

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 2006 **For the Year Ended June 30, 2006**

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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 / 4 th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited Al-Baraka Islamic Bank B.S.C. (E.C) Askari Commercial Bank Limited Bank Al-Falah Limited Bank of Punjab Citibank Faysal Bank Limited First Credit and Investment Bank Ltd First National Bank Modarba Habib Bank Limited Habib Bank AG Zurich KASB Bank Limited MCB Bank Limited Metropolitan Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited Soneri Bank Limited Saudi Pak Commercial Bank Limited Saudi Pak Ind. & Agricultural Inv. Company 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 40th Annual General Meeting of the Shareholders to be held on Tuesday, October 31, 2006 at 09.00 a.m. at the Registered office of the company at Nadir House, Ground floor, I.I Chundrigar Road, Karachi to transact the following business.

1. To confirm the minutes of the 39th General Meeting held on April 13, 2006.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2006.
3. To appoint Auditors for the year 2006-2007 and fix their remuneration.
4. To approve 15% Cash Dividend for the year ended June 30, 2006 as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chairman.

Karachi: October 04, 2006

By order of the Board
MOHAMMAD SOHRAB GHANI
Company Secretary

1. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Proxies in order to be valid must be received at the registered office of the company 48 Hours before meeting commences.
2. For the purpose of entitlement of dividend, the Register of the members of the company will remain closed at registered office from October 28, 2006 to November 03, 2006 (both days inclusive) and dividend if approved will be paid to such members whose names appear in the Company's register of members at the close of business on October 27, 2006.
3. Guidelines for CDC Account Holders for personal attendance:
 - i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his / her identity by showing his/her original NIC at the time of attending the meeting
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting
4. Shareholders are required to promptly notify at registered office of the company of any change in their address.

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

It is a pleasure for me to present to you the results of your company for the year ended 30th June 2006.

Your company earned a pre-tax profit of Rs.91.29 million during the year as compared to last nine month's profit of Rs.113.70 million. Total turnover for the year stood at Rs.4.56 billion (12 months) as compared to last 09 month's turnover of Rs.2.74 billion.

During the year under review, the profitability of the spinning operations have been suppressed as compared to previous period, due to high cotton prices and sharp increase in financial charges. Average rate of financial charges on borrowing during the year was 8.5 % as compared to 5.8 % of the last 09 month's period

The BMR program that was being undertaken by the Company since the start of 2004, has been implemented. During the year, additions of Rs.1.03 billion have been made in fixed assets. This was the single largest BMR program in the history of the Company. The following were the major components of the program: -

- Additions of 114 air jet looms;
- Additions of 12000 compact spindles;
- 10 MW capacity Gas Generators;
- Replacement of obsolete cards, draw frames, simplex frames and auto-coners;
- State of the art testing equipments.

With the additions of above-mentioned equipments, turnover as well as the quality of yarn and fabric have improved to the satisfactory standards.

To meet the urgent requirements, some of the fixed assets have been financed through short term borrowings. In order to remove the mismatch and restructuring of Balance Sheet, your company is in negotiation with financial institutions for long term facility to be used to pay off some of the short term borrowings.

I am pleased to inform that Pioneer Spinning Mills Limited, which was acquired three years back, has now started making steady profits. Cosmetic BMR has been undertaken in the Company which has resulted in the improvement of yarn quality and quantity. The company has once again started exporting its products in international markets with good demand.

Future of Textile Industry

This industry has great significance in country's economy. In spite the government acknowledging or not, this industry will play a vital role in the development of the country's economy. There is vast scope of specialized yarn and fabric manufacturing. Your company is moving towards this goal.

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: October 04, 2006

**KHALID IQBAL
CHIEF EXECUTIVE**

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 37th Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2006.

FINANCIAL RESULTS

	Rupees
Net Profit before taxation	91,290,769
Less: Taxation	38,657,021
Net profit after taxation	52,633,748
Un-appropriated profit brought forward	339,474,282
Available for appropriation	392,108,030
Dividend paid @ 15%	4,687,500
Un-appropriated profit	<u>387,420,530</u>
Profit after Taxation	52,633,748
Ordinary Share	3,125,000
Earning per share	16.84

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 pleasure in recommending cash dividend of 15% for the year ended June 30, 2006.

AUDITORS

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

PATTERN OF SHARE HOLDING

The pattern of shareholding as on June 30, 2006 is annexed to this report.

SUMMARY OF FINANCIAL DATA

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

ATTENDANCE AT THE BOARD MEETING DURING THE YEAR 2005 -2006

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	10
Mr. Tariq Iqbal	10
Mr. Daanish Javed	09
Mr. Asim Khalid	08
Mr. Omer Khalid	09
Mrs. Najma Javed	07
Mrs. Tabbasum Tariq	07

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2006: -

- 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 form is annexed.

CHANGE OF ACCOUNTING YEAR

As per SRO 684 (1) 2004 dated August 10, 2004 issued by Central Board of Revenue, the Company's accounting year is required to end on June 30, instead of September 30. In order to make the Company's accounting period consistent with aforementioned requirements, the Company had prepared its previous financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for nine months ended June 30, 2005, the same has been disclosed as comparatives. Comparatives figures of profit and loss account, statement of changes in equity, cash flow statement and related notes are, therefore, not entirely comparable.

AUDITORS REPORT

Reference to the observation made by Auditors in their report regarding Note No. 23.1, we have to state that 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.

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: October 04, 2006

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 period, no casual vacancies occurred in the Board of Directors.
5. The Board have developed and adopted a “Statement of Ethics and Business Practices” which is regularly circulated within the Company and it is in the knowledge of Company’s Directors and employees.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and Board met at least once in every Quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange, Company’s Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Board arranged orientation courses for its directors during the year to appraise them of their duties and responsibilities.
10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive Directors
16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and financial results of the Company and as required by the Code. The terms of reference of the Committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance

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

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

KARACHI: October 04, 2006

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

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Gulberg-III,
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Tel: 5884926,
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**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 (Guarantee) Limited and 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 June 30, 2006.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 04, 2006

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2001-2006

	September 2001	September 2002	September 2003	September 2004	June 2005- 9 Months	June 2006
Profit and Loss						
Net sales (Rs.000)	2,260,073	2,555,445	3,205,632	3,998,022	2,739,162	4,562,635
Gross Profit (Rs.000)	207,873	242,491	247,823	249,394	251,825	396,000
Profit before tax (Rs.000)	74,633	51,427	76,028	85,579	113,702	91,291
Profit after tax (Rs.000)	62,640	25,748	52,660	52,624	85,504	52,633
Cash Outflows						
Taxes paid (Rs.000)	16,329	30,932	45,469	29,853	14,763	6,855
Financial charges paid (Rs.000)	123,918	156,328	166,781	143,073	132,907	289,559
Fixed capital expenditures (Rs.000)	610,206	208,931	269,632	331,642	924,575	844,277
Balance sheet						
Current assets (Rs.000)	694,720	753,585	1,059,489	1,542,145	1,855,513	2,048,308
Current liabilities (Rs.000)	870,459	1,134,045	990,650	1,512,944	1,969,999	2,419,535
Operating fixed assets (Rs.000)	1,189,254	1,175,781	1,388,106	1,549,434	2,019,550	2,803,300
Total assets (Rs.000)	1,889,835	2,032,270	2,473,689	3,175,058	4,389,778	5,177,570
Long term loans and finances (Rs.000)	726,641	582,865	1,093,793	1,223,208	1,422,649	1,554,972
Share holders' equity (Rs.000)	292,734	315,359	364,895	399,802	485,306	534,308
Ratios						
Current ratio (As per SBP regulations)	1.00	1.02	1.07	1.02	0.95	0.85
Equity: Debt ratio (As per SBP regulations)	0.57	0.43	0.42	0.46	0.37	0.39
Leverage	-	-	-	2.84	3.29	3.37
Gross profit to sales	9.2%	9.5%	7.7%	6.2%	9.2%	8.7%
Net Profit before tax to sales	3.30%	2.01%	2.37%	2.14%	4.15%	2.00%
Earning per share	20.04	8.24	16.85	11.17	27.36	16.84
Proposed Dividend	50.5%	10%	10%	NIL%	15%	15%

PATTERN OF SHAREHOLDING (FORM - A)

Pattern of holding of the shares held by the shareholders as at 30-06-2006 is given below

No of Share Holders	Shareholding				Total Share Held
43	From	1	to	100	Shares 1,839
56	From	101	to	500	Shares 13,141
26	From	501	to	1000	Shares 21,606
15	From	1001	to	5000	Shares 29,661
6	From	5001	to	10000	Shares 46,127
3	From	10001	to	15000	Shares 39,841
6	From	15001	to	20000	Shares 116,502
2	From	20001	to	25000	Shares 47,498
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
1	From	70001	to	75000	Shares 71,777
4	From	75001	to	80000	Shares 305,445
3	From	80001	to	85000	Shares 250,614
2	From	90001	to	95000	Shares 186,750
2	From	100001	to	110000	Shares 216,175
1	From	125001	to	130000	Shares 129,015
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
191					3,125,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	183	3,019,822	96.63
Investment Companies	2	614	0.02
Insurance Companies	1	52,082	1.67
Joint Stock Companies	3	13,899	0.44
Financial Institutions	1	38,582	1.23
Corporate Law Authority	1	1	0.00
191		3,125,000	100

**DETAIL OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENT OF CODE OF CORPORATE GOVERNANCE**

AS AT 30TH JUNE 2006

Name of shareholders	No's	SHARES HELD	PERCENTAGE
1 <u>ASSOCIATED COMPANIES</u>		Nil	
2 <u>NIT & ICP</u>	1		
Investment Corporation of Pakistan		250	0.01
3 <u>Directors, CEO their Spouse and Minor Children</u>	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 <u>Executive</u>		Nil	
5 <u>Public Sector Companies & Corporations</u>		Nil	
6 <u>Banks, Development Finance Institution, Non- Banking Finance Institution, Insurance Companies , Madarabas & Mutual Funds</u>	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 <u>Shareholders Holding 10% or More</u>		Nil	
8 <u>Individuals</u>	173	2,011,330	64.36
9 <u>Others</u>	4		
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
TOTAL	191	3,125,000	100.00

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

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Tel: 2638521- 4 Fax:
2639843
Email: hmi@cyber.net.pk**

Branch Office:
19-B, Block-G,
Gulberg-III,
Lahore.
Tel: 5884926,
5865618

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Quetta Textile Mills Limited** as at June 30, 2006 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 ended June 30, 2006 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, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied:
- (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 account and are further in accordance with accounting policies consistently applied,
 - (ii) the expenditure incurred during the period 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 23.1 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 June 30, 2006 and of the profit, its cash flows and changes in equity for the year ended June 30, 2006; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to note 4.18 to the financial statements regarding presentation of direct expenses.

**MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS**

KARACHI: October 04, 2006

QUETTA TEXTILE MILLS LIMITED
BALANCE SHEET

EQUITY AND LIABILITIES	NOTE	June 30, 2006 RUPEES	June 30, 2005 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	150,000,000
		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		115,637,319	114,581,252
Unappropriated profit		387,420,530	339,474,282
Shareholders equity		<u>534,307,849</u>	<u>485,305,534</u>
SURPLUS ON REVALUATION OF FIXED ASSETS	6	119,794,763	119,794,763
<u>LONG TERM FINANCING</u>			
Loans from directors	7	467,545,149	347,214,498
Loans from financial institutions	8	1,554,972,391	1,422,648,784
FINANCE LEASE	9	34,748,697	-
DEFERRED LIABILITIES	10	46,666,124	44,814,962
CURRENT LIABILITIES			
Short term borrowings	11	1,800,939,336	1,391,967,064
Current maturity of long term financing		385,577,202	274,750,000
Trade and other payables	12	167,418,956	240,730,196
Accrued mark-up on loans	13	65,599,854	62,552,395
		2,419,535,348	1,969,999,655
CONTINGENCIES AND COMMITMENTS	14	-	-
		<u>5,177,570,321</u>	<u>4,389,778,196</u>

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

Karachi : October 04, 2006

QUETTA TEXTILE MILLS LIMITED
AS AT JUNE 30, 2006

PROPERTY AND ASSETS	NOTE	June 30, 2006 RUPEES	June 30, 2005 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	15	2,803,300,024	2,019,549,844
Capital work in progress	16	266,463,675	455,639,263
		3,069,763,699	2,475,189,107
LONG TERM INVESTMENT	17	58,417,720	57,361,653
LONG TERM DEPOSIT	18	1,080,964	1,714,629
 CURRENT ASSETS			
Stores, spares and loose tools	19	179,286,069	163,063,975
Stock in trade	20	1,031,153,349	945,958,980
Trade debts	21	356,122,723	220,787,240
Other financial assets	22	24,974,792	51,661,553
Loans and advances	23	340,362,944	404,805,228
Short term prepayments	24	174,266	183,454
Other receivables	25	109,509,503	59,750,894
Cash and bank balances	26	6,724,292	9,301,483
		2,048,307,938	1,855,512,807
		5,177,570,321	4,389,778,196

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

		For the Year ended Jun - 30, 2006 RUPEES	For Nine Months ended Jun - 30, 2005 RUPEES
Sales - net	27	4,562,635,157	2,739,161,660
Cost of goods sold	28	4,166,634,349	2,487,336,906
Gross profit		396,000,809	251,824,754
Operating expenses			
Distribution cost	29	(10,438)	(16,662)
Administrative expenses	30	(22,301,661)	(30,593,259)
Other operating expenses	31	(4,804,777)	(5,984,332)
Other operating income	32	15,034,228	35,620,053
		(12,082,649)	(974,200)
Operating profit		383,918,160	250,850,554
Finance cost - net	33	292,627,391	137,148,247
Net profit before taxation		91,290,769	113,702,308
Taxation			
Current year	34	38,657,021	25,465,274
Deferred	10.5	-	2,733,092
		38,657,021	28,198,366
Net profit after taxation		52,633,748	85,503,942
Earnings per share - Basic and diluted	35	16.84	27.36

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

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2006

QUETTA TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	For the Year ended Jun - 30, 2006 RUPEES	For Nine Months ended Jun - 30, 2005 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 36)	309,866,957	(74,734,957)
Taxes paid	(6,855,154)	(14,763,001)
Financial charges - net paid	(289,558,868)	(132,907,308)
Workers' profit participation fund	(6,013,504)	(4,518,150)
Gratuity paid	(6,512,873)	(3,124,063)
Long term deposit	633,665	(432,500)
Net cash (used in) / from operating activities	1,560,223	(230,479,979)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(844,277,101)	(924,574,978)
Proceeds against sale of fixed assets	1,723,000	7,494,950
Short term investments	30,198,203	183,761,373
Dividend received	5,572,001	8,089,329
Net cash used in investing activities	(806,783,897)	(725,229,326)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	243,150,809	788,653,283
Short term loan - net	408,972,272	155,833,392
Finance Lease - net	34,748,697	
Loan from directors - net	120,330,651	7,751,794
Dividend paid	(4,555,944)	(24,462)
Net cash from investing activities	802,646,485	952,214,007
Net (decrease) in cash and cash equivalents	(2,577,191)	(3,495,297)
Cash and cash equivalents at beginning of the year	9,301,483	12,796,780
Cash and cash equivalents at end of the year (Note: 26)	6,724,292	9,301,483

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2006

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	RESERVES					Sub Total	Unappropriated profit	Total
	Share capital	Capital reserve	Reserve for power generation plant	Surplus / (deficit) on available for sale investment	General reserve			
	Rupees							
Balance as at September 30, 2004	31,250,000	1,200	50,000,000	(419,948)	65,000,000	114,581,252	253,970,340	399,801,592
Net profit for the nine months June 30, 2005	-	-	-	-	-	-	85,503,942	85,503,942
Balance as at June 30, 2005	31,250,000	1,200	50,000,000	(419,948)	65,000,000	114,581,252	339,474,282	485,305,534
Dividend for the nine months ended June 30, 2005							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2006							52,633,748	52,633,748
Available for sale investment - valuation gain taken to equity				1,056,067		1,056,067	-	1,056,067
Balance as at June 30, 2006	31,250,000	1,200	50,000,000	636,119	65,000,000	115,637,319	387,420,530	534,307,849

Karachi : October 04, 2006

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

**QUETTA TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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 comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or 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.

As per SRO 684 (1) 2004 dated August 10, 2004 issued by Central Board of Revenue, the Company's accounting year is required to end on June 30, instead of September 30. In order to make the Company's accounting period consistent with aforementioned requirements, the Company had prepared its previous financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for nine months ended June 30, 2005, the same has been disclosed as comparatives. Comparatives figures of profit and loss account, statement of changes in equity, cash flow statement and related notes are, therefore, not entirely comparable.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention and certain investments have been included at fair values in accordance with the recognition criteria mentioned in the relevant International Accounting Standards applicable to these assets.

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 June 30, 2006 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 Property, plant and equipment – owned

Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value. Leasehold land is amortized over the term of lease.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. Previously full year depreciation was charged on addition and no depreciation was charged on deletion during the period. This change is brought in compliance with International Accounting Standard (IAS) 16 “Property, plant and equipment”.

The change in estimate is dealt under International Accounting Standard (IAS) 8 "Accounting Policies, Change in Accounting Policies, Changes in Accounting estimate and Errors".

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain and losses if any, on disposal of property, plant and equipment are included in income currently.

a) Accounting for leases and assets subject to finance leases

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

b) 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.

c) Impairment of fixed assets

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary company is recognized when the company has established control over the investee company. Investment in subsidiary company is stated at cost less provision for diminution in value of investment.

Investment in Associates

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

Other investments

Financial assets in the scope of IAS 39, Financial Instrument: Recognition and Measurement' are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are cognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. The existing investment portfolio of the Company includes investments held for trading, held to maturity investments and available for sale investments.

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

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

Available for sale investment

Available for sale investments are initially recognised at cost and are subsequently re measured to fair value. Surplus/deficit arising due to movement in fair values of available for sale investments is transferred to equity.

Changes in accounting policy

During the year the Company adopted IAS 39 (revised) which has resulted in change in accounting policy for initial recognition and measurement of financial assets in the scope of IAS 39. Under the new accounting policy financial assets

are recognised initially at fair value. Previously, these were recognized initially at cost

4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred to make the sale.

4.8 Stock in trade

Raw material are valued at the lower of moving average cost and net realisable value except for items in transit which are stated at cost incurred to date.

Work-in-process and semi-finished and finished goods are valued at lower of cost, calculated on weighted average basis, and net realisable value. Cost in relation to work-in-process and semi finished and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred 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 Dividend

The dividend declared is recognised as a liability in the period in which it is declared. Previously, dividend that were declared after the balance sheet date but before the financial statements were authorised for issue were reported as liability, the change is made to conform with the revised Fourth Schedule to the Companies Ordinance, 1984. There is no effect of change in accounting policy on the financial statements.

4.18 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-27.1 and 27.2). It has no effect on the net profit for the year.

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
<u>No. of shares</u>		
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 as bonus shares	19,250,000	19,250,000
<u>3,125,000</u>	<u>31,250,000</u>	<u>31,250,000</u>

5.1 There were no movements during the reporting period.

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

5.3 The company has no reserved shares for issuance under option and sale contract.

6 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	119,794,763	-
Add : revaluation during the period	-	119,794,763
Closing balance	<u>119,794,763</u>	<u>119,794,763</u>

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

7 DUE TO DIRECTORS AND OTHERS

Unsecured

Due to directors	159,449,086	110,880,920
Due to others	308,096,063	236,333,578
	<u>467,545,149</u>	<u>347,214,498</u>

These are non interest bearing and unsecured. It is repayable after more than one year. The loan upto Rs.339,462,705/- is subordinate to bank loans.

8 LOAN FROM FINANCIAL INSTITUTIONS

Syndicated Term Finance	8.1	525,000,000	675,000,000
MCB Bank Ltd	8.2	48,750,000	65,000,000
Habib Bank Ltd	8.3	176,000,000	220,000,000
Habib Bank Ltd	8.4	62,417,778	47,800,000
Bank Alfalah Ltd	8.5	50,000,000	75,000,000
Askari Commercial Bank Ltd	8.6	131,282,000	63,900,000
Allied Bank Ltd	8.7	309,497,660	196,367,910
National Bank of Pakistan	8.8	150,000,000	-
Bank of Punjab	8.9	50,000,000	-
First Credit & Discount Corporation	8.10	65,000,000	-
Faysal Bank Ltd	8.11	40,867,385	-
Saudi Pak Commercial Bank Ltd	8.12	40,867,385	-
Saudi Pak Ind, & Agri. Investement Company	8.13	40,867,385	-
		<u>1,690,549,593</u>	<u>1,343,067,910</u>
Less: current portion		<u>385,577,202</u>	<u>274,750,000</u>
		1,304,972,391	1,068,317,910
Add: transferred from short term loans	8.14	250,000,000	354,330,874
		<u>1,554,972,391</u>	<u>1,422,648,784</u>

		Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
	Security	Number of installments & Commencement date	Rate of Mark up
8.1	Personal guarantees of all directors and first pari passu charge on current and future fixed assets and equitable mortgage over land and building. The charge should cover the principal of the facility with a 25% margin. Total facility amount is Rs.750 million	10 semi-annual installments = 23-04-2005	6 months Kibor + 2%
8.2	Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed assets located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.65 million	08 semi-annual installments = 21-10-2005	6 months Kibor + 2%
8.3	Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company. Total facility amount is Rs.220 million	10 semi-annual installments = 30-09-2005	6 months Kibor +1.35%
8.4	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.75 million	10 semi-annual installments = 10-01-2006	6 months Kibor +1.35%
8.5	Personal guarantees of all directors and first pari passu charge on fixed assets of Unit No. 03, B-4, SITE, Kotri. Total facility amount is Rs.100 million	16 semi-annual installments = 31-08-2004	6 months Kibor +2%
8.6	Personal guarantees of all directors and first pari passu charge amounting PKR 180 million over fixed assets. Total facility amount is Rs.135 million.	08 semi-annual installments = 11-10-2006	6 months Kibor +1.5%
8.7	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.320 million	10 semi-annual installments = 29-04-2006	6 months Kibor +1.35%
8.8	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.150 million	08 semi-annual installments = 28-05-2007	6 months Kibor +2%
8.9	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.50 million	08 semi-annual installments = 31-05-2007	6 months Kibor +1.75%
8.10	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.65 million	08 semi-annual installments = 31-05-2007	6 months Kibor +1.75%
8.11	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
8.12	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
8.13	Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
8.14	It is included as non - current under treatment permissible as per paragraph 63 of IAS 1. The Company intends to refinance the obligation on a long term basis. This intention is supported by various agreements executed prior to the year end		

	Jun-30 2006	Jun-30 2005
9 LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)	RUPEES	RUPEES
The amount of future payments and period in which they will become due are:		
Payable after one year but not more than 05 years	43,735,512	-
Less: deferred finance cost	<u>(9,021,564)</u>	<u>-</u>
	34,713,948	-
Add: security deposit	34,749	
Less: current maturity	-	-
Present value of minimum lease payments	<u><u>34,748,697</u></u>	<u><u>-</u></u>

9.1 The Company has entered into lease agreement with First National Bank Modarba for lease of plant and machinery on half yearly payments basis commencing on 16th July 2007. The lease contains bargain purchase option.

9.2 Implicit rate of return on lease is 10.88%

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

10 DEFERRED LIABILITIES

Deferred liability for gratuity (Note: 10.1 to 10.4)	27,624,694	25,773,532
Deferred tax (Note: 10.5)	19,041,430	19,041,430
	<u>46,666,124</u>	<u>44,814,962</u>

10.1 Movement in the net liability recognized in the balance sheet

Opening net liability	25,773,532	22,795,847
Expense for the year (Note: 10.4)	<u>8,364,035</u>	<u>6,101,748</u>
	34,137,567	28,897,595
Contribution paid	<u>(6,512,873)</u>	<u>(3,124,063)</u>
Closing net liability	<u><u>27,624,694</u></u>	<u><u>25,773,532</u></u>

10.2 Expense recognized in the profit and loss account

Current service cost	5,209,799	4,653,931
Interest cost	1,116,629	1,748,848
Net actuarial (gain) / loss recognized in the year	<u>2,037,607</u>	<u>(301,031)</u>
	<u>8,364,035</u>	<u>6,101,748</u>

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

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

Discount rate	10.0	8.5
Expected rate of increase in salary	7.0	5.0

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
10.5 DEFERRED TAX		
The liability for deferred taxation comprises of timing differences relating to		
Taxable temporary differences (Note 10.5.1)		
Accelerated tax depreciation allowance	56,362,943	21,472,622
Deductible temporary differences		
Deferred debit arising in respect of provisions, tax losses and refunds	20,933,213	2,431,192
	35,429,730	19,041,430
Less: subsidiary's refund and assessed losses	16,388,300	-
	19,041,430	19,041,430

10.5.1 Due to assessed loss and refund of subsidiary company, M/s Pioneer Spinning Mills Limited, no provision for deferred tax has been made during the year. An amount of Rs.16,388,300/- is adjusted against deferred tax provision for the year. Section 59B of the Income Tax Ordinance, 2001 allows the adjustment of losses and refund of subsidiary company against the liability of the holding company.

