



23rd Annual Report

2009





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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman
Chief Executive
Directors

Khawaja Muhammad Yousuf
Khawaja Muhammad Abdullah
Khawaja Muhammad Abdul Rehman
Jami

Khawaja Muhammad Ali
Khawaja Muhammad Hussain
Khawaja Muhammad Mansoor
Khawaja Muhammad Usman

CHIEF FINANCIAL OFFICER

Khawaja Muhammad Hussain

SECRETARY

Syed Mushtaq Hussain Naqvi

AUDITORS

Mahboob Sheikh & Co.
Chartered Accountants

INTERNAL AUDIT COMMITTEE

Khawaja Muhammad Ali
Khawaja Muhammad Mansoor
Khawaja Muhammad Usman

CHIEF INTERNAL AUDITOR

Khawaja Muhammad Abubkar

BANKS

Muslim Commercial Bank Limited

National Bank of Pakistan
PICIC Commercial Bank Ltd

REGISTERED OFFICE

Mehr Dastgir,
Shaheed Yunus Dastgir Road,
Multan.
Phone: +92-61- 4512092

MISSION STATEMENT

Our mission is:

- To produce quality oriented yarn for the best satisfaction of our customers.
- To enhance the profitability of the company by the optimal mix of available resources.
- To provide healthy environment to our stakeholders.
- To create and excel the new and exciting textile-based products.

VISION STATEMENT

The management is inputting its best efforts and is enthusiastic and determined to achieve the organizational goals.

We aim and view:

1. To make our company a leading yarn manufacturing organization equipped with best technology and effective human resources.
2. To play a dynamic role in the sustained economic growth of Pakistan.
3. To achieve and maintain our status as industry leaders.

NOTICE OF THE MEETING

Notice is hereby given that 23rd Annual General Meeting of **Mehr Dastgir Textile Mills Limited** will be held on October 31, 2009 at 5:00 PM at **Mehr Dastgir, Shaheed Yunus Dastgir Road, Multan** to transact the following business.

1. To confirm the minutes of the last Extra Ordinary General meeting of the company.
2. To receive and adopt the audited accounts together with the Director's and Auditor's for the year ended June 30, 2009.
3. To appoint Auditors for the year ending June 30, 2010 and to fix their remuneration. The present Auditors M/S Mehboob Sheikh & Company Chartered Accountants retire and being eligible offer themselves for reappointment.
4. Any other business with the permission of the chairman.

Note: The share transfer book of the company will remain closed from October 17, 2009 to October 31, 2009 (both days inclusive).

By the order of the Board

Syed Mushtaq Hussain Naqvi

Company Secretary

Multan

Date: October 06, 2009

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by Proxy.
2. The instrument of proxy duly executed in accordance with the Articles of Association of the company should be deposited at the company's office at **Mehr Dastgir, Shaheed Yunus Dastgir Road, Multan** at least 48 hours before the time of meeting.
3. Shareholders are requested to immediately notify change in their address, if any.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your directors have the privilege to present the 23rd annual report together with the company's audited accounts for the year ended June 30, 2009 and the Auditor's report thereon. The salient features of the accounts are as under.

SUMMARIZED FINANCIAL DATA OF LAST SIX YEARS

Operating Results	2004	2005	2006	2007	2008	2009
Sales	192,778	365,664	255,587	251,941	230,267	89,001
Gross Profit / (Loss)	21,581	14,977	12,374	13,872	-32,078	-22,214
Operating Profit / (Loss)	14,013	9,783	3,422	3,136	-44,566	-13,715
Profit / (Loss) Before Tax	6,335	5,147	850	226	-42,627	-13,715
Profit / (Loss) After Tax	6,335	4,579	-456	-969	-43,778	-13,715
Balance Sheet						
Paid Up Capital	92,000	92,000	92,000	92,000	92,000	92,000
Reserves and Surplus	1,755	2,810	8,381	13,001	-25,369	(25,369)
Shareholders' Equity	93,755	94,810	100,384	105,008	66,631	66,631
Long Term Liabilities	154,066	156,805	146,708	141,809	77,764	77,764
Investments	300	300	300	300	300	300
Market Value of Investments	315	320	337	339	416	416
Current Assets	203,044	381,538	182,159	155,198	151,838	146,138
Financial Ratios						
Return on capital employed	0.07	0.07	0.09	0.002	0.002	0.149
Earning Per Share	0.69	0.56	0.09	0.11	-4.76	(1.49)
Gross Profit / Loss Ratio	11.19	4.10	4.84	5.51	-13.93	(24.95)
Profit Before Taxation to sales	3.29	1.41	0.33	0.09	-18.50	(15.41)
Dividend Per Share	0.25	-	-	-	-	-
Current Ratio	0.64	0.85	1	1-1.03	1:1.76	1.55-1
Stock Turnover	5.76	8.50	2.73	2.77	3.99	-
Short Term Borrowing to Sales	-	-	-	4.93	0.04	-

TURNOVER

Turnover has been decreased by Rs.141.267 million from Rs. 230.267million in the year 2008 to Rs. 89.001 million in the year 2009 registering a decreased of 158.88%.

GROSS LOSS

Gross Loss in the year 2009 is amounting to Rs. 22.214 million as compare to last year 2008. Gross loss amounts to Rs. 32.078 million.

NET LOSS

Net Loss in the year 2009 is amounting to Rs. 13.715 million as compare to last year 2008. Net loss amounts to Rs. 42.627 million.

FROZEN BALANCES

There is a head in Balance Sheet named, Frozen Balance which comprises losses on account of depreciation on revalued assets & frozen markup of the commercial banks. It was created in year 2003 with the amount of Rs 268.749 Million.

