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)
CHIEF FINANCIAL OFFICER	Mr. Daanish Javed
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited Al-Baraka Islamic Bank B.S.C. (E.C) Askari Bank Limited Atlas Bank Limited Bank Al-Falah Limited Dawood Islamic Bank Limited. Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Royal Bank of Scotland Soneri Bank Limited Saudi Pak Commercial Bank Lmited Standard Chartered Bank (Pakistan) Ltd Standard Chartered Leasing Limited United Bank Limited
REGISTERED OFFICE	Nadir House (Ground Floor) I. I. Chundrigar Road, Karachi
MILLS	P/3 & B/4, S.I.T.E., Kotri 47.5 K.M. Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 43rd Annual General Meeting of the Shareholders to be held on Friday, October 31, 2008 at 08.00 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 42nd General Meeting held on December 12, 2007.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2008.
3. To appoint Auditors for the year 2008-2009 and fix their remuneration.
4. To transact any other business with the permission of the Chairman.

SPECIAL BUSINESS

5. To consider and approved the remuneration payable to three whole time working Directors.

By order of the Board

Karachi: October 08, 2008

MOHAMMAD SOHRAB GHANI

Company Secretary

1. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Proxies in order to be valid must be received at the registered office of the company 48 Hours before meeting commences.
2. The Register of the members of the company will remain closed at registered office from October 30, 2008 to November 05, 2008 (both days inclusive).
3. Guidelines for CDC Account Holders for personal attendance:
   i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his / her identity by showing his/her original NIC at the time of attending the meeting
   ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
4. Shareholders are required to promptly notify at registered office of the company of any change in their address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out material facts concerning the Special Business to be transacted at the 43rd Annual General Meeting of Quetta Textile Mills Limited to be held on October 31, 2008.

ITEM No. 5 OF THE AGENDA

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

" RESOLVED THAT the Company hereby authorizes the holding of offices of profit and payment as remuneration to Mr. Daanish Javed ,Mr. Omer Khalid and Mr.Asim Khalid, whole time Directors, not exceeding Rupees 396,000 per annum with effect from July 1, 2008, to each director inclusive of perquisites and benefits to which they are entitled under their term of employment, and for the remainder of their term remuneration per annum not exceeding the said amount as increased by the sums that may be applicable under respective terms of employment.

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

Quetta Textile Mills Limited

CHIEF EXECUTIVE`S REVIEW REPORT

Dear Shareholders:

It is my pleasure to present to you the results of your company for the year ended 30th June, 2008

Your company earned a pre-tax profit of Rs.46.556 million as compared to Rs.144.334 million in the corresponding year. Turnover for the year was Rs.5.769 billion as compared to Rs.4.912 billion in June 2007.

It has been a difficult year for the entire textile industry. The overall performance of the company has suffered due to un-stable economic policies of the government. Inflation, shortage of power, steep fluctuations in prices of inputs, depreciation in the value of the Rupee and rising cost of borrowing are the factors responsible for the erosion in the profitability of the company.

Cotton prices have also remained at high levels during the year whereas yarn and fabric prices have not kept up pace in line with cotton prices. Due to global economic slowdown it is expected that global demand for finished products will remain sluggish during the next year. This could result in the textile industry not being able to pass on the increase in input costs to the customer.

In order to tackle the above challenges, the company is working to retrieve spinnable fibre from waste. This will result in reducing the cost of raw material. In order to cater to high end market, the company has started to concentrate on value added yarns and fabrics. The company is aggressively marketing blended yarns by mixing cotton with other natural and micro fibres (Bamboo, Flax, Modal) and using organic cotton for making yarns for specialized high value fabrics.

In order to reduce the cost of borrowing, your company has also successfully issued privately placed Sukuk bonds amounting to Rs.1.385 billion which have been subscribed by institutional investors. Existing higher priced long term and some short term loans have been paid off through the proceeds. The sukuk has a tenor of 7 years with a grace period of one year and a coupon rate of 1.5% over 6 month KIBOR. We are thankful to the consortium of Dubai Islamic Bank, Meezan Bank and National Bank of Pakistan who acted as lead arrangers and advisors to the Sukuk issue. We are also thankful to Dawood Islamic Bank Ltd. who acted as co-arranger to the issue, as well as the investors who have shown confidence in the company.

The company had entered into cross currency swap arrangements with a couple of financial institutions. Due to steep depreciation of PKR vs. USD, the company had to unwind these arrangements which also resulted in net loss to the company.

Merger of Pioneer Spinning Mills Limited has been completed on 31st March, 2008. This merger has also resulted in a decrease in un-appropriated profit of QTML by approximately Rs.125 million thereby affecting the leverage of the company.

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

Karachi : October 08, 2008

KHALID IQBAL
CHIEF EXECUTIVE

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 39th Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2008

.

FINANCIAL RESULTS	**Rupees**
Net Profit before taxation	46,556,035
Less: Taxation	19,369,456
Net Profit after taxation	27,186,579
Un-appropriated profit brought forward	465,930,301
Loss on Merger of Pioneer Spinning Mills Limited	(125,920,692)
Dividend paid @15%	(4,687,500)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year	3,588,282
Available for appropriation	366,096,970
Un-appropriated profit	**366,096,970**
Profit after Taxation	27,186,579
Ordinary Shares	3,125,000
Earnings per share	**8.70**

CHAIRMAN'S REVIEW

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

DIVIDEND

The Board of Directors have recommended Nil dividend for the year ended June 30, 2008.Due to additions to fixed assets done for BMR and liquidity crunch, the board has not recommended any dividend.

AUDITORS

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

PATTERN OF SHARE HOLDING

The pattern of shareholding as on June 30, 2008 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 2007-2008

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

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	10
Mr. Tariq Iqbal	11
Mr. Daanish Javed	11
Mr. Asim Khalid	10
Mr. Omer khalid	7
Mrs. Najma Javed	09
Mrs. Tabbasum Tariq	08

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

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30 2008

a) The Financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) The system of Internal control is sound in design and has been effectively implemented and monitored.

f) There is no significant doubt upon the Company's ability to continuous a going concern.

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

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

AUDITORS REPORT

Reference to the observation made by auditors in their report regarding Note No. 4.7 . The note refers only the pattern of presentation and it has got no effect on the profitability of the company.

CONCLUSION

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

For and on behalf of the Board of Directors

KHALID IQBAL
Chief Executive

Karachi: October 08, 2008

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

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

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

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

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

17. The Board has set up an effective Internal Audit Function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

On Behalf of the Board of Directors

KHALID IQBAL
CHIEF EXECUTIVE

Quetta Textile Mills Limited

KARACHI: October 8, 2008.

