERM DEPOSIT		1,668,129
DEFERRED COST	18	5,619,568
NEGATIVE GOODWILL	19	(44,974,919)
CURRENT ASSETS		
Stores, spares and loose tools	20	197,369,993
Stock in trade	21	732,568,876
Trade debts	22	282,795,486
Short term investment	23	229,188,722
Loans, advances, prepayment and other receivable	24	210,839,952
Cash and bank balances	25	14,218,288
		1,666,981,317
		3,483,466,088

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

		2004 RUPEES
Sales - Net	26	4,378,805,357
Cost of sales	27	4,123,749,483
Gross profit		255,055,874
Administrative expenses	28	30,084,498
Selling expenses	29	1,331,845
		31,416,343
Operating profit		223,639,531
Other income - net	30	4,535,760
		228,175,291
Financial charges - Net	31	162,069,350
Workers' profit participation fund		4,541,282
		166,610,632
Net profit before current taxation		61,564,659
Taxation	32	
Current year		34,594,731
Prior year		2,050,112
		36,644,843
Net profit after current taxation		24,919,816
Deferred taxation		17,011,877
Profit after deferred taxation		7,907,939
Transferred to fair value on acquisition		11,095,046
Unappropriated profit brought forward		219,063,276
Profit available for appropriation		238,066,261
Proposed dividend Rs. Nil (2003: Rs.1) per share		-
Unappropriated profit carried forward		238,066,261
Basic - Earnings per share	33	2.53

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations (Note: 33)	197,716,680
Taxes paid	(36,129,342)
Financial charges - net paid	(161,718,950)
Workers' profit participation fund	(4,026,000)
Gratuity paid	(7,923,585)
Long term deposit	(100,000)
Net cash used in operating activities	(12,181,197)
CASH FLOW FROM INVESTING ACTIVITIES	
Fixed capital expenditure	(337,999,192)
Proceeds against sale of fixed assets	15,889,385
Long term investments	(56,487,334)
Short term investments - Net	(238,773,642)
Proceeds from short term investments	3,881,562
Dividend received	4,783,467
Net cash used in investing activities	(608,705,754)
CASH FLOW FROM FINANCING ACTIVITIES	
Long term loans	260,096,229
Repayment of long term loans	(115,000,000)
Short term loan	389,411,251
Loan from directors	85,638,411
Dividend paid	(3,443,484)
Net cash from investing activities	616,702,407
Net decrease in cash and cash equivalents	(4,184,544)
Cash and cash equivalents at beginning of the year	18,402,831
Cash and cash equivalents at end of the year (Note: 24)	14,218,288

-

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Share capital	RESERVES							Unappropriated profit	Total
		Capital reserve	Assets replacement reserve	Dividend equalization reserve	Reserve for power generation	General reserve	Surplus on revaluation of securities	Sub Total		
	Rupees									
Balance as at September 30, 2002	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	169,527,987	315,359,239
Net profit for the year	-	-				-	-	-	52,660,289	52,660,289
Dividend	-	-	-	-	-	-	-	-	(3,125,000)	(3,125,000)
Balance as at September 30, 2003	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	219,063,276	364,894,528
Net profit for the year	-	-				-	-	-	7,907,939	7,907,939
Transferred to fair value on acquisition	-	-	-	-	-	-	-	-	11,095,046	11,095,046
Dividend	-	-				-	-	-		-
Balance as at September 30, 2004	31,250,000	1,200	20,000,000	20,000,000	50,000,000	25,000,000	(419,948)	114,581,252	238,066,261	383,897,513

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005

QUETTA TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1. NATURE AND SCOPE OF BUSINESS

Holding Company
Quetta Textile Mills Limited was incorporated as a Public Limited Company on January 29, 1970. Its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric.

Subsidiary Company
Pioneer Spinning Mills Limited was incorporated in Pakistan as a unquoted public limited company under the Companies Ordinance, 1984. The main business of company is manufacturing and sale of yarn.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directive issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives takes precedence.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits
Defined benefit plan

The company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from September 30, 2004 using the Projected Unit Credit Method.

