



Mission Statement

The Mission of Dewan Khalid Textile Mills Limited is to be the finest Organisation, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the Organisation because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best.

CONTENTS

Company Information	1
Notice of Annual General Meeting	2
Director's Report	4
Financial Highlights	8
Statement of Compliance with the Best Practices of Code of Corporate Governance	9
Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance	11
Auditor's Report	12
Balance Sheet	13
Profit and Loss Account	14
Cash Flow Statement	15
Statement of Changes in Equity	16
Notes to the Accounts	17
Pattern of Share Holding	38
Form of Proxy	



Board of Directors	:	Dewan Mohammad Yousuf Farooqui Chairman, Board of Directors
		Dewan Abdul Baqi Farooqui Chief Executive Officer
		Dewan Asim Mushfiq Farooqui
		Dewan Abdul Rehman Farooqui
		Dewan Abdullah Ahmed
		Mr. Haroon Iqbal
		Mr. Abrar Manzoor
Audit Committee	:	Dewan Abdullah Ahmed Farooqui - Chairman Dewan Asim Mushfiq Farooqui - Member Mr. Haroon Iqbal - Member
Auditors	:	Messrs Feroze Sharif Tariq & Co. Chartered Accountants 4/N/H, Block-6, P.E.C.H.S. Karachi.
Company Secretary	:	Mr. Muhammad Faisal Sultan
Tax Advisors	:	Sharif & Company Advocates
Legal Advisor	:	A. K. Brohi & Co. Advocates
Bankers	:	Muslim Commercial Bank Limited Habib Bank Limited Bank Al Falah Limited Askari Commercial Bank Limited Silk Bank Limited
Registered Office	:	Finance & Trade Centre Block-A, 8th Floor, Shahrah-e-faisal, Karachi.
Factory Office	:	G/11, S.I.T.E., Kotri Sindh, Pakistan.



NOTICE OF 31ST ANNUAL GENERAL MEETING

ANNUAL REPORT 2009

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of **Dewan Khalid Textile Mills Limited** (“*DKTML*” or “*the Company*”) will be held on **Thursday, October 29, 2009, at 01:30 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhand, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur’aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Wednesday, October 29, 2008;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2009, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By Order of the Board

Muhammad Faisal Sultan
Company Secretary

Date: October 06, 2009

Place: Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2009 to October 29, 2009 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent Raoji Consulting Associates (Private) Limited, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the abovesaid address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:
 - a) **For Attending Meeting:**
 - i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.



b) For Appointing Proxies:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.



IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

Dear Shareholder(s),

Assalam-o-Alykum!

The Board of Directors, other members of the management of your Company are pleased to present the Annual Audited Financial Statements of the Company for the year ended June 30, 2009 together with the Auditors' Report thereon.

An overview of the current year operations

Our Company has incurred after tax loss of Rs. 93.9 million in this year. The operating results for the year under review are as follows:

	“Rupees”
SALES & SERVICES (NET)	652,200,910
COST OF SALES	(660,706,196)
GROSS LOSS	(8,505,286)
OPERATING EXPENSES	45,269,441
OTHER CHARGES	8,612,911
FINANCE COST	45,671,622
	99,553,974
LOSS BEFORE TAXATION	(108,059,260)
TAXATION	14,127,487
LOSS AFTER TAXATION	(93,931,773)

The turnover of the Company decreased by Rs 551 million and the gross profit margins has converted to gross losses of Rs. 8.5 million due to increased cost of production. Your company incurred a pretax loss of Rs. 108million and post-tax loss of Rs. 93.9 million.

The above result reflects the worst economic turmoil, Inflation, liquidity crunch, energy crises, devaluation of Pak rupee, increase in interest rates, worse law and order situation, increase in transportation cost due to rise in petroleum products were the major factors for the above mentioned results.



Increased input cost and utilities witnessed a sharp rise. During the year, the cost of raw material and yarn remained volatile.

Pak rupee lost 19.2% of its value up to June 2009 and still showing a consistent upward trend till date.

To overcome the current financial situation the Company is taking various countermeasures. The proposal for re-profiling of Company's debts is under review with the banks. In the mean while, in spite of absence of support from the banks, the Company, though at low level, managed to conduct its operations. It is expected that in the ensuing year re-profiling of Company's debts will be finalized and the Company's operations will be normalized. As explained in notes 11.4 to the accounts, suits for recovery have been filed by a bank in the High Court of Sind which the Company is defending and the management is hopeful that the outcome will be in our favor.

The Auditors have qualified the report due to significance of the matter as referred in Para (a) of the Auditors Report. The Management has explained the status of the matter in respective notes to the financial statements. The Management is fully confident that the company would be able to, finalize the financial restructuring with the lenders.

Future Outlook

The management of your company is optimistic to run the company on full capacity instead of such a dire situation of the textile industry. Expectations of the global recovery from the recession seem to be positive.

Schemes of technological up-gradation, textile cities and freight subsidies could also assist textile exports to face the WTO regime challenges. Textiles are Pakistan's biggest export, bringing in around \$8-\$9 billion every year. Yarn sales account for about 13% of exports, and towels, raw cotton, bed sheets, garments and fabrics contribute the remainder.

The Company has already started cost cutting measure and increases its efficiency to counter the cost increases and unfair competition being faced from Bangladesh, India and China, which are giving huge subsidies to their textile industry.

Post Balance Sheet Events

There has been no event subsequent to the balance sheet date that would require an appropriate disclosure or adjustment to the financial statements referred herein.

Statements of Compliances under the Code of Corporate Governance

1. The financial Statements presented by the management of the Company give a fair account of the state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts have been maintained as required under the Companies Ordinance, 1984.
3. Except as provided hereafter, appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. As per the directives of SECP vide S.R.O. 150 (I)/2009 dated February 13, 2009 the Company has shown impairment loss due to valuation of listed equity investments held as "Available for Sale" under Equity. The impact of normal and the opted method has been disclosed in note 13.1 to the accounts.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored.



6. The management has explained their views in detail regarding the going concern ability of the Company in note 1.1 of the annexed financial statements.
7. There has been no material departure from the best practices of the corporate governance.
8. The Company has constituted an Audit Committee from amongst the non-executive members of its Board.
9. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.
10. As required under the Code of Corporate Governance, the following information has been presented in this report:
 - i) Pattern of Shareholding;
 - ii) Shares held by associated undertaking and related persons; and

Board

The Board of Directors comprises of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year six meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	6
Dewan Abdul Baqi Farooqui	6
Dewan Abdul Rehman Farooqui	6
Dewan Asim Mushfiq Farooqui	3
Dewan Abdullah Ahmed	4
Mr. Muhammad Azimuddin	2
Mr. Haroon Iqbal	4
Mr. Abrar Manzoor	4

Leave of absence was granted to directors who could not attend these meetings.

Earnings per Share

Loss per Share during the period under report worked out to Rs.(16.53) 2008: Rs.(17.54)



Appointment of Auditors

The present auditors, M/s. Ferroz Sharif Tariq & Co., Chartered Accountants, Karachi, retire and being eligible for reappointment under the Companies Ordinance, 1984, and the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, have offered themselves for the same. The Board of Directors of your company, based on the recommendations of the Audit Committee of the board, propose M/s. Ferroz Sharif Tariq & Co., Chartered Accountants, for reappointment as auditors of the company for the ensuing year.

Pattern of Shareholding

The prescribed shareholding information, both under the Companies Ordinance, 1984, and the Listing Regulations, vis-à-vis, Code of Corporate Governance, is attached at the end of this report.

Vote of Thanks & Conclusion

On the behalf of the Board, I appreciate the valuable, loyal, and commendable services rendered to the Company by its executives, members of the staff and workers.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, in the name of our beloved Prophet Muhammad (peace be upon him) for the continued showering of his blessings, guidance, strength, health, and prosperity to us, our company, country and nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood, and unity in true Islamic spirit to whole of the Muslim Ummah; Ameen; Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

By and under Authority of the Board of Directors

Dewan Abdul Baqi Farooqui
Chief Executive

Date: October 06, 2009

Place: Karachi.



(Rupees in Million)

	2003	2004	2005	2006	2007	2008	2009
Sales (Net)	544	766	335	810	565	1203	652
Gross (Loss) / Profit	73	70	51	105	99	34	(8.50)
(Loss) / Profit before Tax	16	28	13	14	6	(72)	(108)
(Loss) / Profit After Tax	3	9	9	11	1	(99.65)	(93.93)
Assets Employed	1007	938	1,068	1,420	1,446	1,039	917
Return on Equity	1.32 %	3.33 %	3.07%	3.19 %	0.2 %	(34.41 %)	(101.86%)
Current Assets	753	632	726	759	808	589	586
Shareholder's Equity	264	273	282	530	570	289	92
Deferred Liabilities	25	31	29	27	29	48	45
Current Liabilities	683	547	692	768	827	697	780
Gross (Loss) / Profit Ratio	13.44 %	9.18 %	15.33%	12.92 %	17.62 %	2.80%	(1.30%)
Net Profit / (Loss) Ratio	.64 %	1.19 %	2.59%	1.40 %	0.2 %	(8.28 %)	(14.40%)
Earning / (Loss) per Share	0.90	1.94	1.68%	1.991	0.20	(17.54)	(16.53)
Dividend (%)	0%	0%	-	-	-	-	-
cash	10%	10%	10%	10%	-	-	-
stock							
Production							
Actual Production							
at Actual Avg. Count	5,704,658	5,160,125	3,936,817	5,474,442	5,025,727	5,786,027	4,778,404
Actual Production							
converted to 20 count	8,129,821	5,315,540	5,980,102	9,327,603	12,299,624	9,240,360	6,825,663



This statement is being presented to comply with the code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing the framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principals contained in the Code in the following manner:

1. The company encourages representation of Independent non-executive directors. At present, the Board includes four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Dewan Khalid Textile Mills Limited.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that Stock Exchange.
4. Casual Vacancies occurring in the Board during the Financial year were duly filled up by the Board.
5. The Company has prepared 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 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.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the board were presided over by the Chairman, if he is available, and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to appraise them of their duties and responsibilities.
10. The director's 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.
11. The director's CEO and executives do not hold any interest in the shares of the Company other than that has already been disclosed in the pattern of shareholder.
12. The company has complied with all the corporate and financial reporting requirements of the code.
13. The Board has formed an audit committee. It comprises three members, including the chairman.



14. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference to the committee have been formed and advised to the committee for compliance.
15. The Board has set-up an effective internal audit function.
16. 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.
17. 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.

Date : October 06, 2009
Place : Karachi

Dewan Abdul Baqi Farooqui
Chief Executive

Partners: **FEROZE QAISER F.C.A., I.C.A.E.W.**
ALI HUSAIN, F.C.A.
MOHAMMAD TARIQ, F.C.A., A.C.M.A.

Voice: (+9221) 4540891
(+9221) 4522734
Facimile: (+9221) 4540891
Email: tariq@cyberaccess.com.pk

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

We have reviewed the 'Statement of Compliance with the Best Practices' contained in the 'Code of Corporate Governance' as applicable to the company for the year ended June 30, 2009 prepared by the Board of Directors of Dewan Khalid Textile Mills Limited to comply with the Listing Regulation No(s). 37 of the Karachi and Lahore 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 the various documents prepared by the company to comply with the code.

As part of our audit of the 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 controls.

Based on our review, nothing has come to our attention that 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, 2009.



Dated: October 06, 2009
Place: Karachi

Feroze Sharif Tariq & Company
Chartered Accountants
Mohammad Tariq

Partners: **FEROZE QAISER F.C.A., I.C.A.E.W.**
ALI HUSAIN, F.C.A.
MOHAMMAD TARIQ, F.C.A., A.C.M.A.

Voice: (+9221) 4540891
(+9221) 4522734
Facimile: (+9221) 4540891
Email: tariq@cyberaccess.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of *Dewan Khalid Textile Mills Limited*, as at June 30, 2009, 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 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 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) The financial Statements of the company for the year ended June 30, 2009 reflect loss after taxation of Rs.93.93 million and as of that date it has accumulated losses of Rs. 90.99 million and its current liabilities exceeded its current assets by Rs. 194.4 million. Further, the short term borrowing facilities from the banks have not been renewed and also the company has not provided the markup on its loans since January 2009 in the financial statement as fully disclosed in note no 1.1 to the financial statements and the company has been unable to ensure the timely repayments for the installments of long term borrowings. Further more; one of the bank has filed a suit of winding up against the company for the recovery of Rs. 167.806 million as disclosed in note no. 11.4 to the financial statements. These conditions indicate the existence of material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements and the notes thereto do not disclose this fact.
- b) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- c) 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 the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
 - iv) in our opinion and to the best of our information and according to the explanations given to us, except for the omission of information included in paragraph "a" above, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the loss, its Cash flow and Changes in Equity for the year then ended; and
In our opinion, "no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980".



Dated: October 06, 2009
Place: Karachi

Feroze Sharif Tariq & Company
Chartered Accountants
Mohammad Tariq



BALANCE SHEET

BALANCE SHEET AS AT JUNE 30, 2009

ANNUAL REPORT 2009

EQUITY AND LIABILITIES		June 30, 2009	June 30, 2008
CAPITAL & RESERVES	Notes	(Rupees)	
Authorized		150,000,000	150,000,000
15,000,000 (2008: 15,000,000) Ordinary Shares of Rs. 10/- each			
Issued, Subscribed and Paid-up Capital	4	56,824,590	56,824,590
General Reserves		135,000,000	135,000,000
Impairment loss on investment to be charged in future	13.1	(8,612,911)	
unrealize gain due to change in fair value of investment	13	--	94,785,254
Reserve & Surplus		(90,995,500)	2,936,274
Shareholders Equity		92,216,179	289,546,118
NON-CURRENT LIABILITIES			
Long Term Loan - Secured	5	--	4,000,000
Deferred Liabilities			
Provision for Staff Gratuity	6	9,488,242	8,807,451
Deferred taxation	7	35,362,718	39,353,292
		44,850,960	48,160,743
CURRENT LIABILITIES			
Trade and Other Payables	8	359,573,161	227,909,342
Mark-up accrued on loans		31,104,348	13,061,776
Short Term Borrowings - Secured	9	377,466,860	374,691,099
Current portion of Long Term Loan	5	4,000,000	16,000,000
Provision for Income Tax	10	8,071,123	65,856,093
		780,215,492	697,518,310
Contingencies and Commitments	11		
		917,282,631	1,039,225,171
ASSETS			
NON-CURRENT ASSETS			
Tangible Fixed Assets	12	283,608,886	290,074,501
Long Term Investment	13	47,774,177	159,785,253
Long Term Deposits		72,900	72,900
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	8,801,007	9,102,988
Stock-in-Trade	15	316,757,698	366,208,120
Trade Debts - Considered Good	16	197,640,358	107,942,527
Loans and Advances - Unsecured, Considered good	17	8,623,355	10,611,184
Trade Deposits, Prepayments and Statutory Balances - Considered good	18	26,204,676	14,164,365
Other Receivables - Unsecured, Considered good		14,222,044	11,447,569
Income Tax Refunds and Advances		11,280,574	59,591,814
Cash and Bank Balances	19	2,296,956	10,223,950
		585,826,668	589,292,517
		917,282,631	1,039,225,171

The annexed notes form an integral part of these accounts.

Dewan Abdul Rehman Farooqui
Director

Dewan Abdul Baqi Farooqui
Chief Executive



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

ANNUAL REPORT 2009

	Notes	June 30, 2009	June 30, 2008
		(Rupees)	
Sales - net	20	652,200,910	1,203,311,851
Cost of Sales	21	<u>(660,706,196)</u>	<u>(1,169,624,906)</u>
Gross (Loss)/Profit		(8,505,286)	33,686,945
Operating Expenses			
Distribution Costs and Selling Expenses	22	<u>(17,472,847)</u>	<u>(23,930,236)</u>
Administrative and General Expenses	23	<u>(27,796,594)</u>	<u>(26,096,952)</u>
		(45,269,441)	(50,027,188)
Operating Loss		<u>(53,774,727)</u>	<u>(16,340,243)</u>
Finance Cost	24	<u>(45,671,622)</u>	<u>(56,225,173)</u>
		(99,446,349)	(72,565,416)
Adjustment on impairment loss on Investment	13.1	(8,612,911)	--
Loss Before taxation		<u>(108,059,260)</u>	<u>(72,565,416)</u>
Taxation			
- Current	10	--	(6,034,364)
- Prior		10,136,913	
- Deferred	7	3,990,574	(21,049,710)
		14,127,487	(27,084,074)
Loss after taxation		<u>(93,931,773)</u>	<u>(99,649,490)</u>
(Loss)/Earning Per Share - Basic	25	<u>(16.53)</u>	<u>(17.54)</u>

The annexed notes form an integral part of these accounts.

Dewan Abdul Rehman Farooqui
Director

Dewan Abdul Baqi Farooqui
Chief Executive



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

ANNUAL REPORT 2009

	June 30, 2009	June 30, 2008
(Rupees)		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before Taxation	(108,059,260)	(72,565,416)
Adjustment for Non-Cash and Other Items:		
Depreciation	26,778,878	18,742,315
Impairment Loss	8,612,911	--
Provision for Gratuity	4,432,903	3,661,111
Financial Expenses	45,671,622	56,225,173
	85,496,314	78,628,599
	(22,562,946)	6,063,183
Working Capital Changes		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	301,981	(5,838,746)
Stock-in-Trade	49,450,423	290,986,009
Trade Debts	(89,697,831)	(43,130,830)
Loans and Advances	1,987,829	(5,344,840)
Trade deposits, Prepayments & Statutory balances	(12,040,311)	(3,566,097)
Other Receivables	(2,774,475)	732,243
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade and Other Payables	135,467,013	(120,014,744)
	82,694,629	113,822,995
Taxes Paid	(3,140,010)	(6,640,286)
Gratuity Paid	(3,752,112)	(5,465,323)
	(6,892,122)	(12,105,609)
<i>Net Cash Inflow/ (Outflow) from Operating Activities</i>	53,239,561	107,780,569
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	(20,313,263)	(11,896,709)
<i>Net Cash Inflow/ (Outflow) from Investing Activities</i>	(20,313,263)	(11,896,709)
CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Loan - Secured	(16,000,000)	(16,000,000)
Financial Expenses Paid	(27,629,053)	(55,159,934)
<i>Net Cash Inflow/ (Outflow) from Financing Activities</i>	(43,629,053)	(71,159,934)
Net Increase in Cash and Cash Equivalents	(10,702,755)	24,723,926
Cash and Cash Equivalents at the Beginning	(364,467,149)	(389,191,075)
Cash and Cash Equivalents at the End (Note 29)	(375,169,904)	(364,467,149)

The annexed notes form an integral part of these accounts.

Dewan Abdul Rehman Farooqui
Director

Dewan Abdul Baqi Farooqui
Chief Executive



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

ANNUAL REPORT 2009

	Share Capital	General Reserve	Unrealized gain/(deficit) due to change in fair value of Investment	Impairment Loss on available for sale investment	Unappropriated Profit	Total
(Rupees'000')						
Balance as on July 01, 2007	56,824,590	135,000,000	275,552,408	--	102,585,764	569,962,762
Loss after Tax	--	--	--	--	(99,649,490)	(99,649,490)
Deficit due to change in fair value of investment			(180,767,154)			(180,767,154)
Balance as on June 30, 2008	56,824,590	135,000,000	94,785,254	--	2,936,274	289,546,118
Loss after Tax	--	--	--	--	(93,931,773)	(93,931,773)
Impairment in value of investment	--	--	--	(17,225,822)	--	(17,225,822)
Deficit due to change in fair value of investment	--	--	(94,785,254)	--	--	(94,785,254)
Impairment Loss Charged to P&L	--	--	--	8,612,911	--	8,612,911
Balance as on June 30, 2009	56,824,590	135,000,000	--	(8,612,911)	(90,995,500)	92,216,179

The annexed notes form an integral part of these accounts.

Dewan Abdul Rehman Farooqui
Director

Dewan Abdul Baqi Farooqui
Chief Executive



1. Corporate Information

Dewan Khalid Textile Mills Limited (the Company) was incorporated in Pakistan, as a public limited company on April 03, 1978, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company is located at Finance & Trade Centre, Block-A, 8th Floor, Shahrah-e-faisal, Karachi, Pakistan; while its manufacturing facilities are located at A-30, S.I.T.E., Hyderabad, Sind, Pakistan. The Principal activity of the Company is trading, manufacturing and sale of yarn.

- 1.1** The financial statements for the year ended June 30, 2009 reflect loss after taxation of Rs. 93.93 million and it has accumulated losses of Rs. 90.99 million and its current liabilities exceeded its current asset by Rs. 194.4 million. Furthermore, the company has not Provided mark up on its long and short term borrowings amounting to Rs. 25.629 million the management feels that we are in the process of restructuring of loans with the financial institutions and which is in accordance with the proposal as fully disclosed in note 24.1 to the financial statements. The working capital constraints resulted in low capacity utilization ultimately leading to reduce gross profit situation, further the Company is facing liquidity difficulties to ensure timely repayments of debts owing to financial institutions and short term finance facilities have not been renewed by certain banks.

These financials have been prepared under going concern assumption as the aforesaid situation are temporary not permanent and would reverse in future. The management is confident that the out come is positive as the company is negotiating re-profiling of the debt with all the lenders and is expected to be closed in near future. Accordingly, during the year , the company has approached its lenders for the restructuring of the entire debt.

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Cost Convention

The financial statements have primarily been prepared under the historical cost convention without any adjustemnets for the effect of inflation or current values, except for the financial assets and liabilities which are carried at their fair values and certain employee benefits are based on actuarial valuation and stock intrade which are valued at net realizable value, if it is less than the cost. Further, accrual basis of accounting is followed except for cash flow information.

2.3. Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on 6th October, 2009.

2.4. Significant accounting judgments and Estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

- a) Provision for taxes.
- b) Provision for obsolescence of stock.
- c) Provision for post employment benefit.

2.4.1 Property, Plant and Equipments

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

2.4.2 Income Taxes

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax departments at the assessment stage and where the company Conceder's that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in in next five years when this credit can be utilized.

2.4.3 Staff Retirement Benefits- gratuity

Certain actuarial assumptions have been adopted as disclosed in note no. 6 to the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

2.4.4 Trade debts and other receivables

Impairment loss against doubt ful trade and other debts is made on a judgemental basis, which provions may differ in future years based on the actual experience. The diffreance in the provision if any, is recognised in the future period.

2.4.5 Stock -in-Trade and Stores and Spares

The company's management reviews the net realisable value (NRV) and impairment of Staock in trade and stores and spares to assess and dimution in the respective carrying values and wherever required provision for NRV/impairmant is made. The diffreancve in provisions, if any, is recognised in future periods.

2.5. Initial Application of a standard or and Interpretation

The following standards, amendments and Interpretations become effective during the current year.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after July 01, 2008) supersedes IAS 30 - Disclosures in the financial statements of Banks and similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.



IAS 29 - Financial Reporting in Hyperinflationary Economic (effective for annual periods beginning on or after July 01, 2008). The Company does not have any operations in hyperinflationary Economics and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 12 - Service Concession Arrangements (effective for annual period beginning on or after January 1, 2008). The application of this standard did not affect the financial statements of the Company.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 IAS 19 - The limit on defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

b) Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1- Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a periods other than those changes resulting from transaction with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statements and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

Revised IAS 23- Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

Amended IAS 27 Consolidated and separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured as fair value with gain or loss recognized in the profit or loss.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that on the entity an obligation to deliver to another party pro rate share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9 - Embedded derivative (effective for annual beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instruments when financial instrument when financial assets are reclassified out of the fair value.



Amendment to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risk or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 Share-based payment-vesting Conditions and Cancellation (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires no vesting condition to be reflected in grant -date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2 - Share-based payment- Group cash settled Share-based payments Transaction (effective for annual periods beginning on or after 1 January 2010) currently effective IFRS requires attribution of group share-based payment transaction only if they are equity-settled. The amendment resolve diversity in practice regarding attribution of cash-settled share-based payments transaction and require an entity receiving goods or services in either an equity-settled or a cash-settled payments transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3 Business Combinations (Applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-exciting interest in an acquire to be measured at fair value with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, are at its proportionate interests in identification assets and liabilities of an acquire, on a transaction -by-transaction basis.

IFRS 4- insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvement to accounting for insurance contracts until the Board completes second phase of its project on insurance contracts. The standards also require an entity issuing insurance (an insurance) to disclose information about those contracts.

Amendment to IFRS 7- Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009) These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosers and require entities to provide additional disclosures about the reliability of fair value measurements.

IFRS 8 Operating segments (effective for annual periods beginning on or after 1 January 2009) introduces the “ management approach “to segment reporting IFRS 8 will require a change in presentation and disclosure of segment information based in the internal reports that are regularly reviewed by the Company’s chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently the Company present segment information in respect of its business segments.

IFRIC 15- Agreement for Construction of Real Estate (effective for annual periods on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments of houses, off-plan. that is before construction is complete.

IFRIC 16 Hedge of Net Investment in a Foreign Operating (effective for annual periods beginning on or after 1 October 2008) clarifies that investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign for operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determine to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as supply of electricity, gas or water).

3. Significant Accounting Policies

3.1 Post Employment Benefits - Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its staff. Provisions are made, based on actuarial recommendations. Actuarial valuation is carried out using the 'Projected Unit Credit' method, as required by International Accounting Standard 19 "Employee Benefits". In line with the recognition of the resulting actuarial gain or loss over a period of three years, the frequency of carrying out an actuarial valuation is three years.

3.2 Trade and Other Payables

Trade and other payables are stated at their cost.

3.3 Taxation

Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all temporary taxable differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

3.4 Property, Plant and Equipment

- *Owned*

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses, if any; except for lease hold land and capital works in progress which are stated at cost accumulated upto the balance sheet date.

- *Leased*

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined as the fair values or discounted value of minimum lease payments; whichever is the lower, as at inception, less accumulated depreciation and impairment losses. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.



- **Depreciation**

Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis and until disposal or retirement, using the reducing balance method whereby the cost of an asset is written off over its estimated useful life and the rates applied are in no case less than the rates prescribed by the Central Board of Revenue. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

- **Repairs, renewals and maintenance**

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.

3.5 Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

3.6 Investment in Associated Companies (Available for sale)

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated with.

After initial recognition, investment which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

3.7 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost. Items in transit are stated at cost accumulated upto the date of the balance sheet.

3.8 Stock-in-Trade

These are valued as follows :

<i>Raw Material</i>	:	At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
<i>Finished Goods</i>	:	At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
<i>Waste</i>	:	At net realizable value.
<i>Work-in-Process</i>	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
<i>Stock in Transit</i>	:	At cost accumulated upto the balance sheet date.
<i>Stock at fair price shop</i>	:	At cost calculated on the First-in-first-out method of valuation.
<i>Packing Material</i>	:	At lower of weighted average cost or net realizable value.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.



3.9 Trade Debts & Other Receivables

Trade debts originated by the company are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for a doubtful receivable is made when collection of the whole or part of the amount is no longer probable. Bad debts are written off as incurred.

3.10 Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the Profit and Loss Account.

3.11 Revenue Recognition

- Revenue from sales is recognized on dispatch of goods to customers.
- Dividend income is recognized on the basis of declaration by the Investee company.

3.12 Borrowing Cost

Borrowing Costs are recognised initially in fair value net of transaction costs incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

3.13 Provisions

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

3.14 Financial Instruments

Recognition

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account to which it arises.

Off Setting

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal 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. Corresponding income on assets and charge on liability is also offset.

Derivatives

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positives and liabilities when fair value is negative.

3.15 Cash and Cash Equivalents

Cash and Cash Equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Running finances facilities availed by the company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

**3.16 Impairment of Assets**

The carrying amounts of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down and that impairment losses are recognized in the profit and loss account.

3.17 Related Party Transactions

All transactions with related parties are carried out by the company at arm's length prices.

3.18 Loans, Advances and Other Receivables

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/residual cost.

3.19 Short Term and Long Term Loans

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/residual cost.

3.20 Dividend

Dividend is recognized as a liability in the period in which it is approved by the shareholders.

4. Issued, Subscribed and Paid-up Capital

<i>No. of Ordinary Shares of Rs. 10/- each</i>			June 30, 2009	June 30, 2008
2009	2008		(Rupees)	
1,800,000	1,800,000	Fully Paid in cash	18,000,000	18,000,000
3,882,459	3,882,459	Issued as fully paid bonus shares	38,824,590	38,824,590
5,682,459	5,682,459		56,824,590	56,824,590

4.1 The shareholders are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the company. All shares rank equally in respect to the company's residual assets.

4.2 The pattern of shareholding, as required under the Code of Corporate Governance issued by the Securities

5. Long Term Loan - Secured

Balance at beginning	4,000,000	20,000,000
Less: Installments due within the following twelve months	4,000,000	16,000,000
	--	4,000,000

The Company has obtained Long Term Loan amounting to Rs. 64 Million for the purchase of plant & Machinery. The facilities carries a floating markup rate linked to the three months KIBOR Bills of the State Bank of Pakistan, as base rate plus 2.5% per annum. The tenure of financing is five years including a grace period of one year. The finance facility is payable in sixteen equal quarterly installments commencing from December 31,2005. The Purchase price of the facility is Rs. 76.141 million. The facility is secured by way of first pari passu hypothecation charge over the company present and future fixed assets, upto an aggregate amount of Rs.100 million.



	Note	June 30, 2009	June 30, 2008
(Rupees)			
6 Provision for Staff Gratuity			
Balance at beginning		8,807,451	10,611,663
Payments during the year		<u>(3,752,112)</u>	<u>(5,465,323)</u>
		5,055,339	5,146,340
Provision for the year	6	<u>4,432,903</u>	<u>3,661,111</u>
		<u>9,488,242</u>	<u>8,807,451</u>
6.1 Balance Sheet Reconciliation			
Present value of defined benefit obligations		8,627,044	8,008,045
Less: Unrecognized actuarial loss		<u>861,198</u>	<u>799,406</u>
		<u>9,488,242</u>	<u>8,807,451</u>
6.2 Charge for the Year			
Service cost		3,148,035	2,599,945
Interest cost		<u>1,284,868</u>	<u>1,061,166</u>
		<u>4,432,903</u>	<u>3,661,111</u>
6.3 Principal Actuarial Assumption			
Expected rate of increase in salaries		11 % per annum	11 % per annum
Discount factor used		12 % per annum	12 % per annum
Retirement age		10 years	10 years
6.4 The charge for the year has been allocated as follows			
Cost of Sales		3,936,726	3,167,825
Administrative expenses		<u>496,177</u>	<u>493,286</u>
		<u>4,432,903</u>	<u>3,661,111</u>
7. Deferred Taxation			
The liability for deferred taxation comprises of timing differences relating to:			
Deferred tax liability arising due to accelerated tax depreciation		38,683,603	42,419,015
Deferred tax assets arising out of staff gratuity and other provisions		<u>(3,320,885)</u>	<u>(3,065,723)</u>
		<u>35,362,718</u>	<u>39,353,292</u>
7.1 The movement for the year, in the company's net deferred tax position was as follows:			
Balance at beginning		39,353,292	18,303,582
Increase in deferred tax liabilities		(3,735,412)	20,606,661
Decrease in deferred tax assets		(255,162)	443,049
Charge to income for the year		<u>(3,990,574)</u>	<u>21,049,710</u>
		<u>35,362,718</u>	<u>39,353,292</u>



	Note	June 30, 2009	June 30, 2008
(Rupees)			
8 Trade and Other Payables			
Creditors	8.1	339,534,870	142,187,927
Accrued Expenses	8.2	19,703,550	81,583,480
Unclaimed Dividend		334,741	334,741
Workers Welfare Fund		-	3,803,194
		<u>359,573,161</u>	<u>227,909,342</u>

8.1 This includes Rs. 122.70 (2008: Rs. 11.681) million payable to associated undertaking.

8.2 This includes Rs. 4.0 million over due installment of long term loan.

9 Short Term Borrowings - Secured

Short term Running Finance	9.1	275,440,844	274,377,967
Short term Loan		98,131,262	100,000,000
Book overdraft	9.2	3,894,754	313,132
		<u>377,466,860</u>	<u>374,691,099</u>

9.1 The company has facilities for short term running finances under mark-up arrangements amounting to Rs. 400 million (2008: Rs. 400 million) from banks. The facility carries mark-up at the rate of 15.53% ~ 17.67% per annum (2008: Re. 12.42% ~ 14.05%) per annum. These facilities are secured against hypothecation charge on stocks-in-trade and trade debts. These facilities are generally for twelve months renewable at the end of the period. The mark-up on running finance facilities is payable on a quarterly basis.

The facility for opening of letters of credit as at June 30, 2009, amounted to Rs. 425 million (2008: Rs. 425 million).

One of the Bank has filed recovery suit in Hon'able High court of Sindh at Karachi as more fully describe in note 11.4 of the financial statements.

9.2 This represents unrepresented cheques

10 Provision for Taxation

Balance at the beginning		65,856,092	59,821,729
Add: Provisions for Taxation			
Current period		(57,784,969)	6,034,364
		<u>8,071,123</u>	<u>65,856,093</u>

The income tax returns of the company has been filed upto tax year 2008 to income tax department and the assessments of the company have been finalized upto and including the tax year 2008. However, the commissioner of income tax may at any time during a period of five years from the date of filling of return may select the deemed assessment for audit.



	Note	June 30, 2009	June 30, 2008
(Rupees)			
10.1	Relationship between income tax expense and accounting profit		
		<u>(108,059,260)</u>	<u>(72,565,416)</u>
		<u>35%</u>	<u>35%</u>
		<u>(37,820,741)</u>	<u>(25,397,895)</u>
		712,393	(19,563,976)
		--	424,034
		<u>2,864,755</u>	<u>(631,474)</u>
		<u>(34,243,593)</u>	<u>(45,169,311)</u>
10.2	Minimum tax payable under income tax ordinance 2001		
		<u>3,273,605</u>	<u>6,034,364</u>
11	Contingencies and Commitments		
11.1	Guarantees issued by banks	nil million	13.671 million
11.2	Local Bill discounted	nil million	10.071 million
11.3	Letters of Credit for other than capital expenditures	nil million	29.243 million
11.4	One of the bank has filed a recovery suit against the company for an aggregate amount of Rs.167.806 million (being principle and markup thereon) through sale of hypothecated assets of the company. The company has strongly disputed the bank's claim to be unreasonable and filed a counter suit for a sum of Rs.251.92 million being the amount excess paid to the bank. The last hearing was fixed in August 2009 which are adjourned for date in office. Since the case is pending for hearing, therefore the ultimate outcome can not be established. The Bank has also filed a winding up petition against the company U/s 305 of the Companies Ordinance, 1984, against which the opposition has been filed in August 2009. The case is also pending for hearing in Hon'able Court.		
12	Tangible Fixed Assets		
12.1	Property, Plant and Equipment	234,277,831	252,747,337
12.2	Capital Works-in-Progress	<u>49,331,055</u>	<u>37,327,164</u>
		<u>283,608,886</u>	<u>290,074,501</u>

12.1 Property, Plant and Equipment - At cost less accumulated depreciation

Particulars	Cost				Rate %	Depreciation			Written Down	
	As at	Additions /	(Deletions) /	As at		As at	Adjustments /	For the	As at	Value as at
	July	Transfer	(Transfer)	June		July	Transfer	period	June	June
	01, 2008			30, 2009				30, 2009	30, 2009	
	RUPEES					RUPEES				
OWNED										
Lease Hold Land	1,651,808		--	1,651,808	--	--	--	--	--	1,651,808
Factory Building	37,990,890		--	37,990,890	10	18,424,908	--	1,956,598	20,381,506	17,609,384
Non Factory Building	11,652,333		--	11,652,333	10	3,323,954		632,838	4,156,792	7,495,541
Labour Quarters	8,338,425		--	8,338,425	25	8,330,492	--	1,983	8,332,475	5,950
Plant and Machinery	373,267,026	8,197,146	--	381,464,174	10	212,200,395		16,635,182	229,035,577	152,428,597
Generators	78,186,466		--	78,186,466	10	43,594,847		3,459,162	47,054,009	31,132,457
Electric Installation	5,760,815		--	5,760,815	15	5,615,339	--	21,821	5,637,160	123,655
Power House	27,658,382		--	27,658,382	10	14,192,009	--	1,346,637	15,538,646	12,119,736
Factory and Office Equipments								--		
Equipments	4,740,693	19,330	--	4,760,023	10	2,264,280	--	248,518	2,512,798	2,247,225
Vehicles	29,442,898	14,900	--	29,457,798	20	20,195,395	--	1,855,566	22,050,961	7,406,837
Furniture and Fixture	6,206,085	77,996	--	6,284,081	10	4,006,867	--	220,572	4,227,439	2,056,642
Sub Total										
June 30, 2009	584,895,823	8,309,372	--	593,205,195		332,148,486	--	26,778,878	358,927,364	234,277,831
June 30, 2008	476,369,979	108,525,844	--	584,895,823		313,406,171	--	18,742,315	332,148,486	252,747,337

Allocation of Depreciation
2009
2008
RUPEES

Depreciation for