The management presented this portion separately out of the equity because these are to be written off by banks in the subsequent years by paying off the principal liabilities.

The frozen balance has reduced by Rs 110.742 Million to Rs 158.007 Million at the year ended June 30, 2005. In 2008 management is made agreement with MCB Bank Limited waiver off the markup on principal loan amounting to Rs.46.106 million.

Currently the MCB Bank is waiver off an amount of Rs. 15.000 million from frozen markup.

BOARD OF DIRECTORS

During the year 12 meeting of the board of directors were held attendance of each director was as follows

Name of Directors	No. of Meeting Attendance	Name of Directors	No. of Meeting Attendance
Khawaja Muhammad Yousuf	12	Khawaja Muhammad Abdul Rehman Jami	12
Khawaja Muhammad Abdullah	12	Khawaja Muhammad Mansoor	11
Khawaja Muhammad Ali	12	Khawaja Muhammad Usman	12
Khawaja Muhammad Hussain	11		

Leave of Absence was granted to directors who could not attend the board meeting.

PATTERN OF SHAREHOLDERS

A Statement Showing the pattern of Shareholding in the company as at June 30, 2009 is included in this report.

SURPLUS ON REVALUATION OF FIXED ASSETS

Revaluation of free hold land, building on freehold land and plant and machinery was carried out as on June 30, 2005 by an independent valuator M/s Hasib Associates (Pvt.) Limited Lahore on the basis of Depreciated replacement value. this balance has been adjusted during the year.

APPOINTMENT OF AUDITORS

The present Auditors M/S Mehboob Sheikh & Co. Chartered Accountants, Multan retired and being eligible offer themselves for reappointment.

FIXED ASSETS

It has been decided by the Board of Directors passed in their meeting held on December 06 2008 that the company is under the acute financial stress and future running of the mills has become difficult and resolved and decided by the members of the company on January 12 2009 that the part of the assets of the company namely Land, Building and Plant and machinery be sold out on amount of Rs. 227.500 million for the generation of funds to squire the liabilities of the company and avoid sale/ auction as well as the litigation.

At the end your directors would like to place in record your cooperation and efforts to come over this acute problems of the company, we hope to get the same cooperation in future.

ON BEHALF OF THE BOARD OF DIRECTORS

Khawaja Muhammad Abdullah
 CHIEF EXECUTIVE
 DATED: October 02, 2009
 MULTAN.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, 43 & 36 of listing regulations of Karachi, & Lahore Stock Exchanges respectively 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 independent non-executive directors.
2. 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.
3. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
4. The Board has developed a vision/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.
5. 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.
6. The meetings of the Board were presided over by the Chairman and, in his absence, by one of the directors present elected by the Board for this purpose and the Board met at least once in every month. 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.
7. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.
8. 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. Mehr Dastgir Textile Mills Ltd. 23rd Annual Report 2009.
9. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
10. 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.

11. The Company has complied with all the corporate and financial reporting requirements of the Code.
12. The audit committee is continued and it comprises members, of whom, three are executive directors.
13. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
14. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
16. 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.
17. We confirm that all other material principles contained in the Code have been substantially complied with.

For and on behalf of the Board of Directors

Chief Executive

**INFORMATION UNDER CLAUSE XIX (I) OF THE CODE
OF CORPORATE GOVERNANCE**

	No. of Shares	Percentage %
(A) Associated Companies, Undertakings and Related Parties as on June 30, 2009	Nil	Nil
(B) NIT and ICP	Nil	Nil
(C) Director, CEO, Their Spouse and Minor Children	4,000,000	43.47
(D) Executives	122,600	1.33
(E) Public Sector, Companies and Corporations 1 - Joint Stock Companies	Nil	Nil
(F) Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas, and Mutual Funds.		
1-Financial Institutions	1,717,412	18.67
2- Investment Companies	2,000	0.02
(G) Shareholders holding ten percent or more voting interest in the listed companies.	Nil	Nil
(H) Individual	3,357,938	36.50

Information under Clause XIX(I) of the Code of Corporate Governance

The CEO, Directors, CFO, Company Secretary and their spouses and minor children have no Sale/Purchase of the company's shares during the year July 01, 2008 to June 30, 2009.

**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 MEHR DASTGIR TEXTILE MILLS LIMITED to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to 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 enquiries 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 controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that 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, 2009.

MEHBOOB SHEIKH & CO.
CHARTERED ACCOUNTANTS

Place: Multan

Date: October 02, 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **M/S. Mehr Dastgir Textile Mills Limited** as at June 30, 2009 and related Profit and Loss account, Cash Flow Statement, Statement of Changes in Equity together with notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statement in the conformity with approved accounting standards and requirements of 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 statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- 1.1 During the year, the company, through special resolution disposed off its main assets in order to settle its liabilities. The company curtailed its operations in the month of September 2008 and dispose off its assets in the month of January 2009 and the company does not have any intention to further run the business so the going concern assumption is not valid and for this reason these accounts have been prepared on net realizable basis;
- 1.2 Refer to note # 2.5 and 2.6 these policies are contrary to IAS-16 and IAS-19 respectively;
- 1.3 Trade and other payables of Rs. 39.214 millions and current assets of Rs. 54.551 millions remained unconfirmed and unverified;
- 1.4 We want to draw attention to note # 3 and 25 where frozen balances and some other balances are adjusted against surplus on revaluation of fixed assets which remained unverified
 - a) in our opinion, proper Books of Accounts have been kept by the company as required by the Companies Ordinance, 1984;
 - b) in our opinion;

- (i) the balance sheet and profit and loss account together with notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied,
 - (ii) the expenditure incurred during the year was for the purpose of companies' business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.
- b) Because of the facts discussed in para 1.2, 1.3 and 1.4 above having consequential effects arising there from on the financial statements, we do not express an opinion on financial statements; and
- c) in our opinion no Zakat is deductible at source, under the Zakat and Ushr Ordinance, 1980.