Actuarial gain or loss is recognized in the period in which it occurs.

Compensated absences

The Company accounts for these benefits in the period in which the absences accrue.

4.2 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

4.3 Trade and other payables

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

4.4 Provisions

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

4.5 Fixed assets

Tangible – owned

These are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. Rates of depreciation are designed to write off the cost over the estimated useful lives of the assets.

Holding Company

Depreciation on plant and machinery has been charged on addition during the year on the basis of numbers of days worked. This is in line with the Income Tax Ordinance, 2001. Full year depreciation has been charged in the year of addition whereas no depreciation has been charged in the year of deletion.

Subsidiary Company

The full rate of depreciation is applied on the additions during the year while no depreciation is charged on assets deleted or retired during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized and included in the cost of respective fixed assets.

Gain or loss on disposal of fixed assets is included in the current profit and loss account.

Tangible – assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or lease assets are depreciated on the same basis and on the same rate as owned assets.

Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that a tangible fixed asset may be impaired. If such indication exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, assets are written down to the recoverable amount.

4.6 Investments

Investments in securities are recognised on trade date basis and are initially measured at cost inclusive of transaction cost. After initial recognition, investments held for trading are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

Investments which could not be classified as held for trading or held for maturity are classified as available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Any impairment loss including that had been recognised directly in equity is removed from equity and recognised in the profit and loss account for the period.

The fair value of those investments representing listed equity and other securities are determined on the basis of year end bid prices obtained from the stock exchange quotations.

Investments in associated companies and other non listed securities continue to be stated at cost less provision for permanent impairment in their value.

4.7 Stores, spares and loose tools

These are valued at lower of cost or net realizable value. Cost is determined on the weighted average basis. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

4.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost in relation to raw and packing material is calculated on average basis. Cost of work in process and finished goods include direct material, labor, and appropriate production overheads.

Net realizable value is arrived at by calculating the estimated selling price in the ordinary course of business less cost of completion and less costs necessary to be incurred in order to make the sale.

4.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable 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.

4.10 Cash and cash equivalent

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

4.11 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.

4.12 Offsetting of financial assets and liabilities

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

4.13 Revenue recognition

Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

Income from bank deposits, loans, and advances is recognised on accrual basis.

Dividend income is recognized when the right to receive dividend is established.

4.14 Borrowing cost

All markup, interest and other charges are charged to profit and loss account on an accrual basis.

4.15 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities in foreign currency are translated into Rupees at the rates of exchange prevailing at the date of transaction. Exchange gains and losses in respect of non-monetary assets and liabilities are incorporated in the cost of relevant assets. All other exchange gains and losses are included in income currently.

4.16 Related party transactions

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

4.17 Presentation

Holding company

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note – 25.1 and 25.2). It has no effect on the net profit for the year.

	2004 RUPEES

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

1,200,000	Ordinary shares of Rs.10 each fully paid in cash	12,000,000
1,925,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	19,250,000
3,125,000		31,250,000

6. MINORITY INTEREST

Share Capital	175,000
Capital reserve	12,930
Accumulated loss upto June 30,2004	(424,329)
Surplus on revaluation of fixed assets	549,731
	313,332

7. REDEEMABLE CAPITAL - Secured
Non-participatory

Term Finance Certificates	749,995,500
Less: Current maturity shown under current liabilities (Note: 12)	-
	749,995,500

7.1 These represent Rs.750 million registered and listed Term Finance Certificates (TFCs) issued by the holding company on October 26, 2002, to financial institutions, trust and general public for a period of five years. The TFCs have an embedded call option for early redemption exercisable by the holding company during the period from the beginning of the 24th month from the issue date till the 36th month from the issue date. The Principal amount of the TFC is to be repaid in six equal semi - annual installments in arrears after a grace period of 24 months from the date of issue.

