

**20TH
ANNUAL REPORT
2008**



Quality Textile Mills Limited

QUALITY TEXTILE MILLS LIMITED

**20TH ANNUAL REPROT
2008**

☞ Company Information	2
☞ Notice of Annual General Meeting	3
☞ Directors' Report	4-5
☞ Financial Highlights of Last Six Years	6
☞ Attendance of Board Meetings	7
☞ Categories of Shareholders as per Requirements of Code of Corporate Governance	8
☞ Pattern of Share Holding	9
☞ Statement of Compliance with the Code of Corporate Governance	10-11
☞ Review Report to the Members on Statement of Compliance	12
with best Practices of Code of Corporate Governance	
☞ Auditors' Report to the Members	13
☞ Balance Sheet	14-15
☞ Profit and Loss Account	16
☞ Cash Flow Statement	17
☞ Statement of Changes in Financial Position	18
☞ Notes to the Accounts	19-40
☞ Proxy Form	41



Quality Textile
Mills Limited

Company Information

Board Of Directors:	Mr. Noor Muhammad Hashim Mr. Tayyab Noor Muhammad Mr. Muhammad Younus Hashim Mr. Imran M. Younus Miss. Fiza Chaudhri Mr. Muhammad Idris Khokhar Mr. Ahmed Musa (Resigned on 15th September 2007) Miss. Ambrin Noor Mohammad (Appointed in place of Mr. Ahmed Musa on 15th September 2007)	Chairman / Chief Executive Director Director Director Director Director Executive Director Director
Audit Committee:	Mr. Tayyab Noor Muhammad Mr. Muhammad Younus Hashim Mr. Imran M. Younus	Chairman Member Secretary
Chief Financial Officer / Company Secretary:	Mr. Ali Asghar	
Bankers:	Bank Al-Habib Limited Habib Metropolitan Bank Limited Habib Bank Limited Citibank, N.A	
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisor:	A. K. Wahab Advocate	
Registered Office:	24, 2nd Floor, Ali Bhai Centre, 233-A, P.E.C.H.S, Block-2, Karachi. PABX : 0092-21-4538655-4538788-4529325 Fax : 0092-21-4538799 Website : www.qualitytextile.com Email : qualitytextilemills@yahoo.com Email : yarn@qualitytextile.com	
Business Office	15, 1st Floor, Ali Bhai Centre, 233-A, P.E.C.H.S, Block-2, Karachi.	
Mills:	26KM, Sheikhpura Faisalabad Road, Ferozwattowan. Distt. Sheikhpura. Fax: 0563-731307 Tel: 0563-731751 & 0563-731341 Email: qualitytextilemillskp@yahoo.com	

Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the shareholders of Quality Textile Mills Limited will be held on Monday October 13, 2008 at 09:30 A.M. at its Registered Office 24, Ali Bhai Centre, 2nd Floor, 233-A, Block-2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on October 12, 2007.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors and Directors reports thereon, for the year ended June 30, 2008.
3. To approve the appointment of auditors and to fix their remuneration for the next year 2008-2009.
4. To elect Seven Directors as fixed by board for a term of three years in accordance with the provisions of the Companies Ordinance, 1984. The names of retiring Directors are Mr. Noor Mohammad Hashim, Mr. Tayyab Noor Mohammad, Mr. Mohammad Younus Hashim, Mr. Imran M. Younus, Miss. Ambrin Noor Mohammad, Miss. Fiza Chaudhri, and Mr. M. Idris Khokhar.
5. To transact any other business with the permission of the Chairman.

**By the order of the board
ALI ASGHAR**

Karachi:
Date: 19-09-2008

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 06 to October 13, 2008 (both days inclusive), to determine the names of members entitled to attend the meeting. Transfer received in order, at the Business Office of the Company at the close of business on October 05, 2008 will be treated in time.
2. The member entitled to attend and vote at the above meeting may appoint a member as proxy to attend and vote in place of the member at the meeting. Proxies in order to be effective must be received at the Company's Registered Office not later than 09:30 A.M. on October 11, 2008.
3. Members are requested to notify the Company of any change in their addresses.

Directors Report

For the Period Ended on June 30, 2008

Dear Members - Assalam-o-Alekum

On behalf of my colleagues on the Board, I welcome you to the 20th Annual General Meeting of the Company and present before you the annual report, along with the audited financial statements of the Company, for the year ended June 30, 2008.

OPERATING RESULTS

Financial Year 2007-08 has also proved to be successful year for the Company due to maintained growth momentum in turnover and pre tax profits. Company managed to attain a growth of 8.47% in its sales from Rs. 945.9 million to Rs. 1.026 billion during the operations of the year ended June 30, 2008. Gross profit margin of the Company remained stable at 9.26%. By the grace of God, your Company has earned a pre tax profit of Rs. 21,544,699 (2007: Rs. 14,496,985) after providing depreciation of Rs. 41,927,200 and financial charges of Rs. 56,053,741. During the year, the provision for deferred tax is provided at Rs. 18,659,804/-, which turns the bottom line to loss after tax of Rs. 2,317,282/-.

The increasing costs of raw cotton and other inputs in a highly competitive business environment supplemented by disconnection of gas supply during the period December 2007 to February 2008 which forced the company to use alternate source of energy at higher prices from WAPDA and through diesel plus frequent load shedding, tried to de-track the Company from its growth oriented objective. However focused marketing, innovative & efficient supply chain strategies, effective communications and improved sales mix resulted in a favorable outcome in particular the last quarter of the financial year.

MODERNIZATION

In order to improve quality, bring efficiency, increase in output, cost reduction and for getting better yield of yarn the company has opened various LCs amounting to Rs. 58.6 million for procurement of machinery under BMR program. The details of LCs are as follow:

- Atlas Copco Air Compressors, Air Filters & Air Dryers.
- Xorella Yarn Conditioning Machine.
- 03 Sets Toyota Simplex Roving Machine FL-200.
- Murata's Auto Cone Winder.

Expected shipment of the above stated machineries will be upto November 2008. These machineries will start regular operation from January 2009, which will increase our daily production by 50 bags.

FUTURE PROSPECTS

Quality Textile Mills Limited is striving hard to be a leading yarn manufacturing company. While we keep pace with market realities, at the same time we ensure internal synergies in terms of capacity utilization, peak season warehouse capacities and adequate production controls to achieve optimum production output. With these objectives in mind we are continuously focusing on expanding the current range of products we produce and market. Targeting the achievable growth levels within existing category based variants and with new products is part of our strategy. One of our strategic focus is to re-evaluate our systems with the objective to improve them to cater to the peak season demand. The market has become exceedingly competitive with the induction of new players. As one of the leaders, your Company will strive to maintain its leadership through creative in-market approaches and by highlighting our brand superiorities over competition. While costs have continued to soar we plan to re-double our efforts to source raw material requirements on most competitive prices. This is intended to help our margins and our profitability.

AUDITORS

The retiring Auditor M/s. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible has offered themselves for re-appointment for the ensuing year 2008-2009. The audit committee in its meeting held on August 28, 2008 has recommended appointment of the retiring auditors.