Place: Multan
Dated: 02/10/2009

MAHBOOB SHEIKH & COMPANY
CHARTERED ACCOUNTANTS

MEHR DASTGIR TEXTILE
BALANCE SHEET

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital 10,000,000 ordinary shares of Rs.10/-each		100,000,000	100,000,000
Issued, subscribed and paid up capital 9,200,000 ordinary shares of Rs.10/- each fully paid in cash		92,000,000	92,000,000
Surplus on Revaluation of investment		115,710	115,710
Accumulated profits		(39,084,566)	(25,369,352)
		53,031,144	66,746,358
FROZEN BALANCES	23	-	(112,425,439)
SURPLUS ON REVALUATION OF FIXED ASSETS	3	-	135,315,984
NON CURRENT LIABILITIES			
Long term loans-Secured	4	-	77,764,400
CURRENT LIABILITIES			
Trade and other payables	5	62,281,678	113,996,256
Short-term finance	6	-	9,309,000
Current portion of long term loans	7	32,158,806	41,125,200
		94,440,484	164,430,456
Provision for taxation		-	4,220,160
CONTINGENCIES & COMMITMENTS	8	-	-
		147,471,628	336,051,919

Khawaja Muhammad Yousaf
Chairman

Khawaja Muhammad Abdullah
Chief Executive

Khawaja Muhammad Hussain
Director /CFO

MILLS LIMITED
AS AT JUNE 30, 2009

NON CURRENT ASSETS	Note	2009 Rupees	2008 Rupees
Property, plant and equipment	9	851,307	214,368,984
Long Term Investment	10	415,710	415,710
Long Term Deposits	11	66,450	66,450
		1,333,467	214,851,144
CURRENT ASSETS			
Stores and spares	12	-	1,327,895
Stocks in trade	13	-	13,439,748
Trade debtors	14	1,046,896	14,308,975
Loans and advances	15	67,956,355	28,763,310
Other receivables	16	59,956,000	20,566,365
Due from Government departments	17	17,146,183	41,302,237
Cash and bank balances	18	32,727	1,492,245
		146,138,161	121,200,775
		<u>147,471,628</u>	<u>336,051,919</u>

Auditor's Report as per annexed

The annexed notes form an integral part of these accounts.

Khawaja Muhammad Yousaf
Chairman

Khawaja Muhammad Abdullah
Chief Executive

Khawaja Muhammad Hussain
Director /CFO

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

	Note	2009 Rupees	2008 Rupees
Sales - net	19	89,000,970	230,211,878
Cost of sales	20	111,215,010	262,290,026
Gross (loss)		(22,214,040)	(32,078,148)
Other operating income	21	14,199,276	4,535,726
Administrative expenses	22	(4,879,071)	(10,448,046)
Distribution and marketing expenses	23	(251,683)	(2,040,346)
Finance cost	24	(569,696)	(2,596,306)
Net(loss)/ profit before taxation		(13,715,214)	(42,627,120)
Provision for taxation	24	-	(1,151,340)
Net (loss) after taxation		(13,715,214)	(43,778,460)
Earnings per share	28	(1.49)	(4.76)

Auditor's Report as per annexed
The annexed notes from 1 to 35 form an integral part of these accounts.
**Khawaja Muhammad Yousaf
Chairman**
**Khawaja Muhammad Abdullah
Chief Executive**
**Khawaja Muhammad Hussain
Director/ CFO**

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**MEHR DASTGIR TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees
a) CASH FROM OPERATING ACTIVITIES		
Net (loss)/ profit before taxation	(13,715,214)	(42,627,120)
Adjustments for non-cash items		
Depreciation	114,837	10,038,013
Profit on sales of fixed assets	(14,198,776)	(3,323,264)
NRV adjustment	131,616	
Financial charges	569,696	2,596,306
Adjustment of Frozen balance	(27,123,390)	45,581,942
Operating profit before working capital changes	(54,221,231)	12,265,877
Changes in working capital		
Increase) / Decrease in current assets		
Stores and spares	1,327,895	87,518
Stock in trade	13,439,748	(10,046,687)
Trade debtors	13,262,079	25,800,993
Advances, deposits and other receivables	(54,432,626)	18,156,722
Increase / (Decrease) in current liabilities		
Creditors, accrued and other liabilities	(51,725,893)	4,007,108
	<u>(78,128,797)</u>	<u>38,005,654</u>
Cash generated from operations	(132,350,028)	50,271,531
Financial charges paid	(569,696)	(2,596,306)
Net cash from operating activities	<u>(132,919,724)</u>	<u>47,675,225</u>
b) CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(1,607,000)
Sales proceeds of fixed assets	227,500,000	4,559,586
Net cash used in investing activities	<u>227,500,000</u>	<u>2,952,586</u>
c) CASH FROM FINANCING ACTIVITIES		
Proceeds/(payments) of long term loans	(86,730,794)	(48,676,627)
Proceeds/(payments) of short term loans	(9,309,000)	(1,950,000)
Net cash used in financing activities	<u>(96,039,794)</u>	<u>(50,626,627)</u>
Net increase / (decrease) in cash and bank balances (a+b+c)	(1,459,518)	1,184
Cash and bank balances at the beginning of the year	<u>1,492,245</u>	<u>1,491,061</u>
Cash and bank balances at the end of the year	<u>32,727</u>	<u>1,492,245</u>