11 SHORT TERM BORROWINGS

Secured - Banking company

Finances under mark up arrangement (Note: 11.1)

Less: transfer to long term loan (Note 8.14)

2,043,576,159	1,731,022,615
(250,000,000)	(354,330,874)
1,793,576,159	1,376,691,741

Unsecured - (Note: 11.2)

Directors

Others

1,719,637	5,356,663
5,643,540	9,918,660
7,363,177	15,275,323
1,800,939,336	1,391,967,064

11.1 The company has aggregate facilities of Rs.3.935 billion (2005 : Rs. 3.405 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry interest at the rate ranging from 8.97% to 13.44% (2005: 4.26 % to 11.74 %) per annum payable quarterly. The above facilities are expiring on various dates and renewable annually.

11.2 These are non interest bearing and unsecured. These are renewable and due on various dates within one

12 TRADE AND OTHER PAYABLES

Trade creditors (Note: 12.1)	85,103,687	193,619,268
Trade deposit	1,200,000	2,100,000
Accrued expenses	75,962,602	38,203,254
Workers' profit participation fund (Note: 12.2)	4,850,119	6,037,782
Unclaimed dividend	197,866	66,310
Others	104,682	703,582
	167,418,956	240,730,196

12.1 It includes Rs.NIL (2005: Rs.113.085 million) in respect of subsidiary company against purchase of yarn.

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
12.2 WORKERS' PROFIT PARTICIPATION FUND		
Balance as at July 01, 2005	6,037,782	4,560,817
Interest charged (Note: 33)	21,064	10,783
	<u>6,058,846</u>	<u>4,571,600</u>
Paid during the year / period	(6,013,504)	(4,518,150)
	45,342	53,450
Contribution for the year / period	4,804,777	5,984,332
Balance as at June 30, 2006	<u><u>4,850,119</u></u>	<u><u>6,037,782</u></u>

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 ACCRUED INTEREST AND MARK - UP

Accrued interest/mark up on		
Long term secured loans	21,254,003	24,567,171
Short term loans and running finances	44,345,851	37,985,224
	<u><u>65,599,854</u></u>	<u><u>62,552,395</u></u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingency

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

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2006 were Rs.142.011 million (2005: Rs 108.786 million)

14.2 Commitment

Total commitment of Rs. 105.375 millions including letters of credit opened by banks for Rs.71.372 million (2005: Rs.253.798 million) for the import of plant and machinery and spares and commitments for building construction Rs.35 million (2005: NIL)

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST / REVALUATION			RATE %	DEPRECIATION / AMORTIZATION			W. D. V. AS AT 30-Jun-2006
	AS AT 1-Jul-2005	ADDITION	AS AT 30-Jun-2006		AS AT 1-Jul-2005	FOR THE YEAR	AS AT 30-Jun-2006	
OWNED ASSETS								
Land - Leased Hold	60,000,000	-	60,000,000	-	-	840,917	840,917	59,159,083
Land - Free Hold	69,784,000	-	69,784,000	-	-	-	-	69,784,000
Building - Lease Hold	90,967,895	199,537	91,167,432	10	48,557,895	4,260,954	52,818,849	38,348,583
Building - Free Hold	82,037,611	15,698,291	97,735,902	10	44,849,259	5,207,184	50,056,443	47,679,459
Labour Colony - Lease Hold	7,717,203	-	7,717,203	10	6,858,680	85,852	6,944,532	772,671
Labor Colony - Free Hold	10,346,012	19,639,684	29,985,696	10	7,910,373	2,207,532	10,117,905	19,867,791
Plant And Machinery	1,576,544,034	371,742,485	1,948,286,519	10	723,189,236	100,364,667	823,553,903	1,124,732,616
Electrical Fitting	21,940,333	5,551,807	27,492,140	10	14,385,651	1,310,649	15,696,300	11,795,840
Factory Equipment	14,873,361	901,840	15,775,201	10	9,329,244	644,596	9,973,840	5,801,361
Office Premises H.O	4,835,000	-	4,835,000	10	2,141,746	269,325	2,411,071	2,423,929
Office Equipment	10,714,690	854,425	11,569,115	10	5,669,839	589,928	6,259,767	5,309,348
Furniture And Fixture	8,484,721	518,318	9,003,039	10	5,380,349	362,269	5,742,618	3,260,421
Vehicles	21,381,529	11,304,400	30,766,839	20	16,720,027	2,873,372	19,273,351	11,493,488
		(1,919,090)			(320,048)			
TOTAL	1,979,626,390	424,491,696	2,404,118,086		884,672,251	119,017,245	1,003,689,496	1,400,428,590
POWER PLANT								
Building - Lease Hold	39,775,911	-	39,775,911	10	21,231,868	1,854,404	23,086,272	16,689,639
Building - Free Hold	26,680,485	8,808,232	35,488,717	10	10,898,280	2,459,044	13,357,324	22,131,393
Plant And Machinery	505,582,171	10,813,967	516,396,138	10	187,343,926	32,905,221	220,249,147	296,146,991
Electrical Fitting	10,750,188	5,929,265	16,679,453	10	3,284,029	1,339,543	4,623,572	12,055,881
Office Equipment	-	14,500	14,500	10	-	1,450	1,450	13,050
Furniture And Fixture	207,250	58,900	266,150	10	105,365	16,079	121,444	144,707
Factory Equipment	526,920	4,392,405	4,919,325	10	209,767	470,956	680,723	4,238,602
Vehicles	940,725	-	940,725	20	678,706	52,404	731,110	209,615
TOTAL	584,463,650	30,017,269	614,480,919		223,751,941	39,099,101	262,851,042	351,629,877
WEAVING ASSETS								
Building On Free Hold Land	157,556,444	39,879,095	197,435,539	10	45,181,879	15,225,366	60,407,245	137,028,294
Labour Colony Free Hold	-	23,647,884	23,647,884	10	-	2,364,788	2,364,788	21,283,095
Plant And Machinery	595,522,283	466,042,940	1,061,565,223	10	166,611,340	68,440,287	235,051,627	826,513,596
Electrical Fitting	26,915,427	1,633,682	28,549,109	10	6,188,732	2,236,038	8,424,770	20,124,339
Factory Equipment	1,046,315	9,441,274	10,487,589	10	253,042	1,023,455	1,276,497	9,211,092
Office Equipment	308,623	233,000	541,623	10	71,582	47,004	118,586	423,037
Furniture And Fixture	1,286,754	271,920	1,558,674	10	364,219	119,446	483,664	1,075,010
Vehicles	495,400	830,500	1,325,900	20	256,407	213,899	470,306	855,594
TOTAL	783,131,246	541,980,295	1,325,111,541		218,927,201	89,670,283	308,597,483	1,016,514,058
TOTAL OWNED ASSETS	3,347,221,286	996,489,260	4,343,710,546		1,327,351,393	247,786,629	1,575,138,021	2,768,572,525
LEASED ASSETS								
Plant And Machinery		35,044,338	35,044,338	10	-	316,839	316,839	34,727,499.00
G.TOTAL 30.06.2006 Rupees	3,347,221,286	1,031,533,598	4,378,754,884		1,327,351,393	248,103,468	1,575,454,860	2,803,300,024
G.TOTAL 30.06.2005 Rupees	2,746,926,745	600,294,541	3,347,221,286		1,197,151,996	130,519,445	1,327,671,441	2,019,549,844

June 30 - 2006 June 30 - 2005
Rupees Rupees

15.1 Depreciation Charged as under:

Cost of Sale-Spinning	115,239,190	54,388,199
Cost of Sale-Weaving	89,289,934	58,062,399
Charged to trial production	-	6,352,478
Administrative Expenses	4,475,243	2,236,965
Power Plant Expenses	39,099,101	32,329,410
	248,103,467	153,369,451

15.2 Had the assets not been revalued, the written down value of the Land would have been Rs.9,989,237.

15.3 DISPOSAL OF FIXED ASSETS

Particulars	Purchase Date	Original Cost	Accumulated Depreciation	Written Down Value	Sale Date	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Suzuki Mehran AJR-015	13-Oct-05	397,650	-	397,650	18-Nov-05	410,000	By cheque	Muhammad Faheem Gulshan-e-Iqbal Karachi
Suzuki Cultus	28-Dec-05	595,000	-	595,000	31-Jan-06	615,000	By pay order	Ch: Mubashir Ahmed, H. No.201, Rehmat Market, H.No.201, Rehmat Mark, Sargodha
Suzuki Cultus	28-Dec-05	595,000	-	595,000	31-Jan-06	615,000	By pay order	Ch: Muhammad Hussain Warich, Spal Colony, Waraich House, Gujrat
Suzuki Mehran R-5839	1990	133,510	129,517	3,993	09-Mar-06	38,000	By pay order	Kalimullah Khan, H.No.572, Street No.21, Manzoor, Colony, Karachi
Suzuki Khyber S-5987	1991	197,930	190,531	7,399	09-Mar-06	45,000	By pay order	Muhammad Ahsan, C-4, Sector- 5M, 09 Star Heaven, North Karachi, Karachi
		1,919,090	320,048	1,599,042		1,723,000		

Jun-30
2006
RUPEES

Jun-30
2005
RUPEES

16 CAPITAL WORK IN PROGRESS

The movements are as follows :

	COST AT START	Addition / (Capitalization)	COST AT END
Plant & Machinery	455,639,263	181,912,603 (455,639,263)	181,912,603
Building	-	84,551,072	84,551,072
		266,463,675	
June 30, 2006	<u>455,639,263</u>	<u>(455,639,263)</u>	<u>266,463,675</u>
		455,639,263	
June 30, 2005	<u>19,216,192</u>	<u>(19,216,192)</u>	<u>455,639,263</u>

17 LONG TERM INVESTMENTS

Related party - Subsidiary

- At cost

Pioneer Spinning Mills Limited 5,799,000 Ordinary shares of Rs.10 each	56,487,334	56,487,334
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Unquoted - Available for sale

- At Fair Value

National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs.42.06 per share as on 30.06.2005 (2005: Available value Rs.874,319) Appreciation / (diminution) in the value of investments	1,294,267 636,119 <u>58,417,720</u>	1,294,267 (419,948) <u>57,361,653</u>
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18 LONG TERM DEPOSITS

Security deposits	<u>1,080,964</u>	<u>1,714,629</u>
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19 STORES, SPARES AND LOOSE TOOLS

Textile

Stores	24,916,740	21,817,915
Spares and accessories	79,031,070	69,314,013
Loose tools	5,817,565	4,795,516
	<u>109,765,375</u>	<u>95,927,444</u>

Weaving

Store	21,788,857	12,758,882
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Power plant

Oil and stores	47,731,837	54,377,649
	<u>179,286,069</u>	<u>163,063,975</u>

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
20. STOCK IN TRADE		
Spinning		
Raw material	657,960,972	722,678,042
Work-in-process	36,329,948	28,712,628
Finished goods	87,062,489	51,598,029
Waste	5,503,402	5,968,523
	<u>786,856,811</u>	<u>808,957,222</u>
Weaving		
Raw material	45,810,933	47,499,535
Work in process	24,167,785	13,805,178
Finished goods	174,220,530	75,608,159
Waste	97,290	88,886
	<u>244,296,538</u>	<u>137,001,758</u>
	<u><u>1,031,153,349</u></u>	<u><u>945,958,980</u></u>

**21. TRADE DEBTS
- Considered good**

Exports - secured against letter of credit	2,266,206	51,384,590
Local debts - unsecured	353,856,517	169,402,650
	<u>356,122,723</u>	<u>220,787,240</u>