DIVIDEND

The Board of Directors has not recommended dividend due to the loss after tax during the year.

PATTERN OF SHARE HOLDING

The pattern of share holding of the company as at June 30, 2008 is annexed.

Statement On Corporate And Financial Reporting Framework

- a) The financial statements, prepared by the management of the Company, present fairly its state affairs, the result of its operations, cash flows and changes 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) 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 are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last six years have been summarized on page No.06
- i) There are no overdue taxes and levies as on June 30, 2008.
- j) During the year six meetings of the Board of Director were held and attendance by each director is given on page No. 07.
- k) During the year under review, the trading in shares of the Company by the Director is as follows:

	Opening Balance As on 01-07-2007	Purchase	Sales	Closing Balance As on 30-06-2008
Mr. Tayyab Noor				
Mohammad Hashim	1,684,937	2,033,143	-	3,718,080

ACKNOWLEDGEMENT

The directors wish to express their gratitude for the support given to the Company by the bankers Bank Al-Habib Limited, Habib Metropolitan Bank Limited, Habib Bank Limited and Citibank.

The Board of Director expresses appreciation for the sincerity and hard work of the staff and workers at Mill and Head office and also extend thanks to valued share-holders for their confidence and moral support to the Company. We also take this opportunity to thank our suppliers and distributors for providing us with their valuable support throughout the year.

On Behalf of Board of Directors

NOOR MUHAMMAD HASHIM

Chairman / Chief Executive

Karachi

Dated: September 04, 2008



Financial Highlights

Quality Textile
Mills Limited

	2003	2004	2005	2006	2007	2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
A Profit & Loss						
Net Sales	805,274,322	962,338,108	680,142,685	881,750,229	945,988,854	1,026,154,394
Gross Profit	71,173,465	36,346,229	96,495,610	99,477,085	87,389,716	94,994,145
Profit / (Loss) Before Tax	15,872,672	(14,504,340)	51,067,490	32,454,481	14,496,985	21,544,699
Profit / (Loss) After Tax	15,035,423	(17,105,330)	46,534,940	33,698,223	6,377,018	(2,317,282)
B Cash Out Flows						
Taxes paid	8,935,936	6,251,024	2,199,836	2,518,309	4,818,684	3,053,371
Financial charges paid	36,348,221	24,499,558	24,717,933	45,651,507	49,386,130	50,963,892
Fixed capital expenditure	477,835	15,382,900	9,074,212	35,655,902	5,795,363	6,038,850
C Balance Sheet						
Current Assets	92,237,940	201,288,301	264,622,083	343,834,203	299,946,167	388,301,226
Current Liabilities	94,193,146	198,530,560	232,766,704	441,850,233	329,741,415	394,029,475
Operating fixed assets	381,499,556	364,585,139	456,562,522	583,252,682	543,183,365	507,939,807
Total assets	476,072,497	568,038,541	725,349,706	936,251,986	850,294,633	898,406,134
Long term loans	129,448,778	112,148,778	80,648,778	38,048,778	84,600,000	59,000,000
Shareholders' Equity	209,636,863	186,027,871	240,578,831	254,457,519	236,993,666	240,499,559
D Ratio						
Current ratio (As per SBP regulations)	1:1.40	1:1.13	1:1.36	1:1.08	1:1.10	1:1.01
Gross Profit %	8.84	3.78	14.19	11.28	9.24	9.26
Net profit/(Loss) % (before tax)	1.97	(1.51)	7.51	3.68	1.53	2.10
Earning / (Loss) per share	0.94	(1.07)	2.91	2.11	(0.40)	(0.15)
Proposed dividend %	10%	0%	15%	10%	0%	0%
Bonus Shares 5%		-	Cash	Cash	-	-
Cash dividend 5%			dividend	dividend		
E Production Data						
1 No. of Spindles Worked	24,240	24,240	24,240	24,240	24,240	24,240
2 Installed capacity after conversion into 20/s count-Kgs.	7,087,253	7,087,253	5,300,877	7,087,253	7,087,253	7,087,253
3 Actual Production of Yarn after conversion into 20/s count-Kgs.	7,863,994	7,901,648	6,059,884	7,372,789	8,462,929	8,993,721

Attendance of Board Meeting

**DURING THE YEAR 2007-2008
(July 2007 to June 2008)**

Name of Directors	Total No. of Board Meeting	No. of Meeting Attended
1 Mr. Noor Muhammad Hashim	6	6
2 Mr. Ahmed Mussa	6	1
3 Mr. Tayyab Noor Muhammad	6	6
4 Mr. Muhammad Younus Hashim	6	6
5 Mr. Imran M. Younus	6	6
6 Miss Fiza Chaudhri	6	5
7 Mr. Muhammad Idris Khokhar	6	5
8 Miss Ambrin Noor Mohammad	6	5



Detail of Pattern of Share Holding

Quality Textile
Mills Limited

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

	SHARES HELD	
Associated companies, Undertakings and related parties NIT and ICP Investment Corporation of Pakistan Directors, CEO and their Spouse and Minor Childrens Noor Muhammad Hashim Tayyab Noor Muhammad Ambrin Noor Muhammad Muhammad Younus Hashim Imran M. Younus		NIL 212 NIL 4,343,147 3,718,080 100,235 31,763 603,488
Fiza Chaudhri M. Idris Khokhar		609,821 635
Executive Public Sector Companies and Corporation Banks, Development Finance Institutions, Non - Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds PRIVATE LIMITED COMPANIES Individual		NIL NIL NIL NIL 2,797,296 3,773,132
TOTAL SHARE CAPITAL		15,977,808
SUMMARY OF SHARE CAPITAL		
Associated companies, Directors, CEO and their Spouse and Minor Childrens Public Sector Companies and Corporation Banks, Development Finance Institutions, PRIVATE LIMITED COMPANIES Individuals	NIL 7 NIL 1 6 511	NIL 9,407,168 NIL 212 2,797,296 3,773,132
TOTAL SHARE CAPITAL	525	15,977,808
Shareholders Holding 10% or More		
Noor Muhammad Hashim Tayyab Noor Muhammad Automotive Products (Pvt) Ltd.		4,343,147 3,718,080 2,794,846

Pattern of Share Holding

AS ON June 30, 2008

Number of Share Holders	From	Share Holding	To	Total Shares Held
333	001	-	550	39,582
163	551	-	1,100	106,231
16	1,101	-	5,000	36,022
2	5,001	-	10,000	12,327
2	10,001	-	50,000	34,254
0	50,001	-	100,000	-
2	100,001	-	500,000	575,151
3	500,001	-	1,000,000	1,854,875
2	1,000,001	-	1,500,000	2,363,060
0	1,500,001	-	2,500,000	-
1	2,500,001	-	5,000,000	2,794,845
1	5,000,001	-	8,200,000	8,161,461
525			Total	15,977,808

S.No.	Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
1	Individual	517	13,179,800	82.49
2	Private Limited Companies	6	2,797,296	17.51
3	Non Banking Finance Institutions	1	212	0.00
4	Others	1	500	0.00
		525	15,977,808	100

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of 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 Board of Directors of Company has adopted and applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of non-executive directors on its Board of Directors. At present the Board includes four non-executive directors and three executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All directors of the Company are registered as taxpayers and to the best of our knowledge none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors of the company are members of any stock exchange.
4. During the year one of the director resigned and the casual vacancy was appropriately filled by board of directors.
5. The Company has adopted a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed vision and mission statements and significant policies and overall corporate strategy.
7. All 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 Board were presided over by the Chairman. The Board held Six (06) meetings during the year. 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 meeting were appropriately recorded and circulated to all concerned.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. 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.