Khawaja Muhammad Yousaf
Chairman

Khawaja Muhammad Abdullah
Chief Executive

Khawaja Muhammad Hussain
Director/ CFO

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

	Share Capital Rupees	Surplus on Revaluation of long term investment Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at July 01, 2007	92,000,000	116,160	13,007,633	105,007,633
Profit/ (loss) for the year	-	-	(43,778,460)	(43,778,460)
Transferred from revaluation surplus	-	-	5,401,475	5,401,475
Surplus on revaluation of investment	-	(450)	-	(450)
Balance as at June 30, 2008	92,000,000	115,710	(25,369,352)	66,630,648
Balance as at July 01, 2008	92,000,000	115,710	(25,369,352)	66,746,358
Profit/ (loss) for the year	-	-	(13,715,214)	(13,715,214)
Balance as at June 30, 2009	92,000,000	115,710	(39,084,566)	53,031,144

Khawaja Muhammad Yousaf
Chairman

Khawaja Muhammad Abdullah
Chief Executive

Khawaja Muhammad Hussain
Director/ CFO

MEHR DASTGIR TEXTILE MILLS LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009****STATUS AND ACTIVITIES**

Mehr Dastgir Textile Mills Limited is a public limited company incorporated in Pakistan on February 22, 1987 under the Companies Ordinance, 1984. The shares of the company were offered for public subscription on August 29, 1994 and quoted on Karachi and Lahore Stock Exchanges. Registered office of the company is situated at Mehr Dastgir, Shaheed Younas Dastgir Road, Multan. The company manufactures cotton and cotton mixed yarns. As on January 12, 2009 the company through its special resolution of members decided to dispose off Land, Building and Plant and Machinery of the company in order to settled its liabilities and the disposal of the said assets were made on January 26, 2009.

SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting Convention**

These accounts have been prepared on net realisable value basis as going concern assumption is not valid.

2.2 Basis of Preparation**2.2-A**

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

2.3 Foreign Currency

Assets and liabilities in foreign currencies are converted into Pak rupees at rates of exchange ruling on the balance sheet date, except those covered under forward exchange contract and exchange risk cover scheme which are converted at the cover rate. Exchange differences are included in current income.

2.4 Taxation**Current**

Provision for current taxation is made at the current rates of taxation on taxable income for the year, if any. Tax credits and brought forward losses are recognized for arriving at taxable income for the year.

Deferred

Deferred tax is recognized using the liability method, on major temporary differences at the balance sheet date calculated at the prevailing rates, between the tax bases of assets and liabilities and their carrying costs for the purposes of financial reporting. Deferred tax liabilities are recognized for all taxable temporary differences and the deferred tax assets temporary differences, as required by IAS-12 (Income Tax) are recognized to the extent that such differences will reverse in the due future and taxable income will be available for deducting temporary differences. The company does not have any unabsorbed cash or accounting depreciation to be carried forward to the current year. As such the company has not provided any

2.5 Fixed Assets and Depreciation

Fixed assets are valued at cost less accumulated depreciation calculated on diminishing balance method, except free hold land which is stated at revalued amount. Building on freehold land and plant & machinery are valued at revalued amounts less accumulated depreciation. Depreciation is charged at the rates prescribed in Third Schedule of the Income Tax Ordinance, 2001. Full year's depreciation is provided in the year of purchase and no depreciation is charged in the year, in which the assets is sold or scrapped out. Depreciation is charged on revalued amounts @ 5% on W.D.V or as stated. The surplus arising out of revaluation is a classified specific reserve of capital nature and has been transferred to Surplus arising on revaluation of fixed assets and shall be treated in accordance with law as laid down in Section 235 of the Companies Ordinance, 1984.

2.6 Staff Retirement Benefits

The company operates an unfunded gratuity scheme covering all its employees and gratuity expense is accounted for on payment basis.

Provision for gratuity has not been made in these accounts on accrual basis which is contrary to the requirements of International Accounting Standard-19. The amount of liability as per IAS-19 has not be ascertained.

2.7 Stores and Spares

These are valued at moving average cost.

2.8 Stock in Trade

Basis of valuation are as under :

Raw Material	At average cost
Work in Process	At manufacturing cost
Finished Goods	At lower of cost or net realizable value
Waste	At realizable value

Cost in relation to work in process and finished goods represents annual average cost which consists of prime cost and appropriate manufacturing overhead. Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sales.

2.9 Trade and others payable

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.

2.10 Impairment and Uncollectibility of financial Assets

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial assets or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

2.11 Provisions

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

2.12 Trade Debtors

Known bad debts are written off and provision is made against debts considered doubtful and irrecoverable. There are no doubtful trade debtors.

2.13 Investment in Associated Companies

- i) Investment are carried at cost and no provision is made for diminution in value of investment on balance sheet date. Profit and loss on sale of investment is taken to profit and loss account in the year of sale.
- ii) The investment in share in listed companies are valued at cost or net realizable value whichever is less. No provision for diminution in value has been provided for in the current account.

2.14 Revenue Recognition

Local sales are accounted for when goods are delivered to customers and invoices raised. Export sales are recorded on realization basis and unrealized sales at year end are accounted for at amount subsequently realized. Export rebates and other refunds are accounted for on receipt basis.

2.15 Expenses Recognition

The expenses are recognized on accrual basis, or as otherwise stated.

	Notes	2009 Rupees	2008 Rupees
3 SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation		136,523,012	141,988,015
Current year incremental depreciation		-	(5,465,003)
Adjusted against frozen balances		<u>(136,523,012)</u>	-
		<u>-</u>	<u>136,523,012</u>

Revaluation of free hold land, building on freehold land and plant and machinery was carried out as on June 30, 2005 by an independent valuer M/s Hasib Associates (Pvt.) Limited Lahore on the basis of depreciated replacement value. The assets Land, Building and Plant and machinery is sold during the year and the related surplus is adjusted against the frozen balances as stated in note 23.