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200, Pakistan
Fax: 2639843
Tel: 2638521-4

E-mail: hmi@cyber.net.pk

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

Tel: 5884926, 5865618

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 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, 2008.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI:

DATE: October 8, 2008

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2003-2008

	September 2003	September 2004	June 2005- 9 Months	June 2006	June 2007	Jun-08 2008
Profit and Loss						
Net sales (Rs.000)	3,205,632	3,998,022	2,739,162	4,562,635	4,912,815	5,769,155
Gross Profit (Rs.000)	247,823	249,394	251,825	396,000	500,414	593,843
Profit before tax (Rs.000)	76,028	85,579	113,702	91,291	144,334	46,556
Profit after tax (Rs.000)	52,660	52,624	85,504	52,633	83,197	27,187
Cash Outflows						
Taxes paid (Rs.000)	45,469	29,853	14,763	6,855	51,087	56,467
Financial charges paid (Rs.000)	166,781	143,073	132,907	289,559	265,246	501,913
Fixed capital expenditures (Rs.000)	269,632	331,642	924,575	844,277	516,070	863,987
Balance sheet						
Current assets (Rs.000)	1,059,489	1,542,145	1,855,513	2,104,795	2,225,983	3,254,813
Current liabilities (Rs.000)	990,650	1,512,944	1,969,999	2,419,535	2,246,671	3,568,583
Operating fixed assets (Rs.000)	1,388,106	1,549,434	2,019,550	2,803,300	3,340,924	3,972,109
Total assets (Rs.000)	2,473,689	3,175,058	4,389,778	5,177,570	5,661,208	7,513,237
Long term loans and finances (Rs.000)	1,093,793	1,223,208	1,422,649	1,554,972	2,090,583	2,164,689
Share holders' equity (Rs.000)	364,895	399,802	485,306	534,308	612,897	413,903
Ratios						
Current ratio (As per SBP regulations)	1.07	1.02	0.95	0.87	0.99	0.91
Equity: Debt ratio (As per SBP regulations)	0.42	0.46	0.37	0.39	0.35	0.35
Leverage	-	2.84	3.29	3.37	3.27	3.69
Gross profit to sales	7.7%	6.2%	9.2%	8.7%	10.2%	10.3%
Net Profit before tax to sales	2.37%	2.14%	4.15%	2.00%	2.94%	0.81%
Earning per share	16.85	11.17	27.36	16.84	26.62	8.70
Proposed Dividend	10%	NIL%	15%	15%	15%	NIL%

PATTERN OF SHAREHOLDING (FORM - A)

Pattern of holding of the shares held by the shareholders as at 30-06-2008 is given below

No of Share Holders		S h a r e h o l d i n g			Total Share Held
47	From	1 to	100	Shares	1,940
51	From	101 to	500	Shares	11,673
21	From	501 to	1000	Shares	16,738
19	From	1001 to	5000	Shares	42,176
4	From	5001 to	10000	Shares	30,120
3	From	10001 to	15000	Shares	39,484
3	From	15001 to	20000	Shares	60,000
1	From	20001 to	25000	Shares	22,582
1	From	25001 to	30000	Shares	25,884
2	From	30001 to	35000	Shares	65,102
1	From	35001 to	40000	Shares	38,582
3	From	40001 to	50000	Shares	139,821
4	From	50001 to	55000	Shares	206,403
2	From	55001 to	60000	Shares	117,812
1	From	60001 to	65000	Shares	64,519
4	From	65001 to	70000	Shares	267,787
1	From	70001 to	75000	Shares	71,777
4	From	75001 to	80000	Shares	305,445
3	From	80001 to	85000	Shares	250,614
2	From	90001 to	95000	Shares	186,750
1	From	100001 to	110000	Shares	107,100
1	From	110001 to	125000	Shares	120,375
1	From	125001 to	135000	Shares	130,315
1	From	135001 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	170001 to	175000	Shares	173,056
185					3,125,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	176	3,020,179	96.65
Investment Companies	2	614	0.02
Insurance Companies	1	52,082	1.67
Joint Stock Companies	4	13,542	0.43
Financial Institutions	1	38,582	1.23
Securities & Exchange Commision of Paksitan	1	1	0.00
	185	3,125,000	100

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT 30TH JUNE 2008

	Name of shareholders		No's	SHARES HELD	PERCENTAGE
1	**ASSOCIATED COMPANIES**			Nil	
2	**NIT & ICP**		1		
	Investment Corporation of Pakistan			250	0.01
3	**Directors,CEO their Spouse and Minor Children**		10		
	Mr . Khalid Iqbal	(Director & CEO)		84,676	2.71
	Mr . Asim Khalid	(Director)		75,423	2.41
	Mr . Omer Khalid	(Director)		71,777	2.30
	Mrs . Rukhsana Khalid			161,051	5.15
	Mr . Tariq Iqbal	(Director)		92,375	2.96
	Mrs . Tabbasum Tariq	(Director)		166,912	5.34
	Mr . Daanish Javed	(Director)		52,137	1.67
	Mrs . Aisha Daanish			158,170	5.06
	Mrs . Najma Javed	(Director)		51,596	1.65
	Mr . Javed Iqbal			94,375	3.02
4	**Executive**			Nil	
5	**Public Sector Companies & Corporations**			Nil	
6	**Banks,Development Finance Institution, Non- Banking Finance Institution, Insurance Companies , Madarabas & Mutual Funds**		3		
	National Industrial Co-Operative Finance Corporation Ltd			364	0.01
	State Life Insurance Corporation of Pakistan			52,082	1.67
	National Bank of Pakistan, Trustee Wing			38,582	1.23
7	**Shareholders Holding 10% or More**			Nil	
8	**Individuals**		166	2,009,387	64.30
9	**Others**		5		
	Securities & Exchange Commission Of Pakistan			1	0.00
	Freedom Enterprises (Pvt) Ltd			62	0.00
	N.H Security (Pvt) Ltd			16	0.00
	Vohra engineering Co.(Pvt) Ltd.			2,300	0.07
	Fazal Cloth Mills Ltd			13,464	0.43
	TOTAL		185	3,125,000	100.00

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200,
Pakistan

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, 2008 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, 2008 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 year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year ended June 30, 2008; and

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

Without qualifying our opinion, we draw attention to note 4.7 to the financial statements regarding presentation of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 8, 2008

QUETTA TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2008

EQUITY AND LIABILITIES	NOTE	June 30, 2008 RUPEES	June 30, 2007 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 Ordinary shares of Rs.10 each		200,000,000	100,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000	150,000,000
		350,000,000	250,000,000
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		16,555,537	115,717,637
Unappropriated profit		366,096,970	465,930,301
Shareholders equity		413,902,507	612,897,938
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT	6	340,391,684	119,794,763
Loans from directors-Subordinated	7	738,661,770	490,000,000
NON CURRENT LIABILITIES			
Loan from Financial institutions	8	2,164,689,452	2,090,583,328
FINANCE LEASE	9	154,204,811	27,557,117
DEFERRED LIABILITIES	10	132,804,248	73,704,128
CURRENT LIABILITIES			
Short term borrowings	11	2,744,279,401	1,395,775,206
Current maturity of long term financing		440,875,345	482,919,089
Trade and other payables	12	240,926,340	218,820,193
Accrued mark-up on loans	13	142,501,785	149,156,862
		3,568,582,871	2,246,671,350
CONTINGENCIES AND COMMITMENTS	14		-
		7,513,237,343	5,661,208,624

PROPERTY AND ASSETS	NOTE	June 30, 2008 RUPEES	June 30, 2007 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	15	3,972,109,702	3,340,923,687
Capital work in progress	16	147,512,817	91,207,681
		4,119,622,519	3,432,131,368
LONG TERM INVESTMENT	17	132,289,086	2,010,704
LONG TERM DEPOSIT	18	6,512,523	1,082,964
CURRENT ASSETS			
Stores, spares and loose tools	19	280,721,841	219,343,215
Stock in trade	20	2,074,551,749	1,103,996,623
Trade debts	21	555,620,382	376,336,272
Other financial assets	22	61,787,443	85,109,715
Loans and advances	23	193,336,741	317,245,110
Short term prepayments	24	1,350,307	493,739
Other receivables	25	84,589,488	117,725,510
Cash and bank balances	26	2,855,264	5,733,404
		3,254,813,215	2,225,983,588
		7,513,237,343	5,661,208,624