Statement of Compliance with the Code of Corporate Governance

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Company has complied with all corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises of three members. All members of the committee except the chairman are non-executive directors.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the code. The terms of reference of the committee have been framed and approved by the board and has been advised to the committee for compliance.
16. The Board has set-up an internal audit function.
17. The statutory auditors of the Company have confirmed that i) they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan; ii) they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and; iii) 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied.

Signature (s)

NOOR MUHAMMAD HASHIM

Chairman / CEO

Karachi

September 04, 2008

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 QUALITY 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 controls and the 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.

Karachi
September 04, 2008

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Auditors' Report To The Members

We have audited the annexed balance sheet of QUALITY 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 then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b. in our opinion :
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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 objectives 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 the 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 loss, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
September 04, 2008

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Balance Sheet

As At June 30, 2008

	Note	2008 Rupees	2007 Rupees
SHARE CAPITAL AND RESERVES			
Authorised 26,000,000 (2007: 26,000,000) Ordinary shares of Rs.10/- each		<u>260,000,000</u>	<u>260,000,000</u>
Issued, subscribed and paid-up capital	3	159,778,080	159,778,080
Unappropriated profit		80,721,479	77,215,586
		240,499,559	236,993,666
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	4	148,257,680	154,080,855
NON CURRENT LIABILITIES			
Long term financing	5	59,000,000	84,600,000
Liabilities against assets subject to finance lease	6		6,315,139
Deferred liabilities	7	56,619,420	38,563,558
CURRENT LIABILITIES			
Trade and other payables	8	26,400,577	37,265,901
Interest / mark-up accrued on loans	9	13,473,040	8,383,191
Short term borrowings	10	293,850,921	218,747,425
Current portion of long term financing	5	25,600,000	26,100,000
liabilities against assets subject to finance lease		6,315,139	16,029,393
Provision for taxation	6	28,389,798	23,215,505
		394,029,475	329,741,415
CONTINGENCIES AND COMMITMENTS			
	11		
		<u>898,406,134</u>	<u>850,294,633</u>

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	12	507,939,807	543,183,365
Long term deposits		2,165,101	7,165,101
		510,104,908	550,348,466

CURRENT ASSETS

Stores, spares and loose tools	13	12,554,681	16,397,134
Stock-in-trade	14	228,413,175	179,730,455
Trade debts	15	103,604,233	74,521,532
Loans and advances	16	8,375,133	1,007,441
Trade deposits and prepayments	17	5,311,026	3,158,959
Advance income tax		20,015,463	16,989,973
Other receivables	18	9,022,193	7,523,624
Cash and bank balances	19	1,005,322	617,049
		388,301,226	299,946,167
		<u>898,406,134</u>	<u>850,294,633</u>

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

*Profit And Loss Account
For The Year Ended June 30, 2008*

	Note	2008 Rupees	2007 Rupees
Sales	20	1,026,154,394	945,988,854
Cost of goods sold	21	<u>(931,160,249)</u>	<u>(858,599,138)</u>
Gross profit		94,994,145	87,389,716
Other operating income	22	<u>3,192,413</u>	<u>1,426,457</u>
		98,186,558	88,816,173
Distribution cost	23	(12,610,633)	(13,633,504)
Administrative expenses	24	(7,241,390)	(7,548,488)
Other operating expenses	25	(736,095)	(801,485)
Finance cost	26	<u>(56,053,741)</u>	<u>(52,335,711)</u>
Profit before taxation		21,544,699	14,496,985
Provision for taxation	27	<u>(23,861,981)</u>	<u>(20,874,003)</u>
Loss for the year		<u><u>(2,317,282)</u></u>	<u><u>(6,377,018)</u></u>
Earnings per share - Basic & diluted	28	(0.15)	(0.40)

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement

For The Year Ended June 30, 2008

	2008	2007
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	21,544,699	14,496,985
Adjustments for :		
Depreciation of property, plant and equipment	41,927,200	45,553,832
Gain on disposal of property, plant and equipment	(42,293)	(18,152)
Provision for gratuity	2,685,735	2,692,643
Finance cost	56,053,741	52,335,711
Operating cash flows before movements in working capital	<u>122,169,082</u>	<u>115,061,019</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	3,842,453	(3,561,011)
Stock-in-trade	(48,682,720)	44,969,887
Trade debts	(29,082,701)	3,108,188
Loans and advances	(7,367,693)	2,886,056
Trade deposits and prepayments	(2,152,067)	(2,121,646)
Other receivables	(1,498,569)	2,397,088
Increase / (decrease) in current liabilities		
Trade and other payables	<u>(10,859,710)</u>	<u>(9,261,673)</u>
	<u>(95,801,007)</u>	<u>38,416,889</u>
Cash generated from operations	26,368,075	153,477,908
Finance cost paid	(50,963,892)	(49,386,130)
Taxes paid	(3,053,371)	(4,818,684)
Gratuity paid	<u>(3,289,677)</u>	<u>(1,412,738)</u>
Net cash (used in) / from operating activities	<u>(30,938,865)</u>	<u>97,860,356</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,038,850)	(5,795,363)
Advance for machinery	(977,500)	-
Proceeds on disposal of property, plant and equipment	375,000	329,000
Long-term deposits	5,000,000	2,000,000
Net cash used in investing activities	<u>(1,641,350)</u>	<u>(3,466,363)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing acquired	-	103,000,000
Repayment of long term financing	(26,100,000)	(72,948,778)
Repayment of principal portion of finance lease	(16,029,393)	(26,805,307)
Short term financing - net	72,328,600	(82,763,261)
Dividend paid	(5,615)	(15,904,805)
Net cash from / (used in) financing activities	<u>30,193,592</u>	<u>(95,422,151)</u>
Net decrease in cash and cash equivalents (A+B+C)	(2,386,623)	(1,028,158)
Cash and cash equivalents at the beginning of the year	617,049	1,645,207
Cash and cash equivalents at the end of the year	<u>(1,769,574)</u>	<u>617,049</u>
Cash and cash equivalents		
Cash and bank balances	1,005,322	617,049
Book overdraft	<u>(2,774,896)</u>	<u>-</u>
	<u>(1,769,574)</u>	<u>617,049</u>