**22. OTHER FINANCIAL ASSETS
Held for trading**

In listed companies	29,570,946	59,769,149
Revaluation reserve for investment	(4,596,154)	(8,107,596)
	<u>24,974,792</u>	<u>51,661,553</u>

Details are as under: -

Name of Securities	No. of shares	2006 (Rupees)		
		Cost	Fair value adjustment	Fair value
Bank of Punjab	34,210	2,799,276	29,891	2,829,167
Askari Commercial Bank Ltd	84,876	8,041,987	(1,459,853)	6,582,134
Bank Alfalah Ltd	41,666	2,242,756	(576,116)	1,666,640
Faysal Bank Ltd	57,000	4,316,644	(811,144)	3,505,500
Meezan Balance Fund	254,000	2,540,000	12,700	2,552,700
New Jubilee Life Insurance	75,000	2,588,947	(938,947)	1,650,000
NIB Bank Ltd	40,118	455,310	367,109	822,419
Pakistan Services - TFC	598	2,134,432	-	2,134,432
Union Leasing Ltd	286,000	4,451,594	(1,219,794)	3,231,800
		<u>29,570,946</u>	<u>(4,596,154)</u>	<u>24,974,792</u>
		<u>59,769,149</u>	<u>(8,107,596)</u>	<u>51,661,553</u>

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
23. LOANS AND ADVANCES		
Unsecured - considered good		
Loans to - Employees	1,309,575	1,349,819
Advance against:		
Letter of credit	3,861,947	16,765,213
Advance to cotton suppliers	121,216,255	104,935,645
Store suppliers and others (Note: 23.1)	212,314,853	248,292,370
Income tax	1,660,314	33,462,181
	339,053,369	403,455,409
	<u>340,362,944</u>	<u>404,805,228</u>
23.1	It includes Rs.84.39 million (2005: Rs.191.342 million) in respect of subsidiary company. However, as per direct confirmation from Pioneer Spinning Mills Limited there is a difference of Rs. 53.235 million which the subsidiary does not acknowledge. The maximum aggregate amount due at the end of any month during the year was Rs.191.342 million (2005: Rs.191.342 million)	
24. SHORT TERM PREPAYMENTS		
Prepayments	<u>174,266</u>	<u>183,454</u>
25. OTHER RECEIVABLES		
Sales tax refundable	<u>109,509,503</u>	<u>59,750,894</u>
26. CASH AND BANK BALANCES		
Cash in hand	4,372,810	5,974,871
Cash at bank in current accounts	2,351,482	3,326,612
	<u>6,724,292</u>	<u>9,301,483</u>
	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
27. SALES - NET		
Local sales (Note: 27.1)	2,115,714,293	748,557,979
Export sales (Note: 27.2)	2,446,920,865	1,990,603,681
	<u>4,562,635,157</u>	<u>2,739,161,660</u>
27.1 Local sales		
Yarn	512,221,920	289,344,243
Fabric	1,573,136,926	443,838,618
Waste	45,242,864	24,002,452
	<u>2,130,601,710</u>	<u>757,185,313</u>
Less: Direct expenses		
Commission	11,859,535	6,697,008
Freight	3,027,882	1,930,326
	<u>14,887,417</u>	<u>8,627,334</u>
	<u>2,115,714,293</u>	<u>748,557,979</u>
27.2 Export sales		
Yarn	2,037,960,808	1,725,276,797
Fabric	567,363,562	377,382,896
	<u>2,605,324,371</u>	<u>2,102,659,693</u>
Less: Direct expenses		
Commission	33,136,081	30,474,269
Export development surcharge	5,935,958	4,491,491
Freight	72,442,588	54,674,077
Selling expenses	46,888,879	22,416,175
	<u>158,403,506</u>	<u>112,056,012</u>
	<u>2,446,920,865</u>	<u>1,990,603,681</u>

	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
28. COST OF GOODS SOLD		
Finished goods		
Opening	133,263,597	110,094,499
Yarn purchased	143,990,803	87,787,846
Cost of goods manufactured (Note:28.1)	4,156,263,660	2,422,718,158
	4,433,518,060	2,620,600,503
Closing	(266,883,711)	(133,263,597)
	<u>4,166,634,349</u>	<u>2,487,336,906</u>
28.1 Cost of goods manufactured		
Raw material consumed (Note: 28.1.1)	2,998,456,108	1,788,726,957
Wages, salaries and benefits (Note: 28.1.2)	269,444,312	157,626,698
Stores and spares consumed	211,279,537	98,459,279
Power, fuel and water	457,261,096	234,824,223
Rent, rates and taxes	654,937	354,001
Insurance	7,889,367	9,229,196
Repair and maintenance	8,661,264	9,780,572
Other expenses	16,067,842	8,725,400
Depreciation	204,529,124	101,342,459
	<u>4,174,243,587</u>	<u>2,409,068,785</u>
Work in process		
Opening	42,517,806	56,167,179
Closing	(60,497,733)	(42,517,806)
	<u>(17,979,927)</u>	<u>13,649,373</u>
	<u>4,156,263,660</u>	<u>2,422,718,158</u>
28.1.1 Raw material consumed		
Opening stock	770,177,577	480,363,555
Add: Purchases	2,932,050,436	2,078,540,979
	<u>3,702,228,013</u>	<u>2,558,904,534</u>
Closing stock	(703,771,905)	(770,177,577)
	<u>2,998,456,108</u>	<u>1,788,726,957</u>
28.1.2 It includes Rs.7,392,608/= (2005 : Rs.4,521,701) on account of staff retirement benefits.		
29 DISTRIBUTION COST		
Advertisement	<u>10,438</u>	<u>16,662</u>
30 ADMINISTRATIVE EXPENSES		
Director's remuneration (Note: 30.1)	1,740,000	1,305,000
Salaries and benefits (Note: 30.2)	8,142,951	7,874,110
Printing and stationery	1,086,242	1,323,627
Communication	1,410,964	968,599
Traveling and conveyance	1,263,174	3,289,938
Legal and professional charges	615,500	93,000
Auditors remuneration (Note: 30.3)	325,000	260,000
Rent, rates and taxes	261,263	124,664
Books, papers and periodicals	754	568
Entertainment	526,281	318,228
Electricity, gas and water charges	1,342,716	367,187
Fees and subscription	625,727	439,420
Repairs and maintenance	121,361	113,915
Charity and donation (Note: 30.4)	279,000	3,323,158
Depreciation	4,475,243	1,837,933
TFC amortization	-	5,619,568
Brokerage and discount	85,485	3,334,344
	<u>22,301,661</u>	<u>30,593,259</u>

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

	CHIEF EXECUTIVE		DIRECTOR	
	For the year ended June 30, 2006	For the year ended June 30, 2005	For the year ended June 30, 2006	For the year ended June 30, 2005
Remuneration	280,000	210,015	879,960	659,970
House rent allowance	126,000	94,500	396,000	297,000
Perquisites	14,000	10,485	44,040	33,030
TOTAL	420,000	315,000	1,320,000	990,000
Number of persons	1	1	4	4

30.2 It includes Rupees 404,060/- (2005 : Rupees 631,800) on account of staff retirement benefits.

	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
30.3 Auditors' remuneration		
Audit fee	250,000	200,000
Half yearly review and other certification fee	75,000	60,000
	<u>325,000</u>	<u>260,000</u>
30.4 Directors and their spouse have no interest in the donees		
31. OTHER OPERATING EXPENSE		
W.P.P.F	<u>4,804,777</u>	<u>5,984,332</u>
32. OTHER OPERATING INCOME		
Profit on sale of assets	123,958	183,944
Electric power income (Note: 32.1)	1,285,668	1,775,662
Rental income	997,650	1,117,115
Dividend income	5,572,001	1,622,654
Capital gain on shares	3,543,509	24,686,474
Appreciation in the value of investment	3,511,442	6,234,204
	<u>15,034,228</u>	<u>35,620,053</u>
32.1 Electric power income		
Salaries and wages	10,782,506	6,908,379
Fuel and store consumed	351,260,753	217,876,931
Repair and maintenance	1,871,061	2,155,555
Other expenses	3,925,439	2,217,902
Depreciation	39,099,101	27,339,053
Generators rent	7,490,000	-
	414,428,860	256,497,820
Less: self use - spinning weaving	<u>282,079,016</u>	<u>176,082,702</u>
	127,663,726	47,217,865
	<u>409,742,742</u>	<u>223,300,567</u>
	4,686,118	33,197,253
Outside sales	5,971,786	34,972,915
Profit for the year / period	<u>1,285,668</u>	<u>1,775,662</u>

	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
33. FINANCE COST - NET		
Mark up on		
Short term loans	125,894,180	81,149,214
Long term loans	169,495,782	44,659,666
Term Finance Certificate	-	7,846,883
Workers' profit participation fund (Note: 12.2)	21,064	10,783
Bank charges	3,429,470	4,952,772
	<u>298,840,495</u>	<u>138,619,318</u>
Less: Financial income		
Interest on term deposit	-	1,178,438
Interest on TFC Investment	310,367	292,633
Interest on related party loan - Pioneer Spinning Mills Ltd	5,902,737	-
Total financial income	<u>6,213,104</u>	<u>1,471,071</u>
Net finance cost	<u>292,627,391</u>	<u>137,148,247</u>

34. TAXATION

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

	For the Year Ended June - 30, 2006	For Nine Months Ended June - 30, 2005
35. EARNING PER SHARE - BASIC AND DILUTED		

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

Profit after taxation	Rs. 52,633,748	85,503,942
Number of Ordinary shares	3,125,000	3,125,000
Earning per share in rupees	Rs. <u>16.84</u>	<u>27.36</u>

	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
36. CASH GENERATED FROM OPERATION		

Profit before taxation	91,290,769	113,702,308
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Adjustment for item involving non movement of fund

Depreciation	248,103,468	130,519,445
Financial charges - net	292,627,391	137,148,247
(Gain) / Loss on sale of fixed assets	(123,958)	(183,944)
Dividend income	(5,572,001)	(1,622,654)
Provision for gratuity	8,364,035	6,101,748
Provision for appreciation in the value of investment	(3,511,442)	(6,234,204)
Provision for workers' profit participation fund	4,804,777	5,984,332
Amortization of Term Finance Certificate	-	5,619,568

Profit before working capital changes	<u>635,983,040</u>	<u>391,034,845</u>
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(Increase)/decrease in current assets

Stocks, stores and spares	(101,416,463)	(304,256,406)
Trade debts	(135,335,483)	25,591,156
Loans and advances, prepayments and other receivables	(17,109,003)	(232,893,938)
	<u>(253,860,949)</u>	<u>(511,559,188)</u>

Increase in current liabilities

Creditors, accrued and other liabilities	<u>(72,255,133)</u>	<u>45,789,387</u>
	<u>309,866,957</u>	<u>(74,734,957)</u>

	For the Year Ended June - 30, 2006 RUPEES	For Nine Months Ended June - 30, 2005 RUPEES
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37 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises of 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:

Purchase of yarn from subsidiary	(262,222,821)	(169,237,472)
Purchase of waste from subsidiary	(2,430,814)	(2,361,680)
Sale of electricity to subsidiary	-	29,772,612
Interest on loan to subsidiary	5,902,737	-

38 PLANT CAPACITY AND ACTUAL PRODUCTION

38.1 Spinning

a. Total number of spindles installed	58,080	58,080
Total number of rotors installed	1104	864
b. Average number of spindles worked	58,080	58,080
Average number of rotors worked	1104	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	14,375,500 kgs
e. Actual production after conversion into 20/s count	21,819,794 kgs	12,703,531 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.

38.2 Power Plant

Installed capacity per hour per day	25.9MW	22.7 MW
Installed capacity	226.884 MWH	148.730 MWH
Prime capacity	13.9 MW	13.2 MW
Stand by	12.0 MW	9.5 MW
Installed prime capacity per hour per day	121.764 MWH	86.486 MWH
Actual generated	101.786MWH	71.348 MWH

The reason for short fall in power generation is due to shut down of 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.