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

Karachi : October 0 8 , 2008

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

		For the Year ended Jun - 30, 2008 RUPEES	For the Year ended Jun - 30, 2007 RUPEES
Sales - net	27	5,769,155,238	4,912,815,014
Cost of goods sold	28	5,175,311,742	4,412,400,603
Gross profit		593,843,496	500,414,411.2
Operating expenses			
Administrative expenses	29	(34,780,457)	(22,352,685)
Other operating expenses	30	(29,222,297)	(10,154,612)
Other operating income	31	11,973,502	25,256,514
		(52,029,252)	(7,250,783)
Operating profit		541,814,244	493,163,628
Finance cost - net	32	(495,258,209)	(348,829,214)
Net profit before taxation		46,556,035	144,334,414
Taxation			
Current year	33	(33,306,925)	(37,345,590)
Deferred	10.6.1	13,937,469	(23,791,553)
		(19,369,456)	(61,137,143)
Net profit after taxation		27,186,579	83,197,271
Earnings per share - Basic and diluted	35	8.70	26.62

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

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 0 8 , 2008

QUETTA TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	For the Year ended Jun - 30, 2008 RUPEES	For the Year ended Jun - 30, 2007 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 36)	(188,138,109)	594,778,538
Taxes paid	(56,467,428)	(51,086,675)
Financial charges - net paid	(501,913,286)	(265,246,034)
Workers' profit participation fund	(7,690,200)	(4,805,702)
Gratuity paid	(9,560,458)	(6,323,409)
Long term deposit	(5,429,559)	(2,000)
Net cash (used in) / from operating activities	(769,199,040)	267,314,718
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(863,987,762)	(516,070,924)
Proceeds against sale of fixed assets	-	2,604,500
Long term investment	(130,210,961)	-
Short term investments	211,640	1,186,909
Dividend received	8,991,010	5,436,325
Net cash used in investing activities	(984,996,073)	(506,843,190)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	269,537,115	625,761,244
Short term loan - net	1,090,824,752	(405,164,130)
Finance Lease - net	146,852,402	-
Loan from directors - net	248,661,770	22,454,851
Dividend paid	(4,559,066)	(4,514,382)
Net cash from investing activities	1,751,316,973	238,537,583
Net (decrease) in cash and cash equivalents	(2,878,140)	(990,889)
Cash and cash equivalents at beginning of the year	5,733,404	6,724,292
Cash and cash equivalents at end of the year (Note: 26)	2,855,264	5,733,404

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 0 8 , 2008

QUETTA TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	RESERVES Capital reserve	Reserve for power generation plant	Surplus / (deficit) on available for sale investment	General reserve	Sub Total	Unappropriated profit	Total
	Rupees							
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
Dividend for the year ended June 30, 2006							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2007	-	-	-		-	-	83,197,271	83,197,271
Available for sale investment - valuation gain taken to equity				80,318	-	80,318		80,318
Balance as at June 30, 2007	31,250,000	1,200	50,000,000	716,437	65,000,000	115,717,637	465,930,301	612,897,938
Dividend paid for the year ended June 30, 2007							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2008							27,186,579	27,186,579
Loss on Merger of Pioneer Spinning Mills Limited refer note 1.2							(131,895,857)	(131,895,857)
Reserve on Merger of Pioneer Spinning Mills Limited refer note 34							5,975,165	5,975,165
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year							3,588,282	3,588,282
								-
Available for sale investment - unrealized loss taken to equity				(99,162,100)		(99,162,100)	-	(99,162,100)
Balance as at June 30, 2008	31,250,000	1,200	50,000,000	(98,445,663)	65,000,000	16,555,537	366,096,970	413,902,507

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 0 8 , 2008

QUETTA TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

2.4 Use Of Estimates And Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 New Accounting Standards And IFRIC Interpretations That Are Not Yet Effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- **Revised IAS 1 - Presentation of Financial Statements;**
- **Revised IAS 23 - Borrowing costs;**
- **IAS 29 - Financial Reporting in Hyperinflationary Economies;**
- **IAS 32 (amendment) - Financial instruments: presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;**
- **IFRS 2 (amendment) - Share-based payments;**
- **IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 – Interest in Joint Ventures;**
- **IFRS 7 - Financial Instruments: Disclosures;**
- **IFRS 8 - Operating Segments;**
- **IFRIC 12 - Service Concession Arrangements;**
- **IFRIC 13 - Customer Loyalty Programmes;**
- **IFRIC 14 - IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction;**
- **IFRIC 15 - Agreement for the Construction of Real Estate;**
- **IFRIC 16 - Hedge of Net Investment in a Foreign Operation**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Employee benefits

Compensated absences

The Company accounts for all accumulated compensated absences in the period in which absences accrue.

Post retirement benefits

Defined benefit plans

The Company operates an unfunded gratuity scheme for its permanent employees as per the terms of employment who have completed minimum qualifying period of service as defined under the scheme.
The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company’s obligations are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.
Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

3.3 Taxation

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.

3.4 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.

3.5 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.

3.6 Property, plant and equipment – 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.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date. Depreciation is charged to profit and loss account at rates mentioned in Operating Fixed assets notes .

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

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 property plant and equipment

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.

3.7 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.

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

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

Available for sale

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

Derivative financial instruments

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

3.8 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.

3.9 Stock in trade

Raw material are valued at the lower of 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.

3.10 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.

3.11 Cash and cash equivalent

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

3.12 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 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.

4.1 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.

4.2 Borrowing cost

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

4.3 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.

4.4 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.

4.5 Dividend

The dividend declared is recognised as a liability in the period in which it is declared.

4.6 Significant accounting judgments and estimates

Estimates and judgments are continually evaluated by the management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Companies' Accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.2 to the financial statements.

b) Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

c) Interest rate and cross currency swap

The Company has entered into various interest rate and cross currency swap transactions. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

4.7 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 2008 RUPEES	Jun-30 2007 RUPEES
5.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	No. of shares		
	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
	3,125,000	31,250,000	31,250,000

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 PROPERTY**

	2008	2007
Opening balance	119,794,763	119,794,763
Add: Transferred during the period from Pioneer Spinning Mills Limited refer note 1.2.	287,062,595	-
	406,857,358	119,794,763
Less : Related Deferred tax Liability	(64,133,291)	-
	342,724,067	
Less: Transferred from surplus on revaluation of Property Plant Equipment on account of incremental depreciation charged in the current period- net of deferred tax	(2,332,383)	-
Closing balance	340,391,684	119,794,763

6.1 On May 27, 2005 and Jun 24, 2005 , Land was revalued by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants,

on the basis of market value and realizable values which resulted in net revaluation surplus amounting to Rs. 119,794,763.

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

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

7 **DUE TO DIRECTORS AND OTHERS-SUBORDINATED**
Unsecured

	2008	2007
Due to directors	233,800,000	149,900,000
Due to others	504,861,770	340,100,000
	738,661,770	490,000,000

These are non mark-up bearing and unsecured. It is repayable after more than one year. The loan upto Rs.738,000,000(2007: 490,000,000) is subordinated to bank loans.

			Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
8	**LOAN FROM FINANCIAL INSTITUTIONS**			
	Syndicated Term Finance	8.1	225,000,000	375,000,000
	MCB Bank Ltd	8.2	7,066,000	14,132,000
	MCB Bank Ltd-LTF	8.3	9,184,000	18,368,000
	Habib Bank Ltd	8.4	13,230,873	19,846,310
	Habib Bank Ltd-LTF	8.5	65,422,986	109,038,310
	Habib Bank Ltd	8.6	32,817,940	46,813,333
	Bank Alfalah Ltd	8.7	12,500,000	25,000,000
	Askari Bank Ltd	8.8	39,937,715	47,925,250
	Askari Bank Ltd-LTF	8.9	33,690,857	50,536,286
	Allied Bank Ltd-LTF	8.10	145,805,687	213,501,183
	National Bank of Pakistan	8.11	75,267,338	87,811,894
	National Bank of Pakistan-LTF	8.12	31,027,218	43,438,106
	Bank of Punjab	8.13	13,790,046	16,088,387
	Bank of Punjab-LTF	8.14	23,709,954	27,661,613
	First Credit & Investment Bank	8.15	40,625,000	56,875,000
	Faysal Bank Ltd - LTF	8.16	39,145,968	46,000,000
	Saudi Pak Commercial Bank Ltd - LTF	8.17	40,594,252	45,999,999
	Saudi Pak Ind, & Agri. Investment Company - LTF	8.18	38,333,333	46,000,000
	Habib Metropolitan Bank Ltd	8.19	50,418,000	75,918,000
	Pak Oman Investment Co. Ltd. - LTF	8.20	14,189,000	18,243,000
	National Bank of Pakistan	8.21	500,000,000	500,000,000
	Al Baraka Islamic Bank	8.22	30,625,000	35,000,000
	Saudi Pak Commercial Bank Ltd	8.23	150,000,000	150,000,000
	Habib Bank Ltd - LTF	8.24	13,400,000	13,400,000
	Al Baraka Islamic Bank		-	13,114,166
	Saudi Pak Commercial Bank Ltd - LTF	8.25	26,120,785	-
	NIB Bank Ltd	8.26	100,000,000	100,000,000
	Faysal Bank Ltd	8.27	75,000,000	-
			1,846,901,952	2,195,710,837
	Less: current portion		413,479,057	475,727,509
			1,433,422,895	1,719,983,328
	Add: transferred from short term loans	8.28	731,266,557	370,600,000
			2,164,689,452	2,090,583,328

8.1 Personal guarantees of all directors and first pari passu charge on current and future fixed assets amounting to Rs.1000 million and equitable mortgage over land and building. The charge should cover the principal of the facility with a 25% margin. Total

8.2 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed assets amounting to Rs. 48.5 million located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.65 million, markup payable semi annually @ 6

8.3 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed amounting to Rs. 26.5 million assets located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.22.960 million, markup payable quarterly @ S

8.4 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 119 million. Total facility amount is Rs.220 million, markup payable semi annually @ 6MK + 1.35%. Loan is repayable in 10

8.5 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 175 million. Total facility amount is Rs.130.845 million, markup payable quarterly @ SBP rate +2%. Loan is repayable in 06

8.6 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 100 million. Total facility amount is Rs.75 million, markup payable semi annually @ 6Mk +2%. Loan is repayable in 10 semi annual installme

8.7 Personal guarantees of all directors and first pari passu charge on fixed assets of Unit No. 03, B-4, SITE, Kotri amounting to Rs. 200 million. Total facility amount is Rs.100 million, markup payable quarterly @ 6mk +2%. Loan is repayable in 16 semi annu

8.8 Personal guarantees of all directors and first pari passu charge amounting PKR 102 million over fixed assets. Total facility amount is Rs.135 million, markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 08 semi annual installments commencing

8.9 Personal guarantees of all directors and first pari passu charge amounting PKR 78 million over fixed assets. Total facility amount is Rs.58.959 million. markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual installments commenc

8.10 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 347 million. Total facility amount is Rs. 255.159 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual i

8.11 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 134 million. Total facility amount is Rs.150 million, markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual installm

8.12 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 66 million . Total facility amount is Rs.49.643 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual ins

8.13 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 24.66 million. Total facility amount is Rs.18.387 million, markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annua

8.14 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 42. Total facility amount is Rs.31.613 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual installment

8.15 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 86.67 million. Total facility amount is Rs.65 million, markup payable semi annually @ 6MK + 1.75%. Loan is repayable in 08 semi annual in

8.16 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual inst

8.17 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual inst

8.18 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual inst

8.19 Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million. Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual installments commenci

8.20 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 38 million. Total facility amount is Rs. 30 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 20 semi annual installments commencing f

8.21 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 667 million. Total facility amount is Rs. 500 million, markup payable semi annually @ 6MK +2.25%. Loan is repayable in 08 semi annual installments commencin

8.22 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 43.750 million.Total facility amount is Rs. 35 million, markup payable quarterly @ 6MK +2.4 %. Loan is repayable in 08 semi annual installments co

8.23 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 200 million. Total facility amount is Rs. 150 million, markup payable quarterly @ 6MK + 2.75%. Loan is repayable in 18 semi annual installments co

8.24 Secured against the securities provided under 8.4, 8.5 and 8.6 above. No further securities provided under this facility. Total facility amount is Rs.15 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 12 semi annual installments co

8.25 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs.67 million. Total facility amount is Rs. 50 million, markup payable quarterly @ SAP RATE + 2%. This LTF Loan is repayable in 18 semi annual instal

8.26 Personal guarantee of all directors and on the fixed assets of the company to the extent of Rs.167 million. Total facility amount is Rs. 100 million, markup payable quarterly @ 3MK + 2%. This Loan is repayable in 16 semi annual installments commencing

8.27 Personal guarantee of all directors and first exclusive charge on land and building to the extent of Rs.75 million(2007 Rs. 75 million) and first exclusive charge on all present and future plant and machinery to the extent of Rs. 250 million (2007 250

8.28 It is included as non - current under treatment permissible as per paragraph 63 of IS 1. The Company has refinanced the obligation on a long term basis. This intention is supported by various agreements executed prior to the year end.

8.28.1 It includes a five year long term loan of Rs.140 million. This will be secured by way of first pair passé charge over fixed assets of the company (hypothecation of plant and machinery and fixtures) along with 20% margin. Principal and mark up will be repa

8.28.2 It includes a four year long term loan of Rs.150 million. This will be secured by way of 10% of the leased amount and title of the leased assets. Principal and mark up will be repayable in quarterly installments in four years period from the date of disbu

8.28.3 It includes a four year long term loan of Rs.56.60 million. This will be secured by way of first pari passu hypothecation charge of Rs.80 million over fixed assets of the company along with 25% margin. Principal will be repayable in quarterly installment

8.28.4 Balance amount of Rs.24 million against facility mentioned in note 8.20 above will be drawn in the next year. Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million. Total facility amount is Rs.