7.2 The proceeds of the TFCs were utilized for repayment of loans, repayment of lease liabilities, BMR and balance sheet restructuring.

7.3 The profit on these TFCs is payable on semi annually at SBP discount rate plus 2.5 % subject to floor and cap rate of 13% per annum and 18% per annum respectively.

7.4 These TFCs are secured by way of first pari passu charge on current and future fixed assets, equitable mortgage of land and building.

7.5 The holding company has exercised call option to re-deem the TFCs. All the outstanding amount payable against TFCs have been paid by the company on October 26, 2004 with all mark-up outstanding against these certificates. The above amount has been shown in long term liabilities as per treatment allowed by para 63 IAS -1 .

8. LOAN FROM RELATED PARTIES

	2004 RUPEES
Unsecured	
Due to directors	104,919,177
Due to others	234,652,764
	339,571,941

These are non interest bearing and unsecured. It is repayable after more than one year. The loan is subordinate to all long term and short term loans and creditors of the company.

9. LONG TERM LOANS AND MURABAHA

	2004 RUPEES
Secured	
From Bank Alfalah Limited (Note: 9.1)	93,750,000
From Muslim Commercial Bank Limited (Note: 9.2)	65,000,000
Faysal Bank Limited (Murahaba Finance) (Note 9.3)	200,000,000
	358,750,000
Less: Current portion shown under current liabilities (Note: 13)	
From Bank Alfalah Limited	25,000,000
	333,750,000

9.1 It carries mark up at the rate of 6.3 percent per annum payable half yearly. It is repayable in eight equal half yearly installment commencing from September 01, 2004. It is secured against first pari passu charge on fixed assets of holding company's unit number 3, B-4 S.I.T.E, Kotri.

9.2 It carries mark up at the rate of six months KIBOR + 2% to be fixed bi annually payable quarterly . It is repayable in eight equal half yearly installments. The first installment commencing from October 21, 2005. It is secured against first registered charge on Generator and mortgage charge over fixed assets of holding company located at unit number 3 S.I.T.E Kotri.

9.3 It is secured by way of first exclusive charge on land and building of subsidiary company to the extent of Rs. 75 million and first exclusive charge on all present and future plant and machinery to the extent of Rs.250 million. It is repayable in 08 semi annual installments in 5 years (including 01 year grace). It carries mark up rate of 6-months KIBOR + 2.00% p.a.

		2004
		RUPEES
10.	**DEFERRED LIABILITIES**	
	Deferred liability for gratuity (Note: 10.1 to 10.4)	23,524,261
	Deferred tax (Note: 10.5)	16,308,339
		39,832,600

10.1 Movement in the net liability recognized in the balance sheet

Opening net liability	25,206,889
Expense for the year (Note: 10.5)	6,240,957
	31,447,846
Contribution paid	(7,923,585)
Closing net liability	23,524,261

10.2 Expense recognized in the profit and loss account

Current service cost	4,116,707
Interest cost	1,422,047
Net actuarial loss recognized in the year	702,203
	6,240,957

10.3 General description

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

10.4 Principal actuarial assumption

Following is the few important actuarial assumption used in valuation

	2004
	%
Discount rate	7.5
Expected rate of increase in salary	7.5

10.5 DEFERRED TAX

The liability for deferred taxation comprises of timing differences relating to	2004 RUPEES
Taxable temporary differences	
Accelerated tax depreciation allowance	19,441,937
Deductible temporary differences	
Deferred debit arising in respect of provisions	3,133,598
	16,308,339
Less: Debit balance shown as deferred assets	-
	16,308,339

11. SHORT TERM LOANS AND FINANCES

Secured - Banking company	
Finances under mark up arrangement (Note: 11.1)	1,296,552,935
Unsecured - Related parties (Note: 11.2)	
Directors	16,977,953
Others	25,026,885
	42,004,838
	1,338,557,773

11.1 The group has aggregate facilities of Rs. 2.707 billion . These are secured against hypothecation and pledge of stock in trade. These loans carry interest at the rate ranging from 2.24 % to 4.5 % . The above facilities are renewable.