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

17

QUALITY TEXTILE MILLS LIMITED

Statement Of Changes In Equity

For The Year Ended June 30, 2008

	Share capital	Unappropriated profit	Total
Rupees.....		
Balance as at July 01, 2006	159,778,080	94,679,439	254,457,519
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net off deferred tax	-	4,890,973	4,890,973
Net income recognized directly in equity	-	4,890,973	4,890,973
Loss for the year ended June 30, 2007	-	(6,377,018)	(6,377,018)
Total recognized income for the year ended	-	(1,486,045)	(1,486,045)
Final Cash dividend for the year ended June 30, 2006 @ Rs. 1 per share	-	(15,977,808)	(15,977,808)
Balance as at June 30, 2007	159,778,080	77,215,586	236,993,666
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net off deferred tax	-	5,823,175	5,823,175
Net income recognized directly in equity	-	5,823,175	5,823,175
Loss for the year ended June 30, 2008	-	(2,317,282)	(2,317,282)
Total recognized expense for the year	-	3,505,893	3,505,893
Balance as at June 30, 2008	159,778,080	80,721,479	240,499,559

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes To The Financial Statements

For The Year Ended June 30, 2008

1. GENERAL INFORMATION

- 1.1 Quality Textile Mills Limited (the company) was incorporated in Pakistan on May 03, 1988 as a public limited company under the Companies Ordinance, 1984. The company is currently listed on Karachi Stock Exchange. The principal activity of the company is manufacturing and sale of yarn. The registered office of the company is situated at 24, 2nd floor, AliBhai Centre P.E.C.H.S. Block-2, Karachi in the province of Sindh. The company's manufacturing facilities are located at Ferozwattowan in the province of Punjab.
- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Standards and interpretations to published approved accounting standards that are not yet effective

The following standards and interpretations of approved accounting standards, effective for accounting periods beginning on or after July 1, 2007 are either not relevant to the Company's operation or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases: -

IAS 27 - (Revised) Consolidated and Separate Financial Statements	Effective from accounting period beginning on or after July 01, 2009
IAS 29 - Financial Reporting in Hyperinflationary Economics	Effective from accounting period beginning on or after April 28, 2008
IFRS 7 - Financial Instruments: Disclosures	Effective from accounting period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	Effective from accounting period beginning on or after January 01, 2009
IFRIC 12 - Services concession arrangements	Effective from accounting period beginning on or after January 01, 2008
IFRIC 13 - Customer loyalty program	Effective from accounting period beginning on or after July 01, 2008
IFRIC 14 - IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Effective from accounting period beginning on or after January 01, 2008

Notes To The Financial Statements

For The Year Ended June 30, 2008

2.3 Basis of preparation

The financial statements have been prepared under the historical cost convention modified by: -

- revaluation of certain property, plant and equipment
- certain financial instruments at fair value
- recognition of certain employees retirement benefits at present value

The principal accounting policies adopted are set out below.

2.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease 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 liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

2.5 Employees Benefit Costs

Defined benefit plans

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The company carried out actuarial valuation as at June 30, 2008 using the projected unit credit method. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

Actuarial gains and losses are recognized immediately in accordance with IAS-19.

Detail of the scheme is given in note 7.1 to financial statements.

2.6 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 billed to the Company or not.

Notes To The Financial Statements

For The Year Ended June 30, 2008

2.7 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Property, plant and equipment

Property, plant and equipment except land and building are stated at cost less accumulated depreciation and impairment in value, if any. Land and building are stated at revalued amount.

Assets residual value, if significant and their useful life are reviewed and adjusted, if appropriate, at each balance sheet date.

Repairs and maintenance costs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Depreciation is charged to income applying the reducing balance method.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of land and building to the extent of incremental depreciation charged on related assets is transferred by the company to its unappropriated profit net of deferred tax.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

2.9 Assets subject to finance lease

Assets subject to finance lease are depreciated on the same basis as owned assets.

2.10 Stores, spares and loose tools

These are valued at cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Stores and spares in transit are stated at invoice values plus other charges incurred thereon upto balance sheet date.

2.11 Stock in trade

Stock-in-trade are valued at the lower of cost and net realizable value.

Notes To The Financial Statements

For The Year Ended June 30, 2008

Cost for raw material is determined using weighted average cost basis except for those in transit which are stated at invoice price plus other charges paid thereon up to the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average manufacturing cost.

Waste stock value is determined by net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.14 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

2.15 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Notes To The Financial Statements

For The Year Ended June 30, 2008

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.17 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognized when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.18 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, or minimum taxation at the rate of one half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Notes To The Financial Statements

For The Year Ended June 30, 2008

2.19 Foreign Currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.20 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.21 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the company's accounting policies, the management has not identified any area where critical judgments have been exercised which have significant impact on the financial statements. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008	2007		2008	2007
Number of Shares			Rupees	Rupees
12,576,000	12,576,000	Ordinary shares of Rs.10/- each fully paid		
		In cash	125,760,000	125,760,000
3,401,808	3,401,808	As bonus shares	34,018,080	34,018,080
<u>15,977,808</u>	<u>15,977,808</u>		<u>159,778,080</u>	<u>159,778,080</u>

- 3.1 There were no movements during the reporting year.
- 3.2 The company has one class of ordinary shares which carry no right to fixed income.
- 3.3 The company has no reserved shares for issuance under options and sales contracts.
- 3.4 Following shares were held by the associate of the Company as at the balance sheet date: -

Automotive Products (Private) Limited

2008	2007
Number of Shares of Rs. 10 each	
<u>2,794,846</u>	<u>2,794,846</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of Tax

This represents surplus over book value resulting from the revaluation of land and building carried out in 1996, 1998, 2000, 2002, 2005 and 2006 by M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable, adjusted only by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation during the year and deferred taxation.

	2008	2007
	Rupees	Rupees
Balance as at July 01	169,095,929	175,514,528
Transferred to unappropriated profit in respect of incremental depreciation charged during the year (net of deferred tax)	(5,823,175)	(4,890,973)
Related deferred tax liability	23,167	(1,527,626)
	<u>(5,800,008)</u>	<u>(6,418,599)</u>
Balance as at June 30	163,295,921	169,095,929
Less: Related deferred tax liability on Revaluation as at July 01	15,015,074	16,542,700
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment transferred to unappropriated profit - net of deferred tax	23,167	(1,527,626)
	<u>15,038,241</u>	<u>15,015,074</u>
Balance as at June 30	<u>148,257,680</u>	<u>154,080,855</u>

5. LONG TERM FINANCING

	Long term finance	Term finance - I	Term finance - II	2008	2007
	Rupees				
Banking companies - Secured					
Opening balance	12,000,000	60,000,000	38,700,000	110,700,000	80,648,778
Obtained during the year	-	-	-	-	103,000,000
	<u>12,000,000</u>	<u>60,000,000</u>	<u>38,700,000</u>	<u>110,700,000</u>	<u>183,648,778</u>
Paid during the year	(10,000,000)	(7,500,000)	(8,600,000)	(26,100,000)	(72,948,778)
	<u>2,000,000</u>	<u>52,500,000</u>	<u>30,100,000</u>	<u>84,600,000</u>	<u>110,700,000</u>
Payable within one year shown under current liabilities	(2,000,000)	(15,000,000)	(8,600,000)	(25,600,000)	(26,100,000)
	<u>-</u>	<u>37,500,000</u>	<u>21,500,000</u>	<u>59,000,000</u>	<u>84,600,000</u>

Terms:

No. of installments	10	16	20
Installment period	Half yearly	Quarterly	Quarterly
Installment amount	As per schedule	Rs. 3,750,000	Rs. 2,150,000
Commencement of first installment	December, 2003 and April, 2005	March 2008	March 2007
Interest rate / mark-up	6 months treasury bills + 3 %, Floor of 5.50 %	6 months KIBOR + 1%	6 months KIBOR + 1%

Notes To The Financial Statements

For The Year Ended June 30, 2008

Securities:

Above finances are secured by first charge over factory property (including land, building, plant and machinery) located at Sheikhpura by way of equitable and legal mortgage, bank guarantee issued by a bank on behalf of the company, lien over sponsor's ordinary shares of the Company and personnel guarantee of all directors.