8.29 The Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 360 million, maturing on October 23, 2009. The outstanding balance of this arrangement is Rs120 million as at the balance sheet date. Under

8.30 The company has Cross Currency SWAP arrangement with Standard Chartered Bank and Citi Bank. According to the agreement ,the Company would receive 6 months KIBOR rates less margins of 1.33% and 1.18%. The Company will pay 6 months LIBOR rates as per the re

		Jun-30 2008	Jun-30 2007
9	**LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)**	**RUPEES**	**RUPEES**
	Payable within one year	50,127,327	10,933,878
	Payable after one year but not more than 05 years	191,326,764	32,801,634
		241,454,091	43,735,512
	Less: deferred finance cost	(64,873,570)	(9,021,564)
		176,580,521	34,713,948
	Add: security deposit	5,020,578	34,749
	Less: current maturity	(27,396,288)	(7,191,580)
	Present value of minimum lease payments	154,204,811	27,557,117

9.1 The Company has entered into lease agreement with First National Bank Modaraba,Al-Baraka Islamic Bank and and Dawood Islamic Bank for lease of plant and machinery on half yearly payments basis. The lease contains bargain purchase option.

9.2 The lease is secured by way of a ranking charge of Rs.46.67 (2007: Rs 46.67) million over immovable assets of Unit -1 & 4 of the Company, personal guarantees of two directors and security deposit equivalent to 0.1% of the facility amount.

9.3 Implicit rate of return on lease are 10.80%,12.27% & 12.14 %.

9.4 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)	49,670,676	30,871,145
Deferred tax (Note: 10.6)	20,256,180	42,832,983
Deferred tax on Surplus of revaluation of Property Plant and Equipment.	62,877,392	-
	132,804,248	73,704,128

10.1 Movement in the net liability recognized in the balance sheet

Opening net liability	30,871,145	27,624,694
Transferred from Pioneer Spinning Mills Ltd refer note 1.2	4,478,954	
	35,350,099	27,624,694
Expense for the year (Note: 10.4)	23,881,035	9,569,860
	59,231,134	37,194,554
Contribution paid	(9,560,458)	(6,323,409)
Closing net liability	49,670,676	30,871,145

		Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
10.2	**Expense recognized in the profit and loss account**		
	Current service cost	8,074,886	4,818,697
	Interest cost	5,379,628	2,687,024
	Net actuarial (gain) / loss recognized in the year	10,426,521	2,064,139
		23,881,035	9,569,860

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	12%	11.5%
Expected rate of increase in salary	10%	7%

10.5 ***Comparison for five years***

	AS ON				
	June 30, 2008	**June 30, 2007**	**June 30, 2006**	**June 30, 2005**	**September 30, 2004**
Present value of defined benefit obligation	49,670,677	30,871,145	27,624,694	25,773,532	22,795,847

10.6 DEFERRED TAX

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

Accelerated tax depreciation allowance & Deductible temporary differences		106,170,806	105,089,766
Deferred debit arising in respect of provisions, tax losses and refunds		85,914,626	62,256,783
		20,256,180	42,832,983
	10.6.1	20,256,180	42,832,983

10.6.1	Opening balance	42,832,983	19,041,430
	Less: Debit balance of Pioneer Spinning Mills Ltd	(8,639,336)	-
	Closing balance of deferred tax liability	(20,256,180)	(42,832,983)
	Reversal/(Provision) of defferred tax liability	13,937,467	(23,791,553)

11 SHORT TERM BORROWINGS

Secured - Banking company		
Finances under mark up arrangement (Note: 11.1)	3,467,157,605	1,757,888,396
Less: transfer to long term loan (Note 8.28)	(731,266,557)	(370,600,000)
	2,735,891,048	1,387,288,396
Unsecured - (Note: 11.2)		
Directors	3,236,066	1,695,860
Others	5,152,287	6,790,950
	8,388,353	8,486,810
	2,744,279,401	1,395,775,206

11.1 The company has aggregate facilities of Rs.5.5 billion (2007 : Rs. 4.22 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry mark up at the rate ranging from3.7

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

	Jun-30 2008 RUPEES	Jun-30 2007 RUPEES

12 TRADE AND OTHER PAYABLES

Trade creditors	148,869,261	152,801,163
Accrued expenses	85,623,176	55,302,607
Workers' profit participation fund (Note: 12.1)	3,316,238	7,795,040
Unclaimed dividend	499,418	370,984
Workers' welfare fund payable	2,600,762	2,430,161
Others	17,485	120,238
	240,926,340	218,820,193

12.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 01, 2007	7,795,040	4,850,119
Transferred from Pioneer Spinning Mills Ltd (refer note 1.2)	145,932	-
Interest charged (Note: 32)	615,148	26,172
	8,556,120	4,876,291
Paid during the year	(7,690,200)	(4,805,702)
	865,920	70,589
Contribution for the year	2,450,318	7,724,451
Balance as at June 30, 2008	3,316,238	7,795,040

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 ti

13 ACCRUED MARK - UP

Accrued mark up on		
Long term secured loans	97,921,897	95,572,363
Short term loans and running finances	44,579,888	53,584,499
	142,501,785	149,156,862

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 pendi

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2008 were Rs.167.736 million (2007: Rs 167.736 million)

14.2 Commitment

14.2.1 Capital Commitments

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

14.2.2 Other commitments

Stores, spares, raw and packing materials under letter of credit	7,856,421	32,000,000