11.2 These are interest free.

	2004 RUPEES
12. CURRENT MATURITY OF LONG TERM LIABILITIES	
Current maturity of long term loans (Note: 9)	25,000,000
	25,000,000

		2004 RUPEES
13.	**CREDITORS, ACCRUED AND OTHER LIABILITIES**	
	Trade creditors	158,759,489
	Trade deposit	2,289,180
	Accrued expenses	47,573,477
	Accrued interest/mark up on	
	Term Finance Certificate	42,071,631
	Long term secured loans	2,343,134
	Short term loans and running finances	13,907,474
		58,712,651
	Workers' profit participation fund (Note: 13.1)	4,597,924
	Unclaimed dividend	90,772
	Others	523,936
		272,547,429

13.1	**WORKERS' PROFIT PARTICIPATION FUND**	
	Balance as at October 01	4,066,182
	Interest charged (Note: 30)	16,460
		4,082,642
	Paid during the year	(4,026,000)
		56,642
	Contribution for the year	4,541,282
	Balance as at September 30, 2004	4,597,924

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

14. CONTINGENCIES AND COMMITMENTS

Contingency

There is a contingent liability in respect of guarantee given to the banking companies for guarantee issued by them in the normal course of business amounting to Rs. 102.026 million (2003: Rs 65.064 million)

Commitment

Capital commitments relating to irrevocable letter of credit are Rs.288.228 million (2003: Rs. 525.235 million)

17. LONG TERM INVESTMENTS

Available for sale
Unquoted

National Tanneries of Pakistan Limited	
45,896 (2003: 45,896) Ordinary shares of Rs.10 each	
Break up value Rs.1,872,557 (2003: market value Rs. 874,319)	1,294,267
Diminution in the value of investments	(419,948)
	874,319

18. DEFERRED COST

Expenses incurred on issuance of redeemable capital	7,452,028
Less: Amortized during the year	1,832,460
	5,619,568

18.1 This represent expense incurred on issue of Term Finance Certificate. This is amortized over a period of five years. The deferred cost is being amortized as per old accounting policy. No further deferred costs are being recognized in line with the change in law in this regards. The brought forward deferred cost would be fully written off in the following year. Had the deferred cost charge to profit and loss account then the profit for the year would have been reduced by same amount.

19. NEGATIVE GOODWILL

Fair value of acquired investment	103,829,354
Cost of acquired investment	(56,487,334)
	47,342,020
Less: Amortized during the year	(2,367,101)
	44,974,919

These are amortized over a period of five year. During the year negative goodwill amortized for three months period.

		2004 RUPEES
20.	**STORES, SPARES AND LOOSE TOOLS**	
	Textile	
	Stores	32,493,848
	Spares and accessories	89,203,384
	Loose tools	6,237,733
		127,934,965
	Weaving	
	Store	10,970,846
	Power plant	
	Oil and stores	58,464,182
		197,369,993
21.	**STOCK IN TRADE**	
	Spinning	
	Raw material	509,837,792
	Work-in-process	50,857,551
	Finished goods	86,324,838
	Waste	4,740,249
		651,760,430
	Weaving	
	Raw material	27,509,395
	Works in process	9,756,828
	Finished goods	43,535,591
	Waste	6,632
		80,808,446
		732,568,876
22.	**TRADE DEBTS**	
	Considered good	
	Secured against letter of credit	2,497,423
	Unsecured	280,298,063
		282,795,486

23. SHORT TERM INVESTMENTS

Held for trading

In listed companies	243,530,522	4,756,880
Revaluation reserve for investment	(14,341,800)	2,361,260
	229,188,722	7,118,140