There is no long term unavailed facility.

The effective interest rate ranges from 11% to 12.08% (2007: 11.26% to 11.64%) per annum.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2008		2007	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Rupees.....			
Within one year	6,361,983	6,315,139	16,832,185	16,029,393
After one year but not more than five years	-	-	6,363,650	6,315,139
Total minimum lease payments	6,361,983	6,315,139	23,195,835	22,344,532
Less: Amount representing finance charges	(46,844)	-	(851,303)	-
Present value of minimum lease payments	6,315,139	6,315,139	22,344,532	22,344,532
Less: Current portion	(6,315,139)	(6,315,139)	(16,029,393)	(16,029,393)
	-	-	6,315,139	6,315,139

This represents generator acquired under finance lease from leasing company. The financing rate used as discounting factor ranges from 12.68% to 14.64% (2007 : 7.07% to 14.64%) per annum. The company intends to exercise its option to purchase the assets upon completion of the lease period. Liabilities are secured against demand promissory notes and security deposits.

7. DEFERRED LIABILITIES

	2008 Rupees	2007 Rupees
Staff gratuity (7.1.1)	3,622,535	4,226,477
Taxation (7.2)	52,996,885	34,337,081
	<u>56,619,420</u>	<u>38,563,558</u>

7.1 Staff gratuity

Number of employees covered by the scheme as on June 30, 2008 was 474 (2007 : 528). The scheme's assets, liabilities, costs and actuarial gains / (losses) as per actuarial valuation and significant assumptions used in this valuation are as follows: -

	2008	2007
Discount rate (% per annum)	12	10
Expected rate of increase in salaries (% per annum)	8	8
Average expected remaining working life of employees (years)	6	6

Notes To The Financial Statements

For The Year Ended June 30, 2008

7.1.1 Liability recognized in the balance sheet

	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
Actuarial net liability	3,622,535	4,226,477	2,946,572	4,921,126	5,369,869
Present value of defined benefit obligation	3,622,535	4,226,477	2,946,572	4,921,126	5,369,869

7.1.2 Charge for defined benefit plan	Note	2008 Rupees	2007 Rupees
Current service cost		2,744,270	2,718,232
Interest cost		591,707	294,657
Actuarial gain		(650,242)	(320,246)
		<u>2,685,735</u>	<u>2,692,643</u>

7.1.3 Movement in liability during the year

Opening balance	4,226,477	2,946,572
Charge for the year	2,685,735	2,692,643
Payment made during the year	(3,289,677)	(1,412,738)
Closing balance	<u>3,622,535</u>	<u>4,226,477</u>

7.2 Taxation

Deferred tax liabilities arising taxable temporary differences:

Own assets	44,222,201	38,970,909
Leased Assets	7,793,216	8,679,457
Surplus on revaluation of property, plant and equipment.	15,038,241	15,015,074
	<u>67,053,658</u>	<u>62,665,440</u>

Deferred tax assets arising in respect of deductible temporary differences:

Provision for gratuity	(950,915)	(1,005,902)
Provision for slow moving and obsolete stores and spares	(530,440)	-
Provision for doubtful trade debts	(147,547)	-
Provision for doubtful loan and advances	(11,260)	-
Tax losses	(12,416,610)	(27,322,457)
	<u>(14,056,773)</u>	<u>(28,328,359)</u>
Net deferred tax liability	<u>52,996,885</u>	<u>34,337,081</u>

8. TRADE AND OTHER PAYABLES

Creditors	1,888,205	2,534,671
Accrued expenses	14,308,738	22,465,208
Advance from customers (8.1)	8,291,946	10,888,197
Workers' profit participation fund (8.2)	1,135,376	769,293
Unclaimed dividend	445,227	450,842
Withholding income tax	331,085	157,690
	<u>26,400,577</u>	<u>37,265,901</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

	2008 Rupees	2007 Rupees
8.1 Advance from customers		
Local	8,291,946	8,027,793
Foreign	-	2,860,404
	<u>8,291,946</u>	<u>10,888,197</u>
8.2 Workers' profit participation fund		
Balance as at July 01	769,293	1,718,913
Interest on fund utilized in Company's business (note 26)	27,437	119,580
	<u>796,730</u>	<u>1,838,493</u>
Paid during the year	(796,730)	(1,838,493)
	-	-
Allocation for the year	<u>1,135,376</u>	<u>769,293</u>
Balance as at June 30	<u>1,135,376</u>	<u>769,293</u>
8.2.1 Interest on fund is charged @ 14.5% (2007: 14.5%) per annum.		
9. INTEREST / MARK-UP ACCRUED ON LOANS		
Long term financing	2,449,970	3,039,697
Short term financing	<u>11,023,070</u>	<u>5,343,494</u>
	<u>13,473,040</u>	<u>8,383,191</u>
10. SHORT-TERM BORROWINGS		
<i>From banking companies- Secured</i>		
Running finances (10.1)	270,239,407	218,747,425
Export refinance (10.2)	20,836,618	-
Book overdraft	<u>2,774,896</u>	-
	<u>293,850,921</u>	<u>218,747,425</u>
10.1	The aggregate unavailed running finance facilities available amounted to Rs. 334.95 (2007 : Rs.358) million. These are subject to markup ranging from 10.10% to 13.66% (2007 : 10.01% to 11.64%) per annum payable quarterly. These are secured by way of first pari passu hypothecation charge on movable assets, stocks, receivables of the Company and personal guarantee of all the directors. The secondary collateral is the security mentioned in Note 5.	
10.2	The aggregate unavailed export refinance facilities amounted to Rs.10.21 million (2007 : Nil). These are subject to markup ranging from 6.40% to 6.47%(2007 : 6.16% to 6.55%) per annum. These are secured against export letters of credit held under lien and personal guarantee of directors.	
11. CONTINGENCIES AND COMMITMENTS		
<i>Contingencies</i>		
Bank guarantee issued to Collector of Customs against import license fee on machinery	2,160,000	2,160,000
Bank guarantee in favor of Sui Northern Gas Company Limited	<u>13,125,000</u>	<u>11,611,000</u>
<i>Commitments</i>		
Outstanding letters of credit for import of machinery	58,609,474	-
Export bills discounted	5,587,628	78,091,411
Local bills discounted	<u>50,732,800</u>	<u>46,459,668</u>
Capital expenditure - machinery	500,000	-
12. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (12.1)	506,962,307	543,183,365
Capital work in progress		
- Advance for machinery	977,500	-
	<u>507,939,807</u>	<u>543,183,365</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