4 LONG TERM LOANS - SECURED
Bank Loans

MCB Bank Limited
National Bank of Pakistan

Current maturity

32,158,806	87,813,000
-	31,076,600
32,158,806	118,889,600
32,158,806	41,125,200
-	<u>77,764,400</u>

		Notes	2009 Rupees	2008 Rupees
4.1	MCB Bank Limited :			
	Principal	DF-I 4.2	-	11,813,000
	Frozen Mark-up	DF-II 4.3	32,158,806	76,000,000
			32,158,806	87,813,000
	National Bank of Pakistan	4.4	-	31,076,600
			32,158,806	118,889,600

4.2 The company during the year 2009 (on January 26, 2009) had entered into a compromise agreement with the MCB Bank Limited Multan. According to this agreement the company paid the principal amount during the year.

4.3 The company during the year 2009 (on January 26, 2009) had entered into a compromise agreement with the MCB Bank Limited Multan. Through this agreement it is decided that bank will waive off 15 million and the remaining 61 million will be in 4 installments up to 25 September, 2009.

4.4 This loan represent overdue markup on packing / cash finances of National Bank of Pakistan. The company has made the 10% down payment as per memo of understanding. The company has undertaken to repay the amount in 12 equal quarterly installment w.e.f January 2006. These loans are secured against the charge of all stocks of the company. This loan was paid during the year and the related charge was satisfied according to the Companies Ordinance, 1984.

Trade and other payables

Creditors		37,378,624	51,678,434
Accrued expenses		4,613,143	16,970,178
Advance from customers		20,289,911	32,989,648
Withholding tax		-	852,040
Others		-	11,243,987
Worker's profit participation fund	5.1	-	261,969
		<u>62,281,678</u>	<u>113,996,256</u>

5.1 Worker's profit participation fund
Opening balance

-	261,969
-	-
-	<u>261,969</u>

	Notes	2009 Rupees	2008 Rupees
SHORT TERM FINANCE			
PICIC Commercial Bank Limited		-	9,309,000
		-	9,309,000

This loan was obtained from PICIC Commercial Bank Limited as per letter dated December 07, 2007. The limit of the loan is Rs. 25.000 million, delivery of goods upon cash payment and full adjustment by the expiry of the date of the limit. It is secured under the pledge of cotton bales of the fresh crop with 13% margin duly insured by the bank mortgage. The markup rate is 3 Months KIBOR Ask rate plus 3.00% Floor 14% per annum.

Loan has been paid during the year.

CURRENT PORTION OF LOANS

Current maturity:

MCB Bank Limited	32,158,806	28,500,000
National Bank of Pakistan	-	12,625,200
	<u>32,158,806</u>	<u>41,125,200</u>

CONTINGENCIES AND COMMITMENTS

- 8.1** The company has filed writ petition in the Lahore High Court, Multan Bench to challenge the validity of the Corporate Assets Tax of Rs. 0.650 million (2008: 0.650 million) pending decision of the case.
- 8.2** The company has filed writ petition in Lahore High Court, Multan Bench challenging the validity of the Sales Tax on the sales of waste which amounts to Rs. 1.161 million (2008: Rs.1.161 million) pending decision of the case.

9. Property, plant and equipment

Particulars	COST / REVALUATION				DEPRECIATION				NRV adjustment	NRV as June 30, 2009
	As on July 01, 2008 Rupees	Additions/ (Deletions) Rupees	As on June 30, 2009 Rupees	Rate %	As on July 01, 2008 Rupees	for the year Rupees	Adjustment Rupees	As on June 30, 2009 Rupees		
Freehold land	25,000,000	(25,000,000)	-	-	-	-	-	-	-	-
Building	43,092,264	(43,092,264)	-	5	6,146,034	-	(6,146,034)	-	-	-
(on freehold land)										
Plant and machinery	176,325,171	(176,325,171)	-	5	25,000,177	-	(25,000,177)	-	-	-
Furniture and fixtures	691,843	-	691,843	10	583,670	10,817	-	594,487	97,356	(30,000)
Office equipments	2,062,079	-	2,062,079	10	1,123,102	93,898	-	1,217,000	845,079	(302,157)
Vehicles	913,615	-	913,615	20	863,005	10,122	-	973,127	40,488	200,541
2009 Rupees	<u>248,084,972</u>	<u>(244,417,435)</u>	<u>3,667,537</u>		<u>33,715,988</u>	<u>114,837</u>	<u>(31,146,211)</u>	<u>2,684,614</u>	<u>982,923</u>	<u>(131,616)</u>
2008 Rupees	<u>249,255,677</u>	<u>(1,170,705)</u>	<u>248,084,972</u>		<u>23,948,802</u>	<u>10,038,013</u>	<u>(270,827)</u>	<u>33,715,988</u>	<u>214,368,984</u>	<u>-</u>

9.1 The fixed assets register is completed
9.2 Depreciation has been apportioned as follows:

Note	2009 Rupees	2008 Rupees
21	-	4,507,536
P&L	-	5,401,475
22	114,837	129,002
Administrative	114,837	10,038,013

Item	cost	Book value	Sale Value	Gain/(Loss)	Name of Party	Mode
9.3 Land	25,000,000	25,000,000	50,000,000	25,000,000	Multan Spinning Mills Multan	Negotiation
Building	43,092,254	36,946,220	38,000,000	1,053,770	-do-	Negotiation
Plant and Machinery	176,325,171	151,324,994	139,500,000	(11,854,994)	-do-	Negotiation