Detail are as under: -

		2004 (Rupees)		
Name of Securities	No. of shares	Cost	Fair value adjustment	Market value
Adamjee Insurance	132,250	10,358,602	(2,688,102)	7,670,500
Abamco Composite Fund	500	5,000	(775)	4,225
Engro Chemicals	125,000	12,831,250	(1,462,500)	11,368,750
Fauji Fertilizers	165,000	20,830,805	(3,382,055)	17,448,750
Hub Power Company	1,250,000	40,424,602	(1,737,102)	38,687,500
Maple Leaf Cement	100,000	4,098,055	(478,055)	3,620,000
Meezan Bank	50,050	835,750	100,185	935,935
National Bank	740,000	52,392,249	(1,184,249)	51,208,000
NIB-IFIC Bank	342,299	3,749,999	2,496,958	6,246,957
Nimir Chemical	50,000	325,000	(42,500)	282,500
New Jubilee Life Insurance	75,000	2,588,948	(526,448)	2,062,500
Oil & Gas Development Co	104,836	6,535,200	74,710	6,609,910
Pak Suzuki Motor Co	5,000	690,000	(80,000)	610,000
Pakistan Capital Markets Fund	60,000	600,000	(48,000)	552,000
Pioneer Cement Limited	10,(	176,250	(79,250)	97,000
Pakistan Oil Fields	160,500	35,120,101	(2,939,851)	32,180,250
Pakistan Int'll Airlines	36	766	(322)	445
Pakistan Serves Limited	5!	2,990,000	-	2,990,000
Pakistan State Oil	100,000	25,920,400	(890,400)	25,030,000
Pakistan Telecommunication Co	325,000	13,140,609	1,061,891	14,202,500
Pakistan Petroleum Limited	5	27,500	33,600	61,100
Sadi Cement	325,000	5,765,634	(1,118,134)	4,647,500
Saudipak Commercial Bank	200,000	4,062,708	(1,442,708)	2,620,000
Sui Southern Gas Co.	2,000	61,095	(8,695)	52,400
		243,530,521	**(14,341,800)**	**229,188,721**

	2004 RUPEES
24. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE	
Unsecured - considered good	
Loans to employees	1,665,029
Advance	
against letter of credit	27,353,667
against cotton suppliers	221,073
income tax deducted at source	47,854,437
against store suppliers and others (Note: 24.1)	85,696,930
	161,126,107
Prepayments	369,848
Sales tax refundable	47,678,968
	210,839,952

24.1 It includes an amount of Rs. 53.235 million which was receivable from Pioneer Spinning Mills Limited (the subsidiary) on account of mark up before acquisition which the subsidiary company does not acknowledge. Had the subsidiary acknowledged the amount of interest then advance to others was decrease and profit of the group had been decrease by Rs. 53.235 million.

	2004 RUPEES
25. CASH AND BANK BALANCES	
Cash in hand	7,451,056
Cash at bank in current accounts	6,767,232
	14,218,288
26. SALES - NET	
Local sales (Note: 26.1)	1,848,421,742
Export sales (Note: 26.2)	2,530,383,615
	4,378,805,357

		2004 RUPEES
26.1	**Local sales**	
	Yarn	1,002,233,591
	Fabric	816,713,199
	Waste	39,716,464
		1,858,663,254
	Less: Direct expenses	
	Commission	7,386,385
	Freight	2,855,127
		10,241,512
		1,848,421,742
26.2	**Export sales (Note: 26.2.1)**	
	Yarn	2,193,441,053
	Fabric	445,995,642
		2,639,436,695
	Less: Direct expenses	
	Commission	28,793,017
	Export development surcharge	4,500,265
	Freight	47,788,390
	Selling expenses	27,971,409
		109,053,080
		2,530,383,615

26.2.1 There is no gain or loss on account of exchange difference.

27. COST OF SALES

Raw material consumed (Note: 27.1)	3,237,027,962
Wages, salaries and amenities (Note: 27.2)	207,817,408
Store consumed	127,746,233
Power, fuel and water	307,650,607
Rent, rates and taxes	632,891
Insurance	6,329,607
Repair and maintenance	10,513,030
Other expenses	10,245,752
Depreciation	126,462,865
	4,034,426,355
Work in process	
Opening	33,140,660
Closing	(60,614,379)
	(27,473,719)
Cost of goods manufactured	4,006,952,636
Finished goods and waste	
Opening	158,326,184
Yarn purchased	93,077,973
Closing	(134,607,310)
	116,796,847
	4,123,749,483