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST / REVALUATION AS AT 1-Jul-2007	ADDITION/ (ADJUSTMENT)	TRANSFERRED FROM PSM	AS AT 30/06/2008	RATE %	DEPRECIATION / AMORTIZATION AS AT 1-Jul-2007	TRANSFERRED FROM PSM	FOR THE YEAR	AS AT 30/06/2008	W. D. V. AS AT 30/06/2008
OWNED ASSETS										
Land - Leased Hold	66,196,828	-		66,196,828	-	1,747,064		906,147	2,653,211	63,543,617
Land - Free Hold	243,337,604	-	68,000,000	311,337,604	-	-			-	311,337,604
Building - Lease Hold	91,505,374	-		91,505,374	5	54,736,533		1,838,442	56,574,975	34,930,399
Building - Free Hold	97,732,724	21,367,434	166,261,859	285,362,017	5	52,440,257	54,658,002	4,139,757	111,238,016	174,124,001
Labour Colony - Lease Hold	7,717,203			7,717,203	5	6,983,166		36,702	7,019,868	697,335
Labor Colony - Free Hold	34,924,988			34,924,988	5	11,266,554		1,182,922	12,449,476	22,475,512
Plant And Machinery	2,184,340,206	61,032,867	540,372,665	2,767,805,483	5	883,082,567	242,835,531	69,931,049	1,195,576,357	1,572,229,126
		(17,940,255)				(272,790)				
Electrical Fitting	31,656,537	3,976,326	5,427,269	41,060,132	15	17,677,835	4,729,076	2,346,777	24,753,688	16,306,444
Factory Equipment	16,281,553	1,000,108	1,569,641	18,851,302	15	10,886,310	1,108,909	896,803	12,892,022	5,959,280
Office Premises	22,020,321	-	-	22,020,321	15	2,774,660	-	2,886,849	5,661,509	16,358,812
Office Equipment	13,266,309	1,433,834	3,242,098	17,942,241	15	7,134,342	2,245,612	1,059,420	10,439,374	7,502,867
Furniture And Fixture	10,283,782	564,615	1,410,291	12,258,688	15	6,275,002	1,031,376	663,247	7,969,625	4,289,063
Vehicles	31,565,304	6,934,310	4,142,238	42,641,852	15	19,680,359	3,173,061	2,337,195	25,190,615	17,451,237
TOTAL	**2,850,828,733**	**96,309,494**	**790,426,061**	**3,719,624,033**		**1,074,411,859**	**309,781,567**	**88,225,310**	**1,472,418,736**	**2,247,205,297**
		(17,940,255)	**-**							
POWER PLANT										
Building - Lease Hold	39,775,911	-		39,775,911	5	23,920,754		792,758	24,713,512	15,062,399
Building - Free Hold	37,456,234	277,130		37,733,364	5	14,482,023		1,158,907	15,640,930	22,092,434
Plant And Machinery	691,275,510	10,033,250		701,308,760	5	237,457,138		22,924,982	260,382,120	440,926,640
Electrical Fitting	34,278,295	2,105,186		36,383,481	15	7,649,794		4,187,900	11,837,694	24,545,786
Office Equipment	36,300	-		36,300	15	6,257		4,506	10,763	25,537
Furniture And Fixture	439,150	6,000		445,150	15	165,190		41,890	207,080	238,068
Factory Equipment	5,399,325	75,605		5,474,930	15	1,384,962		605,648	1,990,610	3,484,320
Vehicles	940,725	-		940,725	15	762,552		26,726	789,278	151,447
TOTAL	**809,601,450**	**12,497,171**		**822,098,621**		**285,828,670**		**29,743,317**	**315,571,987**	**506,526,631**
WEAVING ASSETS										
Building On Free Hold Land	200,450,274	1,694,140	-	202,144,414	5	67,308,816		6,701,957	74,010,773	128,133,641
Labour Colony Free Hold	23,647,884	-	-	23,647,884	5	3,428,943		1,010,947	4,439,890	19,207,994
Plant And Machinery	1,104,293,949	34,661,632	-	1,138,955,581	5	277,003,151		42,065,108	319,068,259	819,887,322
Electrical Fitting	28,549,109	-	-	28,549,109	15	11,443,421		2,565,853	14,009,274	14,539,835
Factory Equipment	10,540,418	106,500	-	10,646,918	15	2,660,151		1,182,259	3,842,410	6,804,508
Office Equipment	931,573	-	-	931,573	15	197,690		110,082	307,772	623,801
Furniture And Fixture	1,562,674	100,000	-	1,662,674	15	645,267		137,816	783,083	879,591
Vehicles	1,325,900	-	-	1,325,900	15	598,645		109,088	707,733	618,167
TOTAL	**1,371,301,781**	**36,562,272**	**-**	**1,407,864,053**		**363,286,084**		**53,883,110**	**417,169,194**	**990,694,859**
TOTAL OWNED ASSETS	**5,031,731,964**	**145,368,937** **(17,940,255)**		**5,949,586,707**		**1,723,526,613**		**171,851,737**	**2,205,159,917**	**3,744,426,787**
LEASED ASSETS										
Plant And Machinery	35,044,338	181,669,138		234,653,731	5	2,326,004		4,644,812	6,970,816	227,682,915.00
		17,940,255								
G.TOTAL 30.06.2008 Rupees	**5,066,776,302**	**327,038,075**	**790,426,061**	**6,184,240,438**		**1,725,852,617**	**309,781,567**	**176,496,549**	**2,212,130,733**	**3,972,109,702**
G.TOTAL 30.06.2007 Rupees	**4,378,754,884**	**688,021,418**		**5,066,776,302**		**1,574,380,016**		**151,472,599**	**1,725,852,615**	**3,340,923,687**

15.1 Depreciation Charged as under:

	June 30 - 2008 Rupees	June 30 - 2007 Rupees
Cost of Sale-Spinning	85,919,635	70,553,972
Cost of Sale-Weaving	53,529,900	54,319,554
Administrative Expenses	7,303,697	3,621,445
Power Plant Expenses	29,743,317	22,977,628
	176,496,549	**151,472,599**

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

Particulars	Cost	Addition	DISPOSAL	Total Cost	Accumulated Depreciation	Depreciation	Written down value
Lease Hold Land	8,433,875	-	-	8,433,875	146,228	200,441	8,087,206
Freehold land	185,862,582	-	-	185,862,582	-	-	185,862,582
Building on freehold land	87,296,628	-	-	87,296,628	34,892,327	2,620,215	49,784,086
Plant and machinery	331,142,192	-	-	331,142,192	208,450,674	6,134,576	116,556,942
Total Rupees - JUNE 30,2008	612,735,277	-	-	612,735,277	243,489,229	8,955,232	360,290,816
Total Rupees - JUNE 30, 2007	189,739,669	-	-	189,739,669	84,505	84,505	189,570,659

16 CAPITAL WORK IN PROGRESS

The movements are as follows :

	COST AT START	Addition / (Capitalization)	COST AT END
Plant & Machinery	23,276,496	19,278,732 (23,276,496)	19,278,732
Building	67,931,185	60,302,900	128,234,085
	91,207,681	79,581,632	147,512,817
June 30,2008		(23,276,496)	
		72,271,307	
June 30, 2007	266,463,675	(247,527,301)	91,207,681

		Jun-30 2008 RUPEES	Jun-30 2007 RUPEES

17 LONG TERM INVESTMENTS

Quoted Available for Sale- At Fair vale	17.1	130,210,961	-
Un-quoted Available for Sale-At Fair Value	17.2	2,078,125	2,010,704
		132,289,086	2,010,704

17.1 Quoted Available for Sale- At Fair vale

Name of Securities	No.of Shares	Cost	Fair value adjustment	Fair value
BANK OF PUNJAB LIMITED	147,500	14,265,537	(9,673,862)	4,591,675
FAUJI CEMENT LIMITED	9,464,500	162,500,014	(66,719,274)	95,780,740
NIB BANK LIMITED	933,000	19,275,105	(8,666,895)	10,608,210
UNITED BANK LIMITED	226,000	33,399,826	(14,169,490)	19,230,336
		229,440,482	(99,229,521)	130,210,961

17.2 Unquoted - Available for sale - At Fair Value

National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs.45.279 per share as on 30.06.2008 (2007: 43.81).	1,294,267	1,294,267
Appreciation in the value of investments	783,858	716,437
	2,078,125	2,010,704

18 LONG TERM DEPOSITS

Security deposits	6,512,523	1,082,964

19 STORES, SPARES AND LOOSE TOOLS

Spinning		
Stores	40,818,913	25,813,618
Spares and accessories	129,858,836	84,745,666
Loose tools	10,619,201	8,315,672
	181,296,950	118,874,956
Weaving		
Store	49,535,754	47,578,679
Power plant		
Oil and stores	49,889,137	52,889,580
	280,721,841	219,343,215

	Jun-30 2008 RUPEES	Jun-30 2007 RUPEES

20. STOCK IN TRADE

Spinning		
Raw material	1,182,390,236	599,414,486
Work-in-process	50,080,024	38,819,058
Finished goods	275,137,142	145,009,887
Waste	6,857,261	14,921,831
	1,514,464,663	798,165,262
Weaving		
Raw material	133,524,692	49,267,481
Work in process	32,758,126	24,628,416
Finished goods	390,556,268	231,909,744
Waste	3,248,000	25,720
	560,087,086	305,831,361
	2,074,551,749	1,103,996,623

21. TRADE DEBTS

- Considered good		
Exports - secured against letter of credit	131,679,522	39,559,703
Local debts - unsecured	423,940,860	336,776,569
	555,620,382	376,336,272

22. OTHER FINANCIAL ASSETS

22.1 Held for trading

In listed companies	84,659,731	84,871,371
Revaluation reserve for investment	(22,872,288)	238,344
	61,787,443	85,109,715