12.1 Operating assets

Particulars	Cost / revaluation at July 01, 2007	Transfer	Additions/ (deletion)	Cost/ revaluation at June 30, 2008	Accumulated depreciation at July 01, 2007	Transfer	Depreciation (Adjustments) for the year	Accumulated depreciation June 30, 2008	Carrying value at June 30, 2008	Annual Rate of Depreciation %
Owned :										
Land - free hold	114,000,000	-	-	114,000,000	-	-	-	-	114,000,000	-
Buildings on free hold land										
Mills	102,587,031	-	-	102,587,031	20,841,003	-	8,174,603	29,015,606	73,571,425	10
Other	31,796,512	-	-	31,796,512	3,722,516	-	1,403,700	5,126,216	26,670,296	5
Office premises	2,200,000	-	3,492,500	5,692,500	842,914	-	150,394	993,308	4,699,192	5
Plant and machinery	480,611,580	20,640,187	250,000	501,501,767	251,120,804	3,638,989	24,655,414	279,415,207	222,086,560	10
Electric installations	24,872,333	-	-	24,872,333	18,893,737	-	597,860	19,491,597	5,380,736	10
Mills equipment	10,831,996	-	85,000	10,916,996	8,049,325	-	278,383	8,327,708	2,589,288	10
Office equipment	2,371,807	-	7,350	2,379,157	969,381	-	140,591	1,109,972	1,269,185	10
Furniture and fixtures	646,600	-	1,500,000	2,146,600	495,060	-	85,236	580,296	1,566,304	10
Vehicles	6,919,313	-	704,000	5,566,313	4,177,684	-	595,277	3,048,669	2,517,644	20
			(2,057,000)				(1,724,292)			
	776,837,172	20,640,187	6,038,850	801,459,209	309,112,424	3,638,989	36,081,458	347,108,579	454,350,630	
			(2,057,000)				(1,724,292)			
Leased										
Generator	66,609,855	-	-	66,609,855	8,152,436	-	5,845,742	13,998,178	52,611,677	10
Plant and machinery	20,640,187	(20,640,187)	-	-	3,638,989	(3,638,989)	-	-	-	10
	87,250,042	(20,640,187)	-	66,609,855	11,791,425	(3,638,989)	5,845,742	13,998,178	52,611,677	
2008	864,087,214		6,038,850	868,069,064	320,903,849		41,927,200	361,106,757	506,962,307	
			(2,057,000)				(1,724,292)			

Notes To The Financial Statements

For The Year Ended June 30, 2008

For comparative period

30

ANNUAL REPORT 2008

Particulars	Cost/ revaluation at July 01, 2006	Additions/ (deletion)	Cost/ revaluation at June 30, 2007	Accumulated depreciation at July 01, 2006	Depreciation (Adjustments) for the year	Accumulated depreciation June 30, 2007	Carrying value at June 30, 2007	Annual Rate of Depreciation %	Rupees	
									<	>
Owned :										
Land - free hold	114,000,000	-	114,000,000	-	-	-	114,000,000	-		
Buildings on free hold land										
Mills	102,438,719	148,312	102,587,031	11,762,231	9,078,772	20,841,003	81,746,028	10		
Other	31,796,512	-	31,796,512	2,244,937	1,477,579	3,722,516	28,073,996	5		
Office premises	2,200,000	-	2,200,000	771,488	71,426	842,914	1,357,086	5		
Plant and machinery	469,969,995	10,641,585	480,611,580	226,237,439	24,883,365	251,120,804	229,490,776	10		
Electric installations	24,872,333	-	24,872,333	18,229,448	664,289	18,893,737	5,978,596	10		
Mills equipment	10,757,996	74,000	10,831,996	7,747,676	301,649	8,049,325	2,782,671	10		
Office equipment	2,286,049	185,000	2,371,807	873,767	151,345	969,381	1,402,426	10		
		(99,242)			(55,731)					
Furniture and fixtures	639,100	7,500	646,600	478,222	16,838	495,060	151,540	10		
Vehicles	6,773,650	1,144,663	6,919,313	4,381,791	527,556	4,177,684	2,741,629	20		
		(999,000)			(731,663)					
	765,734,354	12,201,060	776,837,172	272,726,999	37,172,819	309,112,424	467,724,748			
		(1,098,242)			(787,394)					
Leased										
Generator.	66,417,791	192,064	66,609,855	1,660,445	6,491,991	8,152,436	58,457,419	10		
Plant and machinery	20,640,187	-	20,640,187	1,749,967	1,889,022	3,638,989	17,001,198	10		
	87,057,978	192,064	87,250,042	3,410,412	8,381,013	11,791,425	75,458,617			
2007	852,792,332	12,393,124	864,087,214	276,137,411	45,553,832	320,903,849	543,183,365			
		(1,098,242)			(787,394)					

Notes To The Financial Statements

For The Year Ended June 30, 2008

12.1.2 Depreciation for the year has been allocated as under:		2008 Rupees	2007 Rupees
Cost of goods sold	21	41,366,732	45,048,658
Administrative expenses	24	560,468	505,174
		41,927,200	45,553,832

12.1.3 Had there been no revaluation, the related figures of land and buildings as at June 30, 2008 would have been as follows: -

	<.....2008.....>			<.....2007.....>		
	Cost	Accumulated Depreciation	Carrying value	Cost	Accumulated Depreciation	Carrying value
	<----- Rupees ----->					
Land	7,992,616	-	7,992,616	7,992,616	-	7,992,616
Building mills	76,502,633	(50,615,059)	25,887,574	76,502,633	(47,738,662)	28,763,971
Building others	33,504,124	(16,438,514)	17,065,610	33,504,124	(15,540,324)	17,963,800
	117,999,373	(67,053,573)	50,945,800	117,999,373	(63,278,986)	54,720,387

12.1.4 The following assets were disposed off during the year: -

Description	Cost	Accumulated Depreciation	Carrying Value	Sale Proceed	Mode of Disposal	Particulars of Buyer
	<----- Rupees ----->					
Vehicle	799,000	635,018	163,982	110,000	Negotiation	Mr. M. Uzair Gulistan-e-Juhar Karachi
Vehicle	50,000	39,600	10,400	20,000	Insurance claim	EFU General Insurance Ltd
Vehicle	589,000	492,186	96,814	125,000	Negotiation	Mr. Ejaz Ali Rehmat colony Gujranwala
Vehicle	619,000	557,488	61,512	120,000	Negotiation	Mr. Shoukat Hussain North Karachi, Karachi
2008	2,057,000	1,724,292	332,708	375,000		
2007	1,098,242	787,394	310,848	329,000		