	Notes	2009 Rupees	2008 Rupees
10 LONG TERM INVESTMENT-AT COST			
Associated Undertaking			
Mehr Cargo (Private) Limited		415,710	415,710
		<u>415,710</u>	<u>415,710</u>
This represents investments at cost in Mehr Cargo (Pvt) Limited (An associated undertaking) with 3,000 ordinary shares of Rs. 100/- each. The break-up value of shares is Rs. 138.57 (2008: Rs. 138.57). The name of chief executive is Mr. Ghulam Fareed Khan.			
11 LONG TERM DEPOSITS AND DEFERRED COST			
Security with:			
WAPDA		58,900	58,900
Telephone		2,000	2,000
Sui Gas		5,550	5,550
		<u>66,450</u>	<u>66,450</u>
13.1			
11.			
12. STORE AND SPARES			
Stores		-	451,992
Spares		-	875,903
		-	<u>1,327,895</u>
13. STOCKS IN TRADE			
Raw material		-	10,911,700
Work in process		-	1,496,530
Finished goods:			
Cotton yarn		-	962,800
Waste		-	68,718
		-	<u>1,031,518</u>
		-	<u>13,439,748</u>
14. TRADE DEBTORS			
Secured against export bills		-	11,869,122
Local Unsecured - Considered good		1,046,896	2,439,853
		<u>1,046,896</u>	<u>14,308,975</u>

	Notes	2009 Rupees	2008 Rupees
15. LOANS AND ADVANCES			
Advances to employees		668,722	2,591,183
Advances to suppliers		67,287,633	25,558,636
Letter of credits		-	613,491
		<u>67,956,355</u>	<u>28,763,310</u>
16 OTHER RECEIVABLES			
Receivable from:			
Insurance companies	16.1	-	1,152,503
Commercial banks	16.2	-	18,926,113
Others		59,956,000	487,749
		<u>59,956,000</u>	<u>20,566,365</u>
16.1	This represents premium receivable from the insurer. This amount charged off during the year.		
16.2	This represents amount due from the banks, the cases for the refund are under process with competent authorities. This amount is settled with banks.		
16.3	This represents the amount due from Multan Spinning Mills in respect of sales of Land, Building and Plant and Machinery.		
17 DUE FROM GOVERNMENT DEPARTMENTS			
Sales tax deposits		-	39,550
Income tax		3,498,163	27,648,218
Sales tax refundable		13,648,020	13,608,469
		<u>17,146,183</u>	<u>41,296,237</u>
18 CASH AND BANK BALANCES			
Cash in hand		668	998
Cash at banks			
In current accounts		32,059	47,563
In deposit accounts	18.1	-	1,382,507
In margin accounts		-	61,177
		<u>32,059</u>	<u>1,491,247</u>
		<u>32,727</u>	<u>1,492,245</u>
18.1	These represents PLS term deposit and capital growth certificates which are held by MCB Bank Limited under lien against guarantees issued in favour of Collector of Customs, Lahore. This amount settled during the year.		

	Notes	2009 Rupees	2008 Rupees
19 SALES			
Local Sales			
Yarn		44,605,143	219,825,323
Polyester		39,608,737	6,845,020
Waste		1,306,394	3,597,255
Cotton		3,564,513	-
		89,084,787	230,267,598
Less: Commission		83,817	55,720
		<u>89,000,970</u>	<u>230,211,878</u>
20 COST OF GOODS SOLD			
Raw material consumed	20.1	83,994,728	176,735,766
Packing material consumed		566,393	2,402,879
Salaries, wages and benefits		12,552,089	27,050,005
Power and fuel		6,586,928	33,988,526
Stores consumed		4,065,960	8,356,711
Repair & maintenance		845,939	3,193,918
Insurance		-	438,354
Depreciation	9.2	-	9,909,011
Other expenses		74,925	66,210
		<u>108,686,962</u>	<u>262,141,380</u>
Adjustment of work in process:			
Opening stock		1,496,530	1,957,387
Closing stock		-	(1,496,530)
		1,496,530	460,857
		<u>110,183,492</u>	<u>262,602,237</u>
Adjustment of finished goods:			
Opening stock		1,031,518	719,307
Closing stock		-	(1,031,518)
		1,031,518	(312,211)
		<u>111,215,010</u>	<u>262,290,026</u>
20.1 Raw Material Consumed			
Opening stock		10,911,700	716,367
Purchases and direct expenses		73,083,028	186,931,099
		83,994,728	187,647,466
Less: Closing stock		-	(10,911,700)
		<u>83,994,728</u>	<u>176,735,766</u>

	Notes	2009 Rupees	2008 Rupees
21 OTHER INCOME			
Profit on sale of fixed assets		14,198,776	3,323,264
Gain on sales of scrap		500	1,212,462
		14,199,276	1,212,462
22 ADMINISTRATIVE EXPENSES			
Director's remuneration		570,000	1,140,000
Salaries & wages		707,727	938,574
Traveling and conveyance		112,489	86,383
Vehicle running & maintenance		876,721	4,655,057
Rent, rates and taxes		44,656	7,794
Power & fuel		1,001,016	1,321,672
Entertainment		352,820	1,092,785
Communication		278,473	606,267
Printing and stationery		191,641	147,300
Legal & professionals		230,000	112,400
Auditors' remuneration		75,000	75,000
Depreciation	9.2	114,837	129,002
NRV adjustment		131,616	-
Other expenses		192,075	135,812
		4,879,071	10,448,046
23 DISTRIBUTION AND MARKETING EXPENSES			
Forwarding expenses :			
Local		147,570	1,088,112
Advertisement		23,500	8,667
Quality yarn claim		80,613	943,567
		251,683	2,040,346
24 FINANCE COST			
Markup on finances		400,476	2,222,460
Bank charges and commission		169,220	373,846
		569,696	2,596,306

25 FROZEN BALANCES

The adverse losses of Rs.268 million on account of depreciation on revalued assets and Rs.60 million on other assets as at September 30, 2002 stands frozen and the company is of the opinion that this amount mostly comprises of revalued depreciation and financial expenses and that such adverse balances are adjustable against the benefits to accrue on the frozen bank markup facilities, surplus arising on revaluation of land buildings and plant and machinery, the remaining balances if any shall be adjusted against accumulated current balances of profit and loss appropriation account and revalued assets. After adjustments, the balance stands reduced to Rs. 158 million in June 30, 2005 there being a movement in the balances amounting to Rs. 45.582 million in June 30, 2008.