38.3 Weaving

Rated capacity converted to 60 picks (square meter)	70,763,414	27,088,126
Actual production converted to 60picks (square meter)	72,356,421	28,884,638
Total number of looms installed	234	120
Total number of looms worked	234	120
Number of shifts worked per day	3	3

39 POST BALANCE SHEET EVENTS

There is no material post balance sheet event to be disclosed in accounts

40 FINANCIAL INSTRUMENT RELATED DISCLOSURE

40.1 YIELD / MARK UP RATE RISK

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

		FOR YEAR ENDED JUNE 30, 2006							
Effective interest rates %		interest/mark up bearing			non interest/mark up bearing			TOTAL	
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
		RUPEES							
FINANCIAL ASSETS									
	Investment	-	-	-	24,974,792	58,417,720	83,392,512	83,392,512	
	Deposits	-	-	-	-	1,080,964	1,080,964	1,080,964	
	Trade debts	-	-	-	356,122,723	-	356,122,723	356,122,723	
	Cash and bank balances	2.0 - 2.5	-	-	6,724,291	-	6,724,291	6,724,291	
		-	-	-	387,821,806	59,498,684	447,320,490	447,320,490	
FINANCIAL LIABILITIES									
	Loans	7.0 - 11.0	385,577,202	1,554,972,391	1,940,549,593	-	467,545,149	467,545,149	2,408,094,742
	Short term finance	8.97 - 13.44	1,793,576,159	-	1,793,576,159	7,363,117	-	7,363,117	1,800,939,276
	Trade and other payables		4,915,190	-	4,915,190	227,970,825	-	227,970,825	232,886,015
	Dividend		-	-	-	197,866	-	197,866	197,866
			2,184,068,551	1,554,972,391	3,739,040,942	235,531,808	467,545,149	703,076,957	4,442,117,899
Total yield / mark up rate risk sensitivity gap			(2,184,068,551)	(1,554,972,391)	(3,739,040,942)	152,289,998	(408,046,465)	(255,756,467)	(3,994,797,409)
		FOR NINE MONTHS ENDED JUNE 30, 2005							
Effective interest rates %		interest/mark up bearing			non interest/mark up bearing			TOTAL	
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
		RUPEES							
FINANCIAL ASSETS									
	Investment	-	-	-	51,661,553	57,361,653	109,023,206	109,023,206	
	Deposits	-	-	-	-	1,714,629	1,714,629	1,714,629	
	Trade debts	-	-	-	220,787,240	-	220,787,240	220,787,240	
	Cash and bank balances	1.5 - 2.25	-	-	9,301,483	-	9,301,483	9,301,483	
		-	-	-	281,750,276	59,076,282	340,826,558	340,826,558	
FINANCIAL LIABILITIES									
	Loans	9.0 - 13.5	274,750,000	1,422,648,784	1,697,398,784	-	347,214,498	347,214,498	2,044,613,282
	Short term finance	4.26 - 11.74	1,376,691,741	-	1,376,691,741	15,275,323	-	15,275,323	1,391,967,064
	Trade and other payables		6,039,532	-	6,039,532	297,243,059	-	297,243,059	303,282,591
	Dividend		-	-	-	66,310	-	66,310	66,310
			1,657,481,273	1,422,648,784	3,080,130,057	312,584,692	347,214,498	659,799,190	3,739,929,247
Total yield / mark up rate risk sensitivity gap			(1,657,481,273)	(1,422,648,784)	(3,080,130,057)	(30,834,416)	(288,138,216)	(318,972,632)	(3,399,102,689)

40.2 Concentration of credit risk

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

40.5 Liquidity risk

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

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2006 by the board of directors of the

42 GENERAL

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

43 PROPOSED FINAL DIVIDEND

The Board of Directors proposed the final dividend for the year ended June 30, 2006 of **Rs.1.5** (2005: Rs.1.5) per share amounting to Rs.4,687,500/- (2005: Rs. 4,687,500/-) at their meeting held on **October 04, 2006** for the approval of the member at the Annual General Meeting to be held on October 31, 2006. These financial statements do not reflect dividend payable.

Karachi : October 04, 2006

**KHALID IQBAL
CHIEF EXECUTIVE**

**DAANISH JAVED
DIRECTOR**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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 June 30, 2006 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 ended June 30, 2006. We have also expressed a separate opinion on the financial statements of Quetta Textile Mills Limited and its subsidiary company. 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, the consolidated financial statements examined by us present fairly the financial position of **Quetta Textile Mills Limited** and its subsidiary company as at June 30, 2006 and the results of their operations for the year ended June 30, 2006.

Without qualifying our opinion, we draw attention to note 4.18 to the financial statements regarding presentation of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 04, 2006

**QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED BALANCE SHEET**

EQUITY AND LIABILITIES	NOTE	June 30, 2006 RUPEES	June 30, 2005 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	150,000,000
		250,000,000	250,000,000
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		115,637,319	114,581,252
Unappropriated profit		414,711,509	343,662,027
Shareholders equity		561,598,828	489,493,279
MINORITY INTEREST	7	338,681	297,534
		561,937,509	489,790,813
SURPLUS ON REVALUATION OF FIXED ASSETS	6	119,794,763	119,794,763
LONG TERM FINANCING			
Loans from directors	8	467,545,149	347,214,498
Loans from financial institutions	9	1,679,972,391	1,597,648,784
FINANCE LEASE	10	34,748,697	-
DEFERRED LIABILITIES	11	38,087,303	46,192,356
CURRENT LIABILITIES			
Short term borrowings	12	2,086,325,989	1,564,318,499
Current maturity of long term financing		435,577,202	299,750,000
Trade and other payables	13	188,541,375	405,039,950
Accrued mark-up on loans	14	74,451,643	71,641,371
		2,784,896,209	2,340,749,820
Contingencies & Commitments	15	-	-
		5,686,982,021	4,941,391,034

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

Karachi : October 04, 2006

**QUETTA TEXTILE MILLS LIMITED
AS AT JUNE 30, 2006**

PROPERTY AND ASSETS	NOTE	June 30, 2006 RUPEES	June 30, 2005 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	16	3,087,795,771	2,313,530,171
Capital work in progress	17	<u>327,678,850</u> 3,415,474,621	<u>458,828,838</u> 2,772,359,009
LONG TERM INVESTMENT	18	1,930,386	874,319
LONG TERM DEPOSIT	19	1,556,465	2,105,130
NEGATIVE GOODWILL	20	(28,405,212)	(37,873,616)
CURRENT ASSETS			
Stores, spares and loose tools	21	226,107,650	202,279,916
Stock in trade	22	1,201,429,045	1,118,699,265
Trade debts	23	374,967,266	339,787,547
Other financial assets	24	24,974,792	51,661,553
Loans and advances	25	346,201,386	420,145,613
Short term prepayments	26	174,266	183,454
Other receivables	27	114,112,201	60,597,963
Cash and bank balances	28	8,459,155	10,570,882
		2,296,425,761	2,203,926,193
		<u>5,686,982,021</u>	<u>4,941,391,034</u>

**KHALID IQBAL
CHIEF EXECUTIVE**

**DAANISH JAVED
DIRECTOR**

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

		For the Year ended Jun - 30, 2006 RUPEES	For Nine Months ended Jun - 30, 2005 RUPEES
Sales - net	29	4,893,992,093	2,925,771,700
Cost of goods sold	30	4,446,518,453	2,609,188,156
Gross profit		447,473,640	316,583,544
Operating expenses			
Distribution cost	31	(3,602,193)	(979,456)
Administrative expenses	32	(23,240,072)	(31,347,451)
Other operating expenses	33	(5,134,931)	(34,735,705)
Other operating income	34	24,502,632	40,945,694
		(7,474,564)	(26,116,918)
Operating profit		439,999,075	290,466,626
Finance cost - net	35	332,966,968	156,261,866
Net profit before taxation		107,032,107	134,204,760
Taxation			
Current year	36	41,670,731	27,276,537
Deferred	11.5	(10,416,753)	2,733,091
		31,253,978	30,009,628
Net profit after taxation		75,778,129	104,195,132
Minority interest		(41,147)	(35,008)
		75,736,982	104,160,124
Earnings per share - Basic and diluted	37	24.25	33.34

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

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2006

**QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006**

	For the Year ended Jun - 30, 2006 RUPEES	For Nine Months ended Jun - 30, 2005 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 38)	344,819,596	(104,584,547)
Taxes paid	(24,574,248)	(21,568,886)
Financial charges - net paid	(330,135,632)	(143,322,363)
Workers' profit participation fund	(6,713,323)	(4,518,150)
Gratuity paid	(7,065,350)	(3,124,063)
Long term deposit	548,665	(437,001)
Net cash (used in) / from operating activities	(23,120,292)	(277,555,010)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(907,166,342)	(947,579,389)
Proceeds against sale of fixed assets	1,723,000	7,494,950
Short term investments	30,198,203	183,761,373
Dividend received	5,572,001	8,089,329
Net cash used in investing activities	(869,673,138)	(748,233,737)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	218,150,809	788,653,283
Short term loan - net	522,007,490	225,760,725
Loan from directors - net	120,330,651	7,751,794
Finance Lease - net	34,748,697	-
Dividend paid	(4,555,944)	(24,462)
Net cash from investing activities	890,681,703	1,022,141,340
Net (decrease) in cash and cash equivalents	(2,111,727)	(3,647,406)
Cash and cash equivalents at beginning of the year	10,570,882	14,218,288
Cash and cash equivalents at end of the year (Note: 28)	8,459,155	10,570,882

**KHALID IQBAL
CHIEF EXECUTIVE**

**DAANISH JAVED
DIRECTOR**

Karachi : October 04, 2006

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Attributable to the Equity Shareholders of the Parent							Minority Shareholders	Total Equity
	Paid-up Capital	Capital Reserve	General Reserve	Reserves for Power Generation	Surplus / (deficit) on available for sale investment	Un-appropriated Profit	Total		
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees		
Balance as at September 30, 2004	31,250,000	1,200	65,000,000	50,000,000	(419,948)	239,501,902	385,333,154	262,526	385,595,680
Net profit for the nine months ending June 30, 2005	-	-	-	-		104,160,125	104,160,125	35,008	104,195,133
Balance as at June 30, 2005	31,250,000	1,200	65,000,000	50,000,000	(419,948)	343,662,027	489,493,279	297,534	489,790,813
Dividend for the period ended June 30, 2005						(4,687,500)	(4,687,500)		(4,687,500)
Net profit for the year ending June 30, 2006						75,736,982	75,736,982	41,147	75,778,129
Available for sale investment - valuation gain taken to equity					1,056,067	-	1,056,067		1,056,067
Balance as at June 30, 2006	31,250,000	1,200	65,000,000	50,000,000	636,119	414,711,509	561,598,828	338,681	561,937,509

Karachi : October 04, 2006

KHALID IQBAL
Chief Executive

DAANISH JAVED
Director

QUETTA TEXTILE MILLS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2006

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 on June 08, 1987, as an unquoted public limited company under the Companies Ordinance, 1984. The main business of the 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 provisions 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.

As per SRO 684 (1) 2004 dated August 10, 2004 issued by Central Board of Revenue, the Company's accounting year is required to end on June 30, instead of September 30. In order to make the Company's accounting period consistent with aforementioned requirements, the Company had prepared its previous financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for nine months ended June 30, 2005, the same has been disclosed as comparatives. Comparatives figures of profit and loss account, statement of changes in equity, cash flow statement and related notes are, therefore, not entirely comparable.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention and certain investments have been included at fair values in accordance with the recognition criteria mentioned in the relevant International Accounting Standards applicable to these assets.

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 June 30, 2006 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 Property, plant and equipment – owned

Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value. Leasehold land is amortized over the term of lease.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. Previously full year depreciation was charged on addition and no depreciation was charged on deletion during the period. This change is brought in compliance with International Accounting Standard (IAS) 16 “Property, plant and equipment”. The change in estimate is dealt under International Accounting Standard (IAS) 8”Accounting Policies, Change in Accounting Policies, Changes in Accounting estimate and Errors”.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain and losses if any, on disposal of property, plant and equipment are included in income currently.

a) Accounting for leases and assets subject to finance leases

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

b) 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.

c) **Impairment of fixed assets**

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary company is recognized when the company has established control over the investee company. Investment in subsidiary company is stated at cost less provision for diminution in value of investment.

Investment in Associates

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

Other investments

Financial assets in the scope of IAS 39, Financial Instrument: Recognition and Measurement' are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are cognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. The existing investment portfolio of the Company includes investments held for trading, held to maturity investments and available for sale investments.