Notes To The Financial Statements

For The Year Ended June 30, 2008

	2008	2007
	Rupees	Rupees
13. STORES, SPARES AND LOOSE TOOLS		
Stores	2,851,951	4,624,042
Spares	11,710,840	8,960,835
Loose tools	12,615	-
Stores in transit	-	2,812,257
Less: Provision of slow moving and obsolete stores and spares	<u>(2,020,725)</u>	<u>-</u>
	<u>12,554,681</u>	<u>16,397,134</u>
14. STOCK-IN-TRADE		
Raw material	155,589,384	152,021,946
Work-in-process	9,104,398	6,886,108
Finished goods	59,064,553	18,673,156
Waste	4,654,840	2,149,245
	<u>228,413,175</u>	<u>179,730,455</u>
15. TRADE DEBTS		
<i>Considered good</i>		
Local - unsecured	100,811,792	39,809,453
<i>Considered doubtful</i>		
Local - unsecured	<u>562,085</u>	<u>-</u>
	101,373,877	39,809,453
Less: Provision for doubtful debts	<u>(562,085)</u>	<u>-</u>
	100,811,792	39,809,453
<i>Considered good</i>		
Foreign - secured (15.1)	<u>2,792,441</u>	<u>34,712,079</u>
	<u>103,604,233</u>	<u>74,521,532</u>
15.1 These are secured against export documents.		
16. LOANS AND ADVANCES		
- <i>Considered good</i>		
<i>Related parties</i>		
Due from employees	352,475	301,481
<i>Others</i>		
Advances to suppliers	991,870	197,342
Letters of credit, margin and expenses	7,030,788	508,618
	8,022,658	705,960
<i>Considered doubtful</i>		
Advances to suppliers	<u>42,896</u>	<u>-</u>
	8,065,554	705,960
Less: Provision for doubtful advances	<u>(42,896)</u>	<u>-</u>
	<u>8,375,133</u>	<u>1,007,441</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

		2008	2007
		Rupees	Rupees
17. TRADE DEPOSITS AND PREPAYMENTS			
Deposits			
Current portion of lease deposits		5,000,000	2,000,000
Margin against bank guarantee		-	884,000
Godown deposit		105,000	105,000
Others		25,584	25,584
Prepayments		180,442	144,375
		<u>5,311,026</u>	<u>3,158,959</u>
18. OTHER RECEIVABLES			
<i>- Considered good</i>			
Income tax refundable		3,020,248	3,020,248
Insurance claim		18,000	5,000
Sales tax		5,983,945	4,498,376
		<u>9,022,193</u>	<u>7,523,624</u>
19. CASH AND BANK BALANCES			
Cash at banks			
In current accounts		125,947	159,025
In PLS accounts (19.1)		82,700	81,597
		208,647	240,622
Cash in hand		796,675	376,427
		<u>1,005,322</u>	<u>617,049</u>
19.1	Effective markup rate is 4.5% to 5.5% (2007 : 1.5%) per annum.		
20. SALES - Net			
Yarn			
Local		802,618,542	645,191,108
Export		179,682,403	267,689,751
Waste			
Local		50,651,421	41,047,195
		1,032,952,366	953,928,054
Less: Commission		(6,797,972)	(7,939,200)
		<u>1,026,154,394</u>	<u>945,988,854</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

21. COST OF GOODS SOLD	2008 Rupees	2007 Rupees
Raw material consumed (21.1.1)	770,606,679	650,891,509
Packing material consumed	16,238,929	13,188,896
Stores and spares consumed	17,805,592	17,415,871
Salaries, wages and benefits (21.1.2)	56,711,446	51,182,099
Power and fuel	63,626,065	65,019,071
Insurance	4,200,000	4,402,500
Repairs and maintenance	2,826,344	2,144,240
Other manufacturing overheads	2,893,744	895,197
Depreciation (12.1.2)	41,366,732	45,048,658
Work-in-process	976,275,531	850,188,041
As at July 01,		
As at June 30,	6,886,108	8,834,640
Cost of goods manufactured	<u>(9,104,398)</u>	<u>(6,886,108)</u>
Finished goods	974,057,241	852,136,573
As at July 01,		
As at June 30,	20,822,401	27,284,966
	<u>(63,719,393)</u>	<u>(20,822,401)</u>
	<u>931,160,249</u>	<u>858,599,138</u>
21.1.1 Raw material consumed		
As at July 01,	152,021,946	188,580,736
Purchases and purchase expenses	774,174,117	614,332,719
	<u>926,196,063</u>	<u>802,913,455</u>
As at June 30,	<u>(155,589,384)</u>	<u>(152,021,946)</u>
	<u>770,606,679</u>	<u>650,891,509</u>
21.1.2 Salaries, wages and benefits include Rs. 2,634,165/- (2007 : Rs. 2,491,071/-) in respect of staff retirement benefits.		
22. OTHER OPERATING INCOME		
Income from financial assets		
profit on bank deposits	13,609	33,612
Income from assets other than financial assets		
scrap sale	1,505,191	1,374,693
gain on disposal of property, plant and equipment	42,292	18,152
Profit on trading of raw material (22.1)	689,073	-
Liabilities no longer payable, written back	942,248	-
	<u>3,192,413</u>	<u>1,426,457</u>

Notes To The Financial Statements

For The Year Ended June 30, 2008

22.1 Operating profit on trading of raw material	2008 Rupees	2007 Rupees
Sale of raw cotton	8,375,201	-
Cost of raw cotton sold	<u>(7,686,128)</u>	<u>-</u>
	<u>689,073</u>	<u>-</u>

23. DISTRIBUTION COST

Staff salaries and benefits (23.1)	343,944	315,256
Cartage and transportation	7,701,866	7,967,893
Ocean freight	2,031,391	2,622,243
Export development surcharge	696,193	516,348
Clearing and forwarding	786,730	949,640
Others	<u>1,050,509</u>	<u>1,262,124</u>
	<u>12,610,633</u>	<u>13,633,504</u>

23.1 Staff salaries and benefits include Rs. 2,331/- (2007 : Rs. 2,010) in respect of the staff retirement benefits.

24. ADMINISTRATIVE EXPENSES

Staff salaries and benefits (24.1)	3,688,523	3,996,210
Postage and telephone	357,689	455,045
Printing and stationery	406,739	629,185
Traveling and conveyance	124,685	84,070
Legal and professional	89,800	247,100
Fees and subscription	244,384	398,444
Utilities	181,810	175,620
Advertisement	21,400	25,650
Vehicles running	323,637	594,212
Provision for doubtful debts and advances	604,981	-
Auditors' remuneration (24.2)	245,000	217,500
Depreciation (12.1.2)	560,468	505,174
Others	<u>392,274</u>	<u>220,278</u>
	<u>7,241,390</u>	<u>7,548,488</u>

24.1 Staff salaries and benefits include Rs. 49,239/- (2007 : Rs. 199,562/-) in respect of the staff retirement benefits.