		2004 RUPEES
27.1	**Raw material consumed**	
	Opening stock	233,933,747
	Add: Purchases	3,512,932,007
		3,746,865,754
	Closing stock	(509,837,792)
		3,237,027,962

27.2 It includes Rs.5,483,749 on account of staff retirement benefits.

28. ADMINISTRATIVE EXPENSES

Director's remuneration (Note: 28.1)	1,436,170
Salaries and amenities (Note: 28.2)	9,866,799
Printing and stationery	1,357,171
Postage, telegram and telephone	1,344,829
Travelling and conveyance	3,748,380
Legal and professional charges	433,500
Auditors remuneration (Note: 28.3)	290,000
Rent, rates and taxes	331,425
Books, papers and periodicals	3,561
Entertainment	614,506
Electricity, gas and water charges	783,687
Fees and subscription	1,226,267
Repairs and maintenance	486,971
Charity and donation (Note: 28.4)	2,158,230
Depreciation	2,661,108
TFC amortization	1,832,460
Vehicle repair and maintenance	77,605
Brokerage and discount	1,431,829
	30,084,498

28.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

Chief Executive

Remuneration	240,000
House rent allowance	108,000
Perquisites	11,080
	359,080
Number of person	1

The chief executive is also provided with company maintained car and telephone at residence.

	2004 RUPEES
Directors	
Remuneration	726,000
House rent allowance	326,700
Perquisites	24,390
	1,077,090
Number of person	4

The directors are also provided with a company maintained car and telephone at residence.

28.2 It includes Rupees 511,460 on account of staff retirement benefits.

	2004 RUPEES
28.3 Auditors' remuneration	
Audit fee	240,000
Professional services	50,000
	290,000

28.4 Directors and their spouse have no interest in the donees

29. SELLING AND DISTRIBUTION EXPENSES

Advertisement	34,068
Selling expenses	633,013
Export development surcharge	193,138
Freight	471,626
	1,331,845

30. OTHER INCOME - NET

Gain on sale of assets	1,425,706
Electric power income (Note: 30.1)	(5,722,008)
Amortization of Negative goodwill (Note: 19)	2,367,101
Rent income	1,547,904
Dividend income	11,250,141
Capital gain on shares	10,369,976
Diminution in the value of investment	(16,703,060)
	4,535,760

		2004
		RUPEES
30.1	**Electric power income**	
	Salaries and wages	8,970,773
	Fuel and store consumed	205,894,955
	Repair and maintenance	1,807,043
	Other expenses	2,232,899
	Depreciation	32,329,410
	Financial charges	3,459,145
		254,694,225
	Less: Self use - spinning	182,815,090
	weaving	55,681,635
		238,496,725
		16,197,500
	Outside sales	10,475,492
	Loss for the year	(5,722,008)

31. FINANCIAL CHARGES - NET

Mark up on	
Short term loans	45,214,826
Long term loans	15,718,841
Term Finance Certificate	97,499,512
Workers' profit participation fund (Note: 13.1)	16,460
Bank charges	3,768,763
	162,218,401
Less: Financial income	
Interest on term deposit	3,289
Interest on TFC Investment	145,762
Total financial income	149,051
Net financial charges	162,069,350

32. TAXATION

The income tax assessment of the group have been finalized upto tax year 2003 (Income year ended 30th September, 2002)

33. BASIC - EARNINGS PER SHARES

	2004
Profit after taxation in rupees	7,907,939
Weighted average number of Ordinary shares	3,125,000
Earning per share in rupees	2.53