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

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

Available for sale investment

Available for sale investments are initially recognised at cost and are subsequently re measured to fair value. Surplus/deficit arising due to movement in fair values of available for sale investments is transferred to equity.

Changes in accounting policy

During the year the Company adopted IAS 39 (revised) which has resulted in change in accounting policy for initial recognition and measurement of financial assets in the scope of IAS 39. Under the new accounting policy financial assets are recognised initially at fair value. Previously, these were recognized initially at cost

4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred to make the sale.

4.8 Stock in trade

Raw material are valued at the lower of moving average cost and net realisable value except for items in transit which are stated at cost incurred to date.

Work-in-process and semi-finished and finished goods are valued at lower of cost, calculated on weighted average basis, and net realisable value. Cost in relation to work-in-process and semi finished and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred 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 Dividend

The dividend declared is recognised as a liability in the period in which it is declared. Previously, dividend that were declared after the balance sheet date but before the financial statements were authorised for issue were reported as liability, the change is made to conform with the revised Fourth Schedule to the Companies Ordinance, 1984. There is no effect of change in accounting policy on the financial statements.

4.18 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-29). It has no effect on the net profit for the year.

		Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
<u>No. of shares</u>			
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 as bonus shares		19,250,000	19,250,000
<u>3,125,000</u>		<u>31,250,000</u>	<u>31,250,000</u>
5.1	There were no movements during the reporting period.		
5.2	The company has one class of ordinary shares which carry no rights to fixed income.		
5.3	The company has no reserved shares for issuance under option and sale contract.		
6 SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		119,794,763	-
Add : revaluation during the period		-	119,794,763
Closing balance		<u>119,794,763</u>	<u>119,794,763</u>
6.1	On May 27, 2005 and Jun 24, 2005 , revaluation was made of Land, by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation amounting to Rs. 119,794,763.		
7 MINORITY INTEREST			
Opening balance		175,000	175,000
Share capital		12,930	12,930
Capital reserves		(440,126)	(440,126)
Accumulated loss		590,877	549,731
Surplus on revaluation of fixed assets		<u>338,681</u>	<u>297,534</u>
8 DUE TO DIRECTORS AND OTHERS			
Unsecured			
Due to directors		159,449,086	110,880,920
Due to others		308,096,063	236,333,578
		<u>467,545,149</u>	<u>347,214,498</u>
	These are non interest bearing and unsecured. It is repayable after more than one year. The loan upto Rs.339,462,705/- is subordinate to bank loans.		
9 LOAN FROM FINANCIAL INSTITUTIONS			
Syndicated Term Finance	9.1	525,000,000	675,000,000
MCB Bank Ltd	9.2	48,750,000	65,000,000
Habib Bank Ltd	9.3	176,000,000	220,000,000
Habib Bank Ltd	9.4	62,417,778	47,800,000
Bank Alfalah Ltd	9.5	50,000,000	75,000,000
Askari Commercial Bank Ltd	9.6	131,282,000	63,900,000
Allied Bank Ltd	9.7	309,497,660	196,367,910
National Bank of Pakistan	9.8	150,000,000	-
Bank of Punjab	9.9	50,000,000	-
First Credit & Discount Corporation	9.10	65,000,000	-
Faysal Bank Ltd	9.11	40,867,385	-
Saudi Pak Commercial Bank Ltd	9.12	40,867,385	-
Saudi Pak Ind, & Agri. Investement Company	9.13	40,867,385	-
Faysal Bank Ltd	9.14	175,000,000	200,000,000
		1,865,549,593	1,543,067,910
Less: current portion		435,577,202	299,750,000
		1,429,972,391	1,243,317,910
Add: transferred from short term loans	9.15	250,000,000	354,330,874
		<u>1,679,972,391</u>	<u>1,597,648,784</u>

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
Security	Number of installments & Commencement date	Rate of Mark up
9.1 Personal guarantees of all directors and first pari passu charge on current and future fixed assets and equitable mortgage over land and building. The charge should cover the principal of the facility with a 25% margin. Total facility amount is Rs.750 million	10 semi-annual installments = 23 -04- 2005	6 months Kibor + 2%
9.2 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed assets located at Unit No. 03, SITE, Kotri. Total facility amount is Rs.65 million	08 semi-annual installments = 21-10-2005	6 months Kibor + 2%
9.3 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company. Total facility amount is Rs.220 million	10 semi-annual installments = 30-09-2005	6 months Kibor +1.35%
9.4 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.75 million	10 semi-annual installments = 10-01-2006	6 months Kibor +1.35%
9.5 Personal guarantees of all directors and first pari passu charge on fixed assets of Unit No. 03, B-4, SITE, Kotri. Total facility amount is Rs.100 million	16 semi-annual installments = 31-08-2004	6 months Kibor +2%
9.6 Personal guarantees of all directors and first pari passu charge amounting PKR 180 million over fixed assets. Total facility amount is Rs135 million	08 semi-annual installments = 11-10-2006	6 months Kibor +1.5%
9.7 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.320 million	10 semi-annual installments = 29-04-2006	6 months Kibor +1.35%
9.8 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.150 million	08 semi-annual installments = 28-05- 2007	6 months Kibor +2%
9.9 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.50 million	08 semi-annual installments = 31-05-2007	6 months Kibor +1.75%
9.10 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.65 million	08 semi-annual installments = 31-05-2007	6 months Kibor +1.75%
9.11 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
9.12 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
9.13 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company. Total facility amount is Rs.45 million	24 quarterly installments = 14-09-2007	7% (Under LTF - EOP Scheme of SBP)
9.14 Personal guarantees of all directors and first exclusive charge on land and building to the extent of Rs.75 million (2005 : Rs. 75 million) and first exclusive charge on all present and future plant and machinery to the extent of Rs.250 million (2005 : Rs. 250 million). Total facility amount is Rs.200 million	08 semi-annual installments = 30-03-2006	6 months Kibor +2%
9.15 It is included as non - current under treatment permissible as per paragraph 63 of IAS 1. The Company intends to refinance the obligation on a long term basis. This intention is supported by various agreements executed prior to the year end		

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
10 LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)		
The amount of future payments and period in which they will become due are:		
Payable after one year but not more than 05 years	43,735,512	-
Less: deferred finance cost	<u>(9,021,564)</u>	<u>-</u>
	34,713,948	-
Add: security deposit	34,749	
Less: current maturity	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u><u>34,748,697</u></u>	<u><u>-</u></u>
10.1	The Company has entered into lease agreement with First National Bank Modarba for lease of plant and machinery on half yearly payments basis commencing on 16th July 2007. The lease contains bargain purchase option.	
10.2	Implicit rate of return on lease is 10.88%	
10.3	Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company	
11 DEFERRED LIABILITIES		
Deferred liability for gratuity (Note: 11.1 to 11.4)	29,462,626	27,150,926
Deferred tax (Note: 11.5)	8,624,677	19,041,430
	<u>38,087,303</u>	<u>46,192,356</u>
11.1 Movement in the net liability recognized in the balance sheet		
Opening net liability	27,150,926	23,524,261
Expense for the year (Note: 11.4)	<u>9,377,050</u>	<u>6,750,728</u>
	36,527,976	30,274,989
Contribution paid	<u>(7,065,350)</u>	<u>(3,124,063)</u>
Closing net liability	<u><u>29,462,626</u></u>	<u><u>27,150,926</u></u>
11.2 Expense recognized in the profit and loss account		
Current service cost	6,374,767	5,455,323
Interest cost	1,177,409	1,793,973
Net actuarial (gain) / loss recognized in the year	<u>1,824,874</u>	<u>(498,568)</u>
	<u><u>9,377,050</u></u>	<u><u>6,750,728</u></u>
11.3 General description		
The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.		
11.4 Principal actuarial assumption		
	%	%
The principal assumptions used in the valuation of gratuity are as follows;		
Discount rate	10.0	8.5
Expected rate of increase in salary	7.0	5.0

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
11.5 DEFERRED TAX		
The liability for deferred taxation comprises of timing differences relating to:		
Taxable temporary differences (Note 11.5.1)		
Accelerated tax depreciation allowance	66,628,190	21,472,622
Deferred debit arising in respect of provisions, tax losses and refunds	58,003,513	2,431,192
	<u>8,624,677</u>	<u>19,041,430</u>
12 SHORT TERM BORROWINGS		
Secured - Banking company		
Finances under mark up arrangement (Note: 12.1)	2,328,962,812	1,903,374,050
Less: transfer to long term loan (Note 9.15)	(250,000,000)	(354,330,874)
	2,078,962,812	1,549,043,176
Unsecured - (Note: 12.2)		
Directors	5,643,540	5,356,663
Others	7,363,177	9,918,660
	<u>7,363,177</u>	<u>15,275,323</u>
	<u>2,086,325,989</u>	<u>1,564,318,499</u>
12.1	The company has aggregate facilities of Rs.4.245 billion (2005 : Rs. 3.405 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of all directors. These loans carry interest at the rate ranging from 8.74% to 13.44% (2005: 4.26 % to 11.74 %) per annum payable quarterly. The above facilities are expiring on various dates and renewable annually.	
12.2	These are non interest bearing and unsecured. These are renewable and due on various dates within one year.	
13 TRADE AND OTHER PAYABLES		
Trade creditors	91,289,791	352,530,228
Trade deposit	1,200,000	2,100,000
Accrued expenses	77,929,314	42,847,625
Workers' profit participation fund (Note: 13.1)	5,188,234	6,792,205
Unclaimed dividend	197,866	66,310
Others	12,736,171	703,582
	<u>188,541,375</u>	<u>405,039,950</u>

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
13.1 WORKERS' PROFIT PARTICIPATION FUND		
Balance as at July 01, 2005	6,792,205	4,560,817
Interest charged (Note: 35)	21,064	10,783
	<u>6,813,269</u>	<u>4,571,600</u>
Paid during the year / period	(6,759,967)	(4,518,150)
	53,302	53,450
Contribution for the year / period	5,134,932	6,738,755
Balance as at June 30, 2006	<u><u>5,188,234</u></u>	<u><u>6,792,205</u></u>

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

14 ACCRUED INTEREST AND MARK - UP

Accrued interest/mark up on		
Long term secured loans	21,254,003	33,656,147
Short term loans and running finances	53,197,640	37,985,224
	<u>74,451,643</u>	<u>71,641,371</u>

15 CONTINGENCIES AND COMMITMENTS

Contingency

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

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2006 were Rs. 142.011 million (2005: Rs 108.786 million)

Commitment

Total commitment of Rs. 105.375 millions including letters of credit opened by banks for Rs.71.372 million (2005: Rs.253.798 million) for the import of plant and machinery and spares and commitments for building construction Rs.65 million (2005: NIL)