Details are as under: -

		2008 (Rupees)		
Name of Securities	**No.of Shares**	**Cost**	**Fair value adjustment**	**Fair value**
				-
HUB POWER CO.LIMITED	294,000	10,585,632	(2,177,232)	8,408,400
TFC INVESTMENT PAKISTAN SERVICES LIMITED	299	426,886	-	426,886
JAVED OMER VOHRA & CO LIMITED	20,000	2,700,635	(1,633,036)	1,067,599
NATIONAL BANK OF PAKISTAN	52,500	11,942,282	(4,198,532)	7,743,750
UNION LEASING LIMITED	120,000	1,867,802	(1,135,802)	732,000
				-
FAUJI FERTILIZER BIN QASIM LIMITED	250,000	11,735,641	(2,743,141)	8,992,500
JAHANGIR SIDDIQUI & CO LIMITED	5	2,761	(110)	2,651
ARIF HABIB SECURITIES LIMITED	5,000	823,243	(15,843)	807,400
JAHANGIR SIDDIQUI INVESTMENT BANK LIMITED	10,800	1,297,576	(270,820)	1,026,756
WORLD CALL TELECOM LIMITED	68,156	1,182,742	(193,117)	989,625
TRIPACK FILM LIMITED	59,000	15,666,848	(5,505,868)	10,160,980
PAKISTAN STATE OIL COMPANY LIMITED	13,000	6,201,226	(777,106)	5,424,120
PAKISTAN REINSURANCE CORPORATION LIMITED	10,000	1,056,251	(188,151)	868,100
LUCKY CEMENT LIMITED	35,000	4,643,747	(1,216,197)	3,427,550
ALLIED BANK LIMITED	97,800	11,049,463	(2,710,057)	8,339,406
ENGRO CHEMICAL LTD	12,000	3,476,996	(107,276)	3,369,720
30-June 08		**84,659,731**	**(22,872,288)**	**61,787,443**
30-June 07		**28,384,037**	**238,344**	**28,622,381**

		Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
22.2	**Related party - Subsidiary**		
	- At cost		
	Pioneer Spinning Mills Limited	-	56,487,334
	5,799,000 Ordinary shares of Rs.10 each.(Refer note 1.2)		
	Total	**-**	**56,487,334**
	Grand total (22.1 & 22.2)	**61,787,443**	**85,109,715**
23.	**LOANS AND ADVANCES**		
	Unsecured - considered good		
	Loans to - Employees	895,660.00	1,092,909
	Advance against;		
	Letter of credit	11,548,722	69,314,193
	Advance to cotton suppliers	124,880,435	119,847,483
	Store suppliers and others	17,450,022	111,589,126
	Income tax	38,561,902	15,401,399
		192,441,081	316,152,201
		193,336,741	317,245,110
24.	**SHORT TERM PREPAYMENTS**		
	Prepayments	1,350,307	493,739
25.	**OTHER RECEIVABLES**		
	Sales tax refundable	81,654,971	96,842,512
	Fair value of derivatives	2,934,517	20,882,998
		84,589,488	117,725,510
26.	**CASH AND BANK BALANCES**		
	Cash in hand	1,092,964	2,423,317
	Cash at bank in current accounts	1,762,300	3,310,087
		2,855,264	5,733,404
27.	**SALES - NET**		
	Local sales (Note: 27.1)	2,678,660,878	2,452,228,359
	Export sales (Note: 27.2)	3,090,494,360	2,460,586,655
		5,769,155,238	4,912,815,014
27.1	**Local sales**		
	Yarn	1,165,996,307	818,610,299
	Fabric	1,430,759,462	1,582,814,627
	Waste	99,862,988	65,942,392
		2,696,618,757	2,467,367,318
	Less: direct expenses		
	Commission	11,324,716	9,669,465
	Freight	6,633,163	5,469,494
		17,957,879	15,138,959
		2,678,660,878	2,452,228,359
27.2	**Export sales**		
	Yarn	2,557,004,984	1,908,305,000
	Fabric	761,923,620	717,645,476
		3,318,928,604	2,625,950,476
	Less: Direct expenses		
	Commission	41,836,783	37,161,548
	Export development surcharge	6,407,589	5,300,369
	Freight	91,041,372	70,476,431
	Selling expenses	89,148,500	52,425,473
		228,434,244	165,363,821
		3,090,494,360	2,460,586,655

		Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
28.	**COST OF GOODS SOLD**		
	Finished goods		
	Opening	391,867,182	266,863,711
	Transferred from Pioneer Spinning Mills Ltd (refer note 1.2)	204,732,426	-
	Yarn purchased	216,642,092	214,347,728
	Cost of goods manufactured (Note:28.1)	5,037,868,713	4,323,036,346
		5,851,110,413	4,804,247,785
	Closing	(675,798,671)	(391,867,182)
		5,175,311,742	4,412,380,603
28.1	**Cost of goods manufactured**		
	Raw material consumed (Note: 28.1.1)	3,719,631,147	3,105,897,758
	Wages, salaries and benefits (Note: 28.1.2)	415,142,180	339,843,787
	Stores and spares consumed	303,252,621	288,917,486
	Power, fuel and water	424,617,152	422,803,517
	Rent, rates and taxes	711,877	1,242,673
	Insurance	12,623,580	12,143,296
	Repair and maintenance	9,640,785	12,629,187
	Other expenses	23,141,285	17,634,857
	Depreciation	139,449,535	124,873,526
		5,048,210,162	4,325,986,087
	Work in process		
	Opening	63,447,474	60,497,733
	Transferred from Pioneer Spinning Mills Ltd (refer note 1.2)	9,049,227	
	Closing	(82,838,150)	(63,447,474)
		(10,341,449)	(2,949,741)
		5,037,868,713	4,323,036,346
28.1.1	**Raw material consumed**		
	Opening stock	648,681,967	703,771,905
	Transferred from pioneer Spinning Mills (refer note 1.2)	395,271,595	
	Add: Purchases	3,991,592,513	3,050,807,820
		5,035,546,075	3,754,579,725
	Closing stock	(1,315,914,928)	(648,681,967)
		3,719,631,147	3,105,897,758

28.1.2 It includes Rs.17,407,832 (2007 : Rs.9,583,611) on account of staff retirement benefits.

		Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
29	**ADMINISTRATIVE EXPENSES**		
	Director's remuneration (Note: 29.1)	1,788,000	1,788,000
	Salaries and benefits (Note: 29.2)	11,583,838	8,541,869
	Printing and stationery	1,855,358	1,135,068
	Communication	1,366,595	1,346,302
	Traveling and conveyance	2,515,955	1,835,538
	Legal and professional charges	1,476,950	834,582
	Auditors remuneration (Note: 29.3)	480,000	430,000
	Rent, rates and taxes	398,170	249,358
	Books, papers and periodicals	-	6,406
	Entertainment	740,185	480,213
	Electricity, gas and water charges	1,672,436	1,263,875
	Fees and subscription	245,710	577,405
	Repairs and maintenance	194,172	225,520
	Charity and donation (Note: 29.4)	3,046,388	-
	Depreciation	7,303,697	3,621,445
	Brokerage and discount	113,003	17,104
		34,780,457	22,352,685