34. CASH GENERATED FROM OPERATION

	2004 RUPEES
Profit before taxation	61,287,435
Adjustment for item involving non movement of fund	
Depreciation	167,805,861
Financial charges - net	160,721,621
Loss on sale of fixed assets	(1,751,916)
Dividend income	(11,250,141)
Provision for gratuity	6,240,957
Provision for diminution in the value of investment	16,703,060
Provision for workers' profit participation fund	4,541,282
Amortization of Term Finance Certificate	1,832,460
	344,843,185
Profit before working capital changes	406,130,620
(Increase)/decrease in current assets	
Stocks, stores and spares	(322,899,068)
Trade debts	(74,753,836)
Advances, deposits, prepayments and other receivables	110,846,717
	(286,806,187)
Increase in creditors, accrued and other liabilities	78,392,247
	197,716,680

35. EMPLOYEES

	2004
Average number of employees during the year	3,108

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 08, 2005 by the board of directors of the company.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

37.1 Spinning

		2004
a.	Total number of spindles installed	59,192
	Total number of rotors installed	864
b.	Average number of spindles worked	43,784
	Average number of rotors worked	864
c.	Number of shift worked per day	3
d.	Capacity of industrial unit after conversion into 20/s count	20,636,956 kgs
e.	Actual production after conversion into 20/s count	22,775,285 kgs

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

37.2 Power Plant

Installed capacity per hour per day	21.8 MW
Installed capacity	190,938 MW
Prime capacity	13.2 MW
Stand by	8.6 MW
Installed prime capacity per hour per day	115,632 MW
Actual generated	81,252 MW

The reason for short fall in power generation is due to shut down of SWD engines for repair and maintenance
The installed capacity includes the standby generation which is only used in case of emergency shut down of the prime engines.

37.3 Weaving

Rated capacity converted to 60 picks (square meter)	36,117,502
Actual production converted to 60picks (square meter)	34,145,060
Total number of looms installed	120
Total number of looms worked	120
Number of shifts worked per day	3

The reason for low production in weaving are attributed to market recession and gradual development / shifting towards more value added products.

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet, the stock of raw material amounting to Rs. 85 million have burned and claim has been filed with the Insurance Company.

39. GENERAL

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

KHALID IQBAL	**OMER KHALID**
CHIEF EXECUTIVE	**DIRECTOR**

Karachi : January 08, 2005

40. FINANCIAL INSTRUMENT RELATED DISCLOSURE

40.1 YIELD / MARK UP RATE RISK

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

	2 0 0 4						
	interest/mark up bearing			non interest/mark up bearing			TOTAL
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	RUPEES						
FINANCIAL ASSETS							
Investment	-	-	-	229,188,722	874,319	230,063,041	230,063,041
Deposits	-	-	-	-	1,668,129	1,668,129	1,668,129
Trade debts	-	-	-	282,795,486	-	282,795,486	282,795,486
Cash and bank balances	-	-	-	14,218,288	-	14,218,288	14,218,288
	-	-	-	526,202,496	2,542,448	528,744,944	528,744,944
FINANCIAL LIABILITIES							
Redeemable capital	-	749,995,500	749,995,500	-	-	-	749,995,500
Loans	25,000,000	333,750,000	358,750,000	-	339,571,941	339,571,941	698,321,941
Short term finance	1,296,552,935	-	1,296,552,935	42,004,838	-	42,004,838	1,338,557,773
Creditors, accrued and other liabilities	-	-	-	267,858,733	-	267,858,733	267,858,733
Dividend	-	-	-	90,772	-	90,772	90,772
	1,321,552,935	1,083,745,500	2,405,298,435	309,954,343	339,571,941	649,526,284	3,054,824,719
Total yield / mark up rate risk sensitivity gap	(1,321,552,935)	(1,083,745,500)	(2,405,298,435)	216,248,153	(337,029,493)	(120,781,340)	(2,526,079,775)

Effective yield / mark up rate was mentioned in the relevant notes.

40.2 Concentration of credit risk

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

40.3 Fair value of financial instruments

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

40.4 Foreign exchange risk management and its policy

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

40.5 Liquidity risk

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

OMER KHALID
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : January 08, 2005