16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST / REVALUATION			RATE %	DEPRECIATION / AMORTIZATION			W. D. V. AS AT 30-Jun-2006
	AS AT 1-Jul-2005	ADDITION	AS AT 30-Jun-2006		AS AT 1-Jul-2005	FOR THE YEAR	AS AT 30-Jun-2006	
OWNED ASSETS								
Land - Leased Hold	60,000,000	-	60,000,000	-	-	840,917	840,917	59,159,083
Land - Free Hold	87,389,500	-	87,389,500	-	-	-	-	87,389,500
Building - Lease Hold	90,967,895	199,537	91,167,432	10	48,557,895	4,260,954	52,818,849	38,348,583
Building - Free Hold	204,081,104	20,198,291	224,279,395	10	86,447,449	9,454,449	95,901,898	128,377,497
Labour Colony - Lease Hold	7,717,203	-	7,717,203	10	6,858,680	85,852	6,944,532	772,671
Labor Colony - Free Hold	10,346,012	19,639,684	29,985,696	10	7,910,373	2,207,532	10,117,905	19,867,791
Plant And Machinery	1,979,372,930	371,962,485	2,351,335,415	10	934,261,835	109,963,482	1,044,225,317	1,307,110,098
Electrical Fitting	27,367,602	5,551,807	32,919,409	10	18,784,559	1,413,485	20,198,044	12,721,365
Factory Equipment	16,393,002	901,840	17,294,842	10	10,235,637	705,921	10,941,557	6,353,285
Office Premises H.O	4,835,000	-	4,835,000	10	2,141,746	269,325	2,411,071	2,423,929
Office Equipment	13,877,638	932,915	14,810,553	10	7,444,344	736,621	8,180,965	6,629,588
Furniture And Fixture	9,785,961	583,469	10,369,430	10	6,242,954	412,648	6,655,602	3,713,828
Vehicles	24,870,104	11,304,400	34,255,414	20	19,504,063	3,014,280	22,198,294	12,057,120
		(1,919,090)			(320,048)	-		
TOTAL	2,537,003,952	429,355,337	2,966,359,289		1,148,069,486	133,365,466	1,281,434,952	1,684,924,337
POWER PLANT								
Building - Lease Hold	39,775,911	-	39,775,911	10	21,231,868	1,854,404	23,086,272	16,689,639
Building - Free Hold	26,680,485	8,808,232	35,488,717	10	10,898,280	2,459,044	13,357,324	22,131,393
Plant And Machinery	505,582,171	10,813,967	516,396,138	10	187,343,926	32,905,221	220,249,147	296,146,991
Electrical Fitting	10,750,188	5,929,265	16,679,453	10	3,284,029	1,339,543	4,623,572	12,055,881
Office Equipment	-	14,500	14,500	10	-	1,450	1,450	13,050
Furniture And Fixture	207,250	58,900	266,150	10	105,365	16,079	121,444	144,707
Factory Equipment	526,920	4,392,405	4,919,325	10	209,767	470,956	680,723	4,238,602
Vehicles	940,725	-	940,725	20	678,706	52,404	731,110	209,615
TOTAL	584,463,650	30,017,269	614,480,919		223,751,941	39,099,101	262,851,042	351,629,877
WEAVING ASSETS								
Building - Free Hold	157,556,444	39,879,095	197,435,539	10	45,181,879	15,225,366	60,407,245	137,028,294
Labour Colony Free Hold	-	23,647,884	23,647,884	10	-	2,364,788	2,364,788	21,283,095
Plant And Machinery	595,522,283	466,042,940	1,061,565,223	10	166,611,340	68,440,287	235,051,627	826,513,596
Electrical Fitting	26,915,427	1,633,682	28,549,109	10	6,188,732	2,236,038	8,424,770	20,124,339
Factory Equipment	1,046,315	9,441,274	10,487,589	10	253,042	1,023,455	1,276,497	9,211,092
Office Equipment	308,623	233,000	541,623	10	71,582	47,004	118,586	423,037
Furniture And Fixture	1,286,754	271,920	1,558,674	10	364,219	119,446	483,664	1,075,010
Vehicles	495,400	830,500	1,325,900	20	256,407	213,899	470,306	855,594
TOTAL	783,131,246	541,980,295	1,325,111,541		218,927,201	89,670,283	308,597,483	1,016,514,058
TOTAL OWNED ASSETS	3,904,598,848	1,001,352,901	4,905,951,749		1,590,748,628	262,134,850	1,852,883,476	3,053,068,272
LEASED ASSETS								
Plant And Machinery	-	35,044,338	35,044,338	10	-	316,839	316,839	34,727,499.00
G.TOTAL 30.06.2006 Rupees	3,904,598,848	1,036,397,239	4,940,996,087		1,590,748,628	262,451,689	1,853,200,315	3,087,795,771
G.TOTAL 30.06.2005 Rupees	3,284,489,470	620,109,378	3,904,598,848		1,450,066,865	141,001,812	1,591,068,677	2,313,530,171

June 30 - 2006 Rupees June 30 - 2005 Rupees

16.1 Depreciation Charged as under:

Cost of Sale-Spinning	129,249,431	53,489,955
Cost of Sale-Weaving	89,289,934	58,062,399
Administrative Expenses	4,813,223	2,110,405
Power Plant Expenses	39,099,101	27,339,053
	262,451,688	141,001,812

16.2 Had the assets not been revalued, the written down value of the Land would have been Rs.9,989,237.

16.3 DISPOSAL OF FIXED ASSETS

Particulars	Purchase Date	Original Cost	Accumulated Depreciation	Written Down Value	Sale Date	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Suzuki Mehran AJR-015	13-Oct-05	397,650	-	397,650	18-Nov-05	410,000	By cheque	Muhammad Faheem Gulshan-e-Iqbal Karachi
Suzuki Cultus	28-Dec-05	595,000	-	595,000	31-Jan-06	615,000	By pay order	Ch: Mubashir Ahmed, H. No.201, Rehmat Market, H.No.201, Rehmat Mark, Sargodha
Suzuki Cultus	28-Dec-05	595,000	-	595,000	31-Jan-06	615,000	By pay order	Ch: Muhammad Hussain Warich, Spal Colony, Waraich House, Gujrat
Suzuki Mehran R-5839	1990	133,510	129,517	3,993	09-Mar-06	38,000	By pay order	Kalimullah Khan, H.No.572, Street No.21, Manzoor, Colony, Karachi
Suzuki Khyber S-5987	1991	197,930	190,531	7,399	09-Mar-06	45,000	By pay order	Muhammad Ahsan, C-4, Sector- 5M, 09 Star Heaven, North Karachi, Karachi
		1,919,090	320,048	1,599,042		1,723,000		

17 CAPITAL WORK IN PROGRESS

The movement in plant and machinery and building are as follows :

	COST AT START	Addition / (Capitalization)	COST AT END
Plant & Machinery	458,828,838	208,970,553 (458,828,838)	208,970,553
Building	-	118,708,296	118,708,296
		327,678,850	
June 30, 2006	<u>458,828,838</u>	<u>(458,828,838)</u>	<u>327,678,850</u>
	-	458,828,838	
June 30, 2005	<u>19,216,192</u>	<u>(19,216,192)</u>	<u>458,828,838</u>
		Jun-30 2006 RUPEES	Jun-30 2005 RUPEES

18 LONG TERM INVESTMENTS**Unquoted - Available for sale**

National Tanneries of Pakistan Limited

45,896 Ordinary shares of Rs.10 each

Break up value Rs.42.06 per share as

on 30.06.2005 (2005: Available value Rs.874,319)

1,294,267

1,294,267

Appreciation / (diminution) in the value of investments

636,119

(419,948)

1,930,386

874,319

19 LONG TERM DEPOSITS

Security deposits

1,556,465

2,105,130

20. NEGATIVE GOODWILL

Opening Balance

37,873,616

44,974,919

Less: Amortization during the year

(9,468,404)

(7,101,303)

28,405,212

37,873,616

21. STORES, SPARES AND LOOSE TOOLS**Textile**

Stores

34,242,531

29,475,208

Spares and accessories

113,202,901

98,713,248

Loose tools

9,141,524

6,954,929

156,586,956

135,143,385

Weaving

Store

21,788,857

12,758,882

Power plant

Oil and stores

47,731,837

54,377,649

226,107,650

202,279,916

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
22. STOCK IN TRADE		
Spinning		
Raw material	814,206,120	866,698,408
Work-in-process	41,975,527	31,984,206
Finished goods	95,447,458	77,046,370
Waste	5,503,402	5,968,523
	957,132,507	981,697,507
Weaving		
Raw material	45,810,933	47,499,535
Work in process	24,167,785	13,805,178
Finished goods	174,220,530	75,608,159
Waste	97,290	88,886
	244,296,538	137,001,758
	<u>1,201,429,045</u>	<u>1,118,699,265</u>
23. TRADE DEBTS		
- Considered good		
Exports - secured against letter of credit	4,242,739	53,339,998
Local debts - unsecured	370,724,527	286,447,549
	<u>374,967,266</u>	<u>339,787,547</u>
24. OTHER FINANCIAL ASSETS		
Held for trading		
In listed companies	29,570,946	59,769,149
Revaluation reserve for investment	(4,596,154)	(8,107,596)
	<u>24,974,792</u>	<u>51,661,553</u>

Details are as under: -

2006 (Rupees)				
Name of Securities	No. of shares	Cost	Fair value adjustment	Fair value adjustment
Bank of Punjab	34,210	2,799,276	29,891	2,829,167
Askari Commercial Bank Ltd	84,876	8,041,987	(1,459,853)	6,582,134
Bank Alfalah Ltd	41,666	2,242,756	(576,116)	1,666,640
Faysal Bank Ltd	57,000	4,316,644	(811,144)	3,505,500
Meezan Balance Fund	254,000	2,540,000	12,700	2,552,700
New Jubilee Life Insurance	75,000	2,588,947	(938,947)	1,650,000
NIB Bank Ltd	40,118	455,310	367,109	822,419
Pakistan Services - TFC	598	2,134,432	-	2,134,432
Union Leasing Ltd	286,000	4,451,594	(1,219,794)	3,231,800
		<u>29,570,946</u>	<u>(4,596,154)</u>	<u>24,974,792</u>
		<u>59,769,149</u>	<u>(8,107,596)</u>	<u>51,661,553</u>

	Jun-30 2006 RUPEES	Jun-30 2005 RUPEES
25. LOANS AND ADVANCES		
Unsecured - considered good		
Loans to - Employees	1,309,575	1,377,819
Advance against;		
Letter of credit	3,861,947	16,797,199
Advance to cotton suppliers	127,062,573	104,935,645
Store suppliers and others	188,916,988	254,888,164
Income tax	25,050,303	42,146,786
	344,891,811	418,767,794
	<u>346,201,386</u>	<u>420,145,613</u>
26. SHORT TERM PREPAYMENTS		
Prepayments	174,266	183,454
27. OTHER RECEIVABLES		
Sales tax refundable	114,112,201	60,597,963
28. CASH AND BANK BALANCES		
Cash in hand	5,258,636	6,087,085
Cash at bank in current accounts	3,200,519	4,483,797
	<u>8,459,155</u>	<u>10,570,882</u>
	For the Year Ended Jun - 30, 2006 RUPEES	For Nine Months Ended Jun - 30, 2005 RUPEES
29. SALES - NET		
Local sales (Note: 29.1)	2,311,812,829	892,977,645
Export sales (Note: 29.2)	2,582,179,265	2,032,794,055
	<u>4,893,992,093</u>	<u>2,925,771,700</u>
29.1 Local sales		
Yarn	696,842,999	430,494,802
Fabric	1,573,136,926	443,838,618
Waste	56,720,321	27,271,559
	<u>2,326,700,246</u>	<u>901,604,979</u>
Less: Direct expenses		
Commission	11,859,535	6,697,008
Freight	3,027,882	1,930,326
	<u>14,887,417</u>	<u>8,627,334</u>
	<u>2,311,812,829</u>	<u>892,977,645</u>
29.2 Export sales (Note: 29.2.1)		
Yarn	2,179,950,727	1,771,510,562
Fabric	567,363,562	377,382,896
	<u>2,747,314,290</u>	<u>2,148,893,458</u>
Less: Direct expenses		
Commission	34,338,140	31,934,202
Export development surcharge	5,935,958	4,491,491
Freight	77,972,048	57,257,535
Selling expenses	46,888,879	22,416,175
	<u>165,135,025</u>	<u>116,099,403</u>
	<u>2,582,179,265</u>	<u>2,032,794,055</u>

	For the Year Ended Jun - 30, 2006 RUPEES	For Nine Months Ended Jun - 30, 2005 RUPEES
30. COST OF GOODS SOLD		
Finished goods		
Opening	158,711,938	134,607,310
Yarn purchased	144,287,803	87,787,846
Cost of goods manufactured (Note:30.1)	4,418,787,392	2,545,504,938
	4,721,787,133	2,767,900,094
Closing	(275,268,680)	(158,711,938)
	<u>4,446,518,453</u>	<u>2,609,188,156</u>
30.1 Cost of goods manufactured		
Raw material consumed (Note: 30.1.1)	3,148,881,488	1,852,832,966
Wages, salaries and benefits (Note: 30.1.2)	306,000,841	183,188,189
Stores and spares consumed	222,060,280	111,147,993
Power, fuel and water	507,067,738	241,356,695
Rent, rates and taxes	654,937	354,001
Insurance	9,362,980	10,105,168
Repair and maintenance	9,554,237	10,825,545
Other expenses	17,019,454	9,317,032
Depreciation	218,539,365	111,552,354
	<u>4,439,141,320</u>	<u>2,530,679,943</u>
Work in process		
Opening	45,789,384	60,614,379
Closing	(66,143,312)	(45,789,384)
	(20,353,928)	14,824,995
	<u>4,418,787,392</u>	<u>2,545,504,938</u>
30.1.1 Raw material consumed		
Opening stock	914,197,943	537,347,187
Add: Purchases	3,094,700,598	2,229,683,722
	4,008,898,541	2,767,030,909
Closing stock	(860,017,053)	(914,197,943)
	<u>3,148,881,488</u>	<u>1,852,832,966</u>
30.1.2 It includes Rs.8,405,622/= (2005 : Rs.5,062,095/-) on account of staff retirement benefits.		
31 DISTRIBUTION COST		
Advertisement	10,438.00	16,662
Selling expenses	2,235,638	816,181
Export development surcharge	306,369	45,863
Freight	1,049,748	100,750
	<u>3,602,193</u>	<u>979,456</u>