29.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

	CHIEF EXECUTIVE		DIRECTOR	
	For the year ended June 30, 2008	For the year ended June 30, 2007	For the year ended June 30, 2008	For the year ended June 30, 2007
Remuneration	240,000	240,000	952,000	952000
House rent allowance	96,000	96,000	380,800	380,000
Perquisites	24,000	24,000	95,200	95,200
TOTAL	360,000	360,000	1,428,000	1,428,000
Number of persons	**1**	**1**	**4**	**4**

29.2 It includes Rupees1,549,573 (2007 : Rupees 16,753) on account of staff retirement benefits.

	Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
29.3 Auditors' remuneration		
Audit fee	330,000	300,000
Half yearly review and other certification fee	95,000	85,000
Code of corporate governance review	30,000	25,000
Out of pocket expenses	25,000	20,000
	480,000	430,000

29.4 Directors and their spouse have no interest in the donees

30 OTHER OPERATING EXPENSE		
Capital loss on sale of shares	3,661,347	-
W.P.P.F	2,450,318	7,724,451
W.W.F	-	2,430,161
Dimunition in the value of investment	23,110,632	-
	29,222,297	10,154,612

31 OTHER OPERATING INCOME		
Profit on sale of assets	-	373,844
Rental income	2,982,492	1,631,904
Dividend income	8,991,010	5,436,325
Capital gain on shares	-	12,979,943
Appreciation in the fair value of investment	-	4,834,498
	11,973,502	25,256,514

31.1 Electric power income		
Salaries and wages	12,725,042	11,389,122
Fuel and store consumed	339,289,342	341,146,752
Repair and maintenance	3,104,514	5,237,295
Other expenses	3,649,050	3,500,412
Depreciation	29,743,317	22,977,628
Generators rent		2,623,835
	388,511,265	386,875,044
Less: self use - spinning	279,166,076	267,818,810
weaving	109,345,189	119,056,234
	388,511,265	386,875,044
	-	-

	Jun-30 2008 RUPEES	Jun-30 2007 RUPEES

32 FINANCE COST - NET

Mark up on		
Finance charges on lease assets	7,705,525	
Short term loans	268,223,599	191,256,535
Long term loans	192,793,941	173,989,741
Loss on Derivative Financial instrument	46,967,705	
Workers' profit participation fund (Note: 12.2)	615,148	26,172
Bank charges	5,198,075	11,195,526
	521,503,993	376,467,974
Less: Financial income		
Interest on TFC Investment	127,533	220,380
Fair value of derivatives (Note 8.29 & 8.30)	-	20,882,998
Interest on related party loan - Pioneer Spinning Mills Ltd (refer note 1.2)	26,118,251	6,535,382
Total financial income	26,245,784	27,638,760
Net finance cost	495,258,209	348,829,214

33 TAXATION

33.1 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 Incom

34 Reserve on Merger of Pioneer Spinning Mills Limited

Paid up Capital of Pioneer Spinning Mills Ltd.	58,165,000	-
Capital reserve of Pioneer Spinning Mills Ltd.	4,297,500	-
Net book value of the assets	62,462,500	-
less: Cost of Investment of Quetta Textile Mills Ltd.	(56,487,335)	-
Reserve on Merger of Pioneer Spinning Mills Ltd	5,975,165	-

According to the Order of Sindh High Court, the Merger of Pioneer Spinning Mills Limited into Quetta Textile Mills Limited have

been taken with effect from March 31, 2008. The reserve is the excess of book value of assets taken over the cost of investmen

35. EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit after taxation	Rs.	27,186,579	83,197,271
Number of Ordinary shares		3,125,000	3,125,000
Earnings per share in rupees	Rs.	8.70	26.62

	Jun-30 2008 RUPEES	Jun-30 2007 RUPEES
36. CASH GENERATED FROM OPERATIONS		
Profit before taxation	46,556,035	144,334,414
Adjustment for item involving non movement of fund		
Depreciation	176,496,549	151,472,599
Financial charges - net	495,258,209	348,829,214
(Gain) / Loss on sale of fixed assets	-	(373,844)
Dividend income	(8,991,010)	(5,436,325)
Provision for gratuity	23,881,035	9,569,860
Provision for appreciation/ (diminution) in the value of investment	23,110,632	(4,834,498)
Provision for workers' profit participation fund	2,450,318	7,724,451
	712,205,733	506,951,457
Profit before working capital changes	758,761,768	651,285,871
(Increase)/decrease in current assets		
Stocks, stores and spares	(1,031,933,752)	(112,900,420)
Trade debts	(179,284,110)	(20,213,549)
Loans and advances, prepayments and other receivables	237,861,471	28,323,439
	(973,356,392)	(104,790,530)
Increase in current liabilities		
Creditors, accrued and other liabilities	26,456,515	48,283,197
	(188,138,109)	594,778,538

37 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises of the subsidiary company, directors and key management personnel. Amount due to/from are shown in relevant notes. Transaction with subsidiary company, Pioneer Spinning Mills Limited, now merged with Quetta Textiles Mills Lim

Purchase of yarn from subsidiary	96,479,288	273,363,600
Purchase of waste from subsidiary	3,176,375	5,491,063
Interest on loan to subsidiary	26,118,251	6,535,382

38 POST BALANCE SHEET EVENTS

The Board of Directors proposed the final dividend for the year ended June 30, 2008 of Rs.NIL (2007: Rs.1.5) per share amounting to Rs.NIL (2007: Rs. 4,687,500/-) at their meeting held on October 8, 2008 for the approval of the member at the Annual Gener

39 FINANCIAL INSTRUMENT RELATED DISCLOSURE

39.1 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 mat

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

	Effective interest rates %	FOR YEAR ENDED JUNE 30, 2007						
		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		-	-	-	85,109,715	2,010,704	87,120,419	87,120,419
Deposits		-	-	-	-	1,082,964	1,082,964	1,082,964
Trade debts		-	-	-	376,336,272	-	376,336,272	376,336,272
Cash and bank balances		-	-	-	499,418	-	499,418	499,418
		-	-	-	461,945,405	3,093,668	465,039,073	465,039,073
FINANCIAL LIABILITIES								
Loans	7.0 - 11.0	482,919,089	2,090,583,328	2,601,059,534	-	490,000,000	490,000,000	3,091,059,534
Short term finance	8.97 - 13.44	1,387,288,396	-	1,387,288,396	8,486,810	-	8,486,810	1,395,775,206
Trade and other payables		7,795,040	-	7,795,040	210,654,168	-	210,654,168	218,449,209
Dividend		-	-	-	370,984	-	370,984	370,984
		1,878,002,525	2,090,583,328	3,996,142,970	219,511,962	490,000,000	709,511,962	4,705,654,933
Total yield / mark up rate risk sensitivity gap		(1,878,002,525)	(2,090,583,328)	(3,996,142,970)	242,433,443	(486,906,332)	(244,472,889)	(4,240,615,860)

OFF BALANCE SHEET ITEMS	**June 30, 2008 Rupees**	**June 30, 2007 Rupees**
Letter of credit	7,856,421	32,000,000
Other commitments	164,000,000	164,000,000
Guarantees	167,736,000	167,736,000
	339,592,421	**363,736,000**

39.2 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

39.3 Fair value of financial instruments

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

39.4 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 ri

39.5 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.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 08, 2008 by the board of directors of the company.

41 GENERAL

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

	KHALID IQBAL	**DAANISH JAVED**
Karachi : October 0 8 , 2008	**CHIEF EXECUTIVE**	**DIRECTOR**