Notes To The Financial Statements

For The Year Ended June 30, 2008

	2008	2007
	Rupees	Rupees
24.2 Auditors' remuneration		
Audit fee	150,000	125,000
Out of pocket expenses	15,000	12,500
Other remuneration as auditor		
- Half yearly review	50,000	50,000
Other services		
- Other services	20,000	20,000
Other certification	10,000	10,000
	<u>245,000</u>	<u>217,500</u>
25. OTHER OPERATING EXPENSES		
Exchange (gain)/loss	(689,221)	32,192
Worker's welfare fund	289,940	-
Workers' profit participation fund	1,135,376	769,293
	<u>736,095</u>	<u>801,485</u>
26. FINANCE COST		
Interest / mark-up on:		
Long-term financing	11,484,401	11,021,813
Short-term financing	35,347,883	31,380,980
Finance lease	796,239	4,127,923
Bank charges and commission	8,397,781	5,685,415
Interest on workers' profit participation fund (note 8.2)	27,437	119,580
	<u>56,053,741</u>	<u>52,335,711</u>
27. PROVISION FOR TAXATION		
Current		
for the year (27.1)	5,214,165	4,769,815
for prior year	(11,988)	-
Deferred	18,659,804	16,104,188
	<u>23,861,981</u>	<u>20,874,003</u>

27.1 The tax liability of the company represents the minimum tax at the rate of 0.5 % of turnover under section 113 of Income Tax Ordinance 2001 (ITO) on local sales and 1.5 % on export sales under section 154 of Income Tax Ordinance 2001.

27.2 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

Notes To The Financial Statements

For The Year Ended June 30, 2008

28. EARNINGS PER SHARE
- Basic & diluted

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

Loss after taxation (Rupees)	(2,317,282)	(6,377,018)
Weighted average number of ordinary shares outstanding during the year	15,977,808	15,977,808
Earnings per share (Rupees)	(0.15)	(0.40)

	2008		2007	
	Chief Executive	Director	Chief Executive	Director
	← Rupees →			
29. REMUNERATION TO DIRECTORS				
Remuneration	320,000	46,667	320,000	280,000
House rent allowances	144,000	21,000	144,000	126,000
Other allowances	16,000	2,333	16,000	14,000
	480,000	70,000	480,000	420,000
No. of person				

The director of the company is also entitled to official use of company maintained car. The approximate maintenance cost of vehicle is Nil (2007: Rs. 96,121/-).

30. TRANSACTION WITH RELATED PARTIES

The associated undertakings and related parties comprise directors and key management personnel. There are no transactions with related parties, other than remuneration and benefits to directors as disclosed in Note 29.

31. CAPITAL DISCLOSURE

The company's objectives, policies and processes for managing capital are as follows:

The Company is not subject to any externally imposed capital requirements.

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to the risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes To The Financial Statements

For The Year Ended June 30, 2008

Consistently with others in the industry, the company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital and unappropriated profit).

During the current year, the company's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to 6 , in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at June 30, 2008 and June 30, 2007 were as follows:

	2008 Rupees	2007 Rupees
Total debt	384,766,060	351,791,957
Less: Cash and cash equivalents	<u>1,005,322</u>	<u>617,049</u>
Net debt	383,760,738	351,174,908
Total equity	<u>240,499,559</u>	<u>236,993,666</u>
Adjusted capital	<u>624,260,297</u>	<u>588,168,574</u>

Debt-to-adjusted capital ratio

The debt-to-adjusted capital ratio during the year is consistent with the last year.

32. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	24,240	24,240
Number of spindles worked	24,240	24,240
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-Kgs	7,087,253	7,087,253
Actual production of yarn after conversion into 20/s count-Kgs	8,993,721	8,462,929

Notes To The Financial Statements

For The Year Ended June 30, 2008

33. FINANCIAL INSTRUMENTS

33.1 Interest/mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	Interest/ markup bearing			Non-Interest/ markup bearing			2008 Total	2007 Total
	Maturity upto one year	Maturity after one year but within five years	Sub Total	Maturity upto one year	Maturity after one year but within five years	Sub Total		
<----- Rupees ----->								
Financial Assets								
Long term deposits	-	-	-	-	2,165,101	2,165,101	2,165,101	7,165,101
Trade debts	-	-	-	103,604,233	-	103,604,233	103,604,233	74,521,532
Loans and advances	-	-	-	352,475	-	352,475	352,475	301,481
Trade deposits & prepayments	-	-	-	130,584	-	130,584	130,584	909,584
Other receivables	-	-	-	18,000	-	18,000	18,000	5,000
Cash and bank balances	82,700	-	82,700	922,622	-	922,622	1,005,322	617,049
	<u>82,700</u>	<u>-</u>	<u>-</u>	<u>105,027,914</u>	<u>2,165,101</u>	<u>107,193,015</u>	<u>107,275,715</u>	<u>83,519,748</u>
Financial Liabilities								
Long term financing	25,600,000	59,000,000	84,600,000	-	-	-	84,600,000	110,700,000
Liabilities against assets subject to finance lease	6,315,139	-	6,315,139	-	-	-	6,315,139	22,344,532
Short term borrowings	293,850,921	-	293,850,921	-	-	-	293,850,921	218,747,425
Trade and other payables	1,135,376	-	1,135,376	16,642,170	-	16,642,170	17,777,546	25,450,721
Interest / Mark-up accrued on loans	-	-	-	13,473,040	-	13,473,040	13,473,040	8,383,191
	<u>326,901,436</u>	<u>59,000,000</u>	<u>385,901,436</u>	<u>16,642,170</u>	<u>-</u>	<u>30,115,210</u>	<u>416,016,646</u>	<u>385,625,869</u>
Off balance sheet items:								
Letters of credit	-	-	-	58,609,474	-	58,609,474	58,609,474	-
Bank guarantees	-	-	-	15,285,000	-	15,285,000	15,285,000	13,771,000
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,894,474</u>	<u>-</u>	<u>73,894,474</u>	<u>73,894,474</u>	<u>13,771,000</u>
On balance sheet gap	(326,818,736)	(59,000,000)	(385,901,436)	88,385,744	2,165,101	77,077,805	(308,740,931)	(302,106,121)
Off balance sheet gap	-	-	-	73,894,474	-	73,894,474	73,894,474	13,771,000

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

33.3 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs. 107,275,715 (2007: Rs. 83,519,748) million, the financial assets which are subject to credit risk amounted to Rs. 106,479,040 (2007: Rs. 83,143,321) million. The company manages credit risk in trade receivables by limiting significant exposure to any individual customers\ by obtaining advance against sales.

Notes To The Financial Statements

For The Year Ended June 30, 2008

The company is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The company seeks to minimize the credit risk exposure through dealings with customers considered credit worthy and obtaining securities where applicable.

33.4 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

33.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk. As at June 30, 2008, the total foreign currency risk exposure was Rs. 2.751 (2007: Rs. 34.712) million in respect of trade debts.

33.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 04, 2008 by the Board of Directors of the Company.

35. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassification made are as follows

From	To	Nature	2008 Rupees	2007 Rupees
Administrative expenses	Distribution cost	Staff salaries and benefits	343,944	315,256

CHIEF EXECUTIVE OFFICER

DIRECTOR