	For the Year Ended Jun - 30, 2006 RUPEES	For Nine Months Ended Jun - 30, 2005 RUPEES
32 ADMINISTRATIVE EXPENSES		
Director's remuneration (Note: 32.1)	1,740,000	1,305,000
Salaries and benefits (Note: 32.2)	8,527,606	8,207,051
Printing and stationery	1,118,628	1,371,011
Communication	1,412,354	970,842
Traveling and conveyance	1,320,174	3,289,938
Legal and professional charges	615,500	98,200
Auditors remuneration (Note: 32.3)	450,000	350,000
Rent, rates and taxes	261,263	124,664
Books, papers and periodicals	754	568
Entertainment	526,281	322,180
Electricity, gas and water charges	1,342,716	367,187
Fees and subscription	625,727	439,420
Repairs and maintenance	121,361	113,915
Charity and donation (Note: 32.4)	279,000	3,323,158
Depreciation	4,813,223	2,110,405
TFC amortization	-	5,619,568
Brokerage and discount	85,485	3,334,344
	<u>23,240,072</u>	<u>31,347,451</u>

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

	CHIEF EXECUTIVE		DIRECTOR	
	For the year ended June 30, 2006	For the year ended June 30, 2005	For the year ended June 30, 2006	For the year ended June 30, 2005
Remuneration	280,000	210,015	879,960	659,970
House rent allowance	126,000	94,500	396,000	297,000
Perquisites	14,000	10,485	44,040	33,030
	420,000	315,000	1,320,000	990,000
Number of persons	1	1	4	4

There are no staff falling in the revised criteria of remuneration for executives.

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

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

32.2 It includes Rupees 404,060/- (2005 : Rupees 631,800) on account of staff retirement benefits.

32.3 Auditors' remuneration

Audit fee	350,000	280,000
Half yearly review and other certification fee	100,000	70,000
	<u>450,000</u>	<u>350,000</u>

32.4 Directors and their spouse have no interest in the donees

33. OTHER OPERATING EXPENSE

Electric Power Income (Note: 33.1)	-	27,996,950
W.P.P.F	5,134,931	6,738,755
	<u>5,134,931</u>	<u>34,735,705</u>

	For the Year Ended Jun - 30, 2006 RUPEES	For Nine Months Ended Jun - 30, 2005 RUPEES
33.1 Electric Power Income		
Salaries & Wages	10,782,506	6,908,379
Fuel and maintenance	351,260,753	217,876,931
Repair and maintenance	1,871,061	2,155,555
Other expenses	3,925,439	2,217,902
Depreciation	39,099,101	27,339,053
Generators rent	7,490,000	-
	414,428,860	256,497,820
Less: Self use - Spinning	282,079,016	176,082,702
Weaving	127,663,726	47,217,865
	409,742,742	223,300,567
	4,686,118	33,197,253
Outside Sales	5,971,786	5,200,303
Profit / (loss) for the year / period	1,285,668	(27,996,950)
34. OTHER OPERATING INCOME		
Profit on sale of assets	123,958	183,944
Rental income	997,650	1,117,115
Amortization of negative goodwill	9,468,404	7,101,303
Electric Power Income (Note: 33.1)	1,285,668	-
Dividend income	5,572,001	1,622,654
Capital gain on shares	3,543,509	24,686,474
Appreciation in the value of investment	3,511,442	6,234,204
	24,502,632	40,945,694
35. FINANCE COST - NET		
Mark up on		
Short term loans	138,550,982	92,324,588
Long term loans	190,612,990	51,963,228
Term Finance Certificate	-	7,846,883
Workers' profit participation fund (Note: 13.2)	21,064	10,783
Bank charges	4,092,299	5,587,455
	333,277,335	157,732,937
Less: Financial income		
Interest on term deposit	-	1,178,438
Interest on TFC Investment	310,367	292,633
Total financial income	310,367	1,471,071
Net finance cost	332,966,968	156,261,866
36. TAXATION		
36.1	The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under presumptive tax regime under section 115 (4) of the Income Tax Ordinance, 2001.	

	For the Year Ended Jun - 30, 2006	For Nine Months Ended Jun - 30, 2005
37. EARNING PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basis earnings per share of the Company which is based on:		
Profit after taxation	Rs. 75,778,129	104,195,132
Number of Ordinary shares	3,125,000	3,125,000
Earning per share in rupees	Rs. 24.25	33.34

	For the Year Ended Jun - 30, 2006 RUPEES	For Nine Months Ended Jun - 30, 2005 RUPEES
38. CASH GENERATED FROM OPERATION		
Profit before taxation	107,032,107	134,204,760
Adjustment for item involving non movement of fund		
Depreciation	262,451,689	141,001,812
Financial charges - net	332,966,968	156,261,866
(Gain) / Loss on sale of fixed assets	(123,958)	(183,944)
Dividend income	(5,572,001)	(1,622,654)
Provision for gratuity	9,377,050	6,750,728
Provision for diminution in the value of investment	(3,511,442)	(6,234,204)
Provision for workers' profit participation fund	5,134,932	6,738,755
Amortization of Negative goodwill	(9,468,404)	(7,101,303)
Amortization of Term Finance Certificate	-	5,619,568
	<u>591,254,833</u>	<u>301,230,624</u>
Profit before working capital changes	698,286,941	435,435,384
(Increase)/decrease in current assets		
Stocks, stores and spares	(106,557,514)	(391,040,312)
Trade debts	(35,226,363)	(56,992,061)
Loans and advances, prepayments and other receivables	(27,816,305)	(222,120,722)
	(169,600,182)	(670,153,095)
Increase in current liabilities		
Creditors, accrued and other liabilities	(183,867,161)	130,133,165
	<u>344,819,596</u>	<u>(104,584,547)</u>

39 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises of 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:

Purchase of yarn from subsidiary	(262,222,821)	(169,237,472)
Purchase of waste from subsidiary	(2,430,814)	(2,361,680)
Sale of electricity to subsidiary	-	29,772,612
Interest on loan to subsidiary	5,902,737	-

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:

Effective interest rates	FOR YEAR ENDED JUNE 30, 2006						TOTAL
	interest/mark up bearing			non interest/mark up bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
%	RUPEES						
FINANCIAL ASSETS							
Investment	-	-	-	24,974,792	58,417,720	83,392,512	83,392,512
Deposits	-	-	-	-	1,556,465	1,556,465	1,556,465
Trade debts	-	-	-	375,013,910	-	375,013,910	375,013,910
Cash and bank balances	2.0 - 5.0	-	-	8,459,154	-	8,459,154	8,459,154
				408,447,856	59,974,185	468,422,041	468,422,041
FINANCIAL LIABILITIES							
Loans	7.0 - 11.0	435,577,202	1,679,972,391	2,115,549,593	-	467,545,149	2,583,094,742
Short term finance	8.97 - 13.44	2,078,962,813	-	2,078,962,813	7,363,117	-	2,086,325,930
Trade and other payables		4,915,190	-	4,915,190	288,765,917	-	293,681,107
Dividend		-	-	-	197,866	-	197,866
		2,519,455,205	1,679,972,391	4,199,427,596	296,326,900	467,545,149	4,963,299,645
Total yield / mark up rate risk sensitivity gap		(2,519,455,205)	(1,679,972,391)	(4,199,427,596)	112,120,956	(407,570,964)	(4,494,877,604)

Effective interest rates	FOR NINE MONTHS ENDED JUNE 30, 2005						TOTAL
	interest/mark up bearing			non interest/mark up bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
%	RUPEES						
FINANCIAL ASSETS							
Investment	-	-	-	51,661,553	57,361,653	109,023,206	109,023,206
Deposits	-	-	-	-	1,714,629	1,714,629	1,714,629
Trade debts	-	-	-	220,787,240	-	220,787,240	220,787,240
Cash and bank balances	1.5 - 3.5	-	-	9,301,483	-	9,301,483	9,301,483
				281,750,276	59,076,282	340,826,558	340,826,558
FINANCIAL LIABILITIES							
Loans	9.0 - 13.5	274,750,000	1,422,648,784	1,697,398,784	-	347,214,498	2,044,613,282
Short term finance	4.26 - 11.74	1,376,691,741	-	1,376,691,741	15,275,323	-	1,391,967,064
Trade and other payables		6,039,532	-	6,039,532	469,867,366	-	475,906,898
Dividend		-	-	-	66,310	-	66,310
		1,657,481,273	1,422,648,784	3,080,130,057	485,208,999	347,214,498	3,912,553,554
Total yield / mark up rate risk sensitivity gap		(1,657,481,273)	(1,422,648,784)	(3,080,130,057)	(203,458,723)	(288,138,216)	(3,571,726,996)

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 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 forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

40.5 Liquidity risk

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

41 PLANT CAPACITY AND ACTUAL PRODUCTION

41.1 Spinning

a. Total number of spindles installed	73,488	73,488
Total number of rotors installed	1,104	864
b. Average number of spindles worked	73,488	73,488
Average number of rotors worked	1,104	864
c. Number of shift worked per day	3	3
d. Capacity of industrial unit after conversion into 20/s count	20,636,956 kgs	18,457,873 kgs
e. Actual production after conversion into 20/s count	26,390,038 kgs	16,082,210 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..

41.2 Power Plant

Installed capacity per hour per day	25.9MW	22.7 MW
Installed capacity	226.884 MWH	148.730 MWH
Prime capacity	13.9 MW	13.2 MW
Stand by	12.0 MW	9.5 MW
Installed prime capacity per hour per day	121.764 MWH	86.486 MWH
Actual generated	101.786MWH	71.348 MWH

The reason for short fall in power generation is due to shut down of 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.

41.3 Weaving

Rated capacity converted to 60 picks (square meter)	70,763,414	27,088,126
Actual production converted to 60picks (square meter)	72,356,421	28,884,638
Total number of looms installed	234	120
Total number of looms worked	234	120
Number of shifts worked per day	3	3

42 POST BALANCE SHEET EVENTS

There is no material post balance sheet event to be disclosed in accounts

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2006 by the board of directors of the company.

44 GENERAL

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

45 PROPOSED FINAL DIVIDEND

The Board of Directors proposed the final dividend for the year ended June 30, 2006 of Rs.1.50 (2005: Rs.1.50) per share amounting to Rs.4,687,800/- (2005: Rs. 4,687,500/-) at their meeting held on October 04, 2006 for the approval of the member at the Annual General Meeting to be held on October 31, 2006. These financial statements do not reflect dividend payable.

QUETTA TEXTILE MILLS LIMITED

FORM OF PROXY

Please quote Registered Folio Number

I / We _____

Of _____

being member of QUETTA TEXTILE MILLS LIMITED and a holder of _____

Ordinary shares, hereby appoint _____

_____ of _____

who is also a member of the Company, as my / our proxy in my / our absence to attend and vote of me / us and on my / our behalf at the 40th Annual General Meeting of the Company to be held at the Registered Office at Nadir House (Ground Floor), I.I. Chundrigar Road, Karachi, on Tuesday, October 31, 2006 at 09.00 a.m. or at any adjournment thereof

As witness my / our hand this _____ day of _____ 2006

Signed by the said _____ in presence of

Member's Signature

Affix Five Rupees Revenue
Stamps which must be
cancelled either by signature
over it or by some other means

Date : _____

Witness's Signature

Place: _____

Important:

- (1) This form proxy, in order to be effective must be deposited duly completed at the Company's registered office at Nadir House (Ground Floor), I.I. Chundrigar Road, Karachi, not less than 48 hours before the time for holding the meeting.
- (2) A proxy must be a member of the Company.
- (3) Signature should agree with the specimen registered with the Company.