During the year 2008-09 the company adjusted the outstanding balances and the markup stated in note 16.2 against "Surplus on Revaluation of Fixed Assets". To be read with note number 3 and 9.

26 TAXATION

No Provision for taxation has been made in these accounts under section 113 of Income Tax Ordinance 2001 due to current year loss amounting to Rs. 13.715 million. Deferred tax liability being immaterial has not been provided. To be read with Note # 2.4 annexed.

27 REMUNERATION & OTHER BENEFITS TO DIRECTOR AND EXECUTIVE

	Notes	2009 Rupees	2008 Rupees
CHIEF EXECUTIVE			
Remuneration		200,000	400,000
Perquisites		100,000	200,000
		300,000	600,000
Number of persons		1	1
DIRECTORS			
Remuneration		180,000	360,000
Perquisites		90,000	180,000
		270,000	540,000
Number of persons		2	2

27.1 Chief Executive has been provided with the facility of free use of residential telephone, gas, electricity and company car. Working value of which is Rs. 225,000 (2008: Rs. 1,010.150) approximately.

27.2 Meeting fee is not claimed by the directors.

28 CAPACITY AND PRODUCTION

Number of spindles installed	16,224	16,224
Average number of spindles worked	-	16,224
Number of shifts worked	94	979
Capacity of yarn at 20/s count (Kgs)	1,188,794	3,525,670
Actual production at 20/s count (Kgs):	455,780	3,363,625

The decline in production is because of un-scheduled electricity load shedding around the period and the factory was closed on the first week of September, 2008. The main assets of the company i.e. Land, Building and Plant and machinery were sold during the year ended June 30, 2009.

29 NUMBER OF EMPLOYEES

The company had Nil (2008 238) employees at average.

30 EARNINGS PER SHARE-BASIC

There is no dilutive effect on the basic earnings per share of the company which is based on :

(Loss)after taxation (Rupees)	(13,715,214)	(43,778,460)
Weighted average number of ordinary shares	9,200,000	9,200,000
Earnings per share (Rupees)	<u>(1.49)</u>	<u>(4.76)</u>

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES	Interest/markup bearing			Non interest/markup bearing			2009 Total	2008 Total
	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total		
FINANCIAL ASSETS								
Long term investment	-	-	-	-	415,710	415,710	415,710	300,00
Long term deposits	-	-	-	-	66,450	66,450	66,450	66,45
Trade debtors	-	-	-	1,046,896	-	1,046,896	1,046,896	40,109,96
Advances, deposits & other receivables	-	-	-	59,956,000	-	59,956,000	59,956,000	108,788,63
Cash & bank balances	-	-	-	32,727	-	32,727	32,727	1,491,06
	-	-	-	61,035,623	482,160	61,517,783	61,517,783	150,756,11
FINANCIAL LIABILITIES								
Long term loans	32,158,806	-	32,158,806	-	-	-	32,158,806	166,421,54
Short term finance	-	-	-	-	-	-	-	12,415,00
Creditors, accrued & other liabilities	-	-	-	62,281,678	-	62,281,678	62,281,678	109,977,83
	32,158,806	-	32,158,806	62,281,678	-	62,281,678	94,440,484	288,814,37

EFFECTIVE INTEREST/MARK-UP/PROFIT RATES

Financial Liabilities	2009	2008
Long term loans	12 percent per annum	12 percent per annum
Short term finance	14 percent per annum	14 percent per annum

The above schedule explains the risk by borrowing new funds.

31.1 Concentration of Credit Risks

The company's Credit risk exposure is not significantly different from that reflected in the financial statement . The management monitors and limits company exposure of the credit risk through monitoring of clients credit exposure and conservative estimate of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

31.2 Interest rate risk

The company is not exposed to interest rate risk. The rates of interest are disclosed in the relevant notes to the accounts.

31.3 Liquidity risk

The company's management closely monitors the company's liquidity and cash flows position.

31.4 Foreign exchange risk

The company is not materially exposed to foreign currency risk on the assets and liabilities.

31.5 Fair value of Financial Instruments

The net fair value of all the financial instruments has been based on the valuation methodology outline below.

31.6 Foreign exchange risk

For the non current liabilities the fair values have been taken at book values as these are not considered materially different based on the current markup rates of return and repricing profiles of similar non current liabilities.

31.7 Other financial Instruments

The fair values of all the financial instruments are considered to approximate their book values as they are short term in nature.

31.8 Impairment of Assets

The company has not provided for any impairment costs on current and non-current assets as it is of the view that the replacement cost of assets exceeds the declared assets.

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement consists of cash in hand and cash at banks.

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statement were authorized for issue on October 02, 2009 by the Board of Directors of the company.

34. GENERAL

Figures of the previous year have been re- arranged wherever necessary to confirm with those of current year.

Balance confirmation certificates were circulated, discrepancies wherever reported were reconciled.

There were no capital commitments as at balance sheet date.

All receivables, debtors and others balance due to company as at balance sheet date, are considered good and no provision for bad and doubtful debts has been made.

35. COMPARATIVES

Previous year figures have been rearranged wherever necessary. for the purposes of comparison. There were no major changes in comparatives during the year.

Khawaja Muhammad Yousaf
Chairman

Khawaja Muhammad Abdullah
Chief Executive

Khawaja Muhammad Hussain
Director/CFO

FORM - 34
**PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS OF
MEHR DASTGIR TEXTILE MILLS LIMITED AS AT JUNE 30, 2009**

Number of shareholders	Share holding		Total Shares Held
	From	To	
1,287	1	500	643,500
9	501	1,000	9,000
7	1,001	1,500	8,900
3	1,501	2,500	7,000
4	2,501	5,000	18,500
5	5,001	10,000	47,500
8	10,001	20,000	155,000
17	20,001	50,000	669,900
31	50,001	80,000	2,113,138
5	80,001	100,000	650,900
7	100,001	above	4,876,662
1,383	270,511	270,500	9,200,000

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Individuals	1,381	7,482,588	81
Financial Institution	2	1,717,412	19
	1,383	9,200,000	100

**MEHR DASTGIR TEXTILE MILLS LIMITED
FORM OF PROXY**

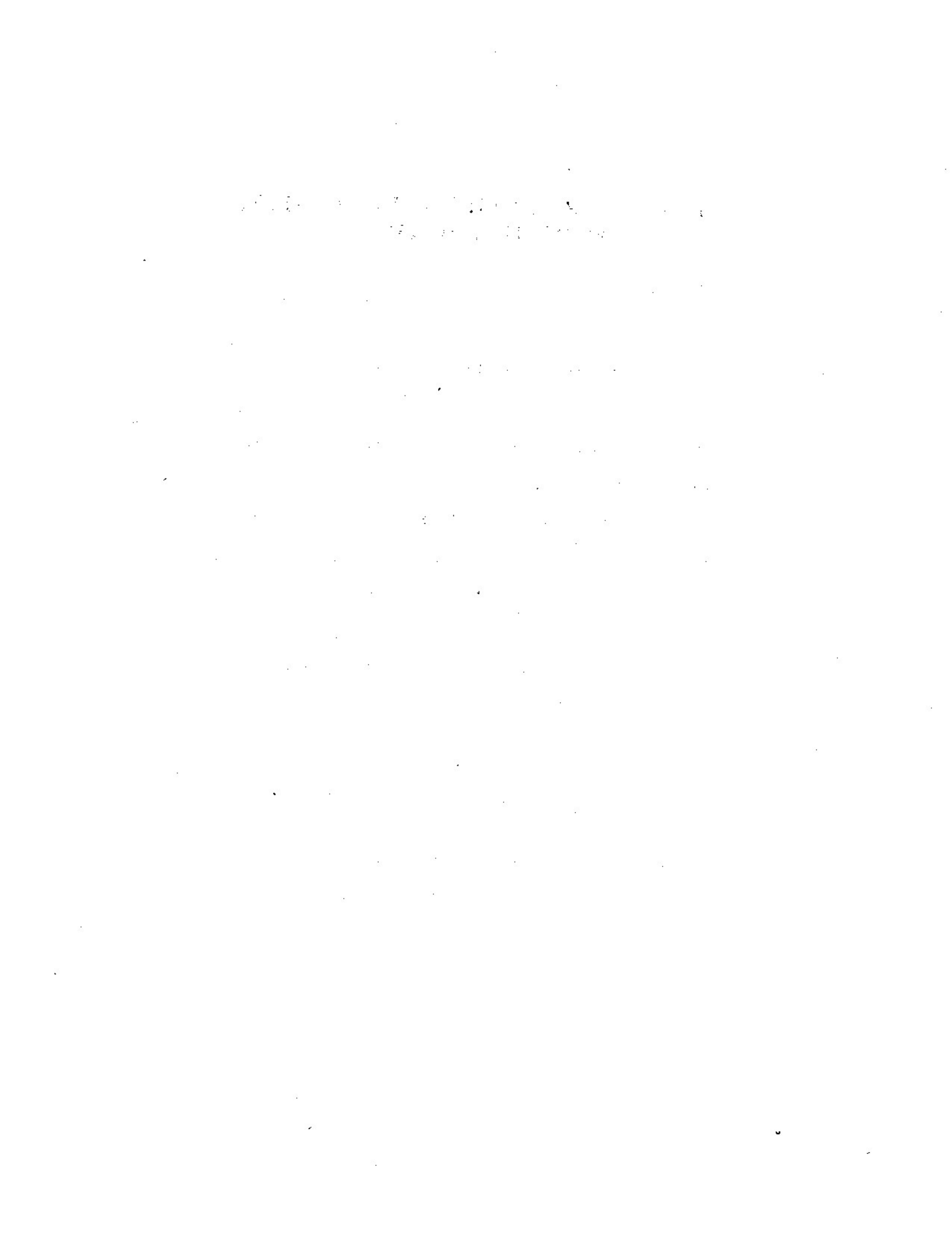
I/We.....
of.....
being member of **Mehr Dastgir Textile Mills Limited** hereby appoint.....
of.....
as my proxy in my absence to attend and vote for me / us and on my / our behalf at the
(ordinary or / and extraordinary as the case may be) Annual General Meeting of the
Company to be held on October 31,2009 at 5:00 PM at Mehr Dastgir, Shaheed Yunus
Dastgir Road. Multan and at any adjustment(s) thereof.....day
of2009

REVENUE STAMP

Signed by the said

Important:-

This form of proxy, duly completed, must be deposited at the Company's Registered office at Mehr Dastgir, Shaheed Yunus Dastgir Road, Multan not less than 48 hours before the time of holding the meeting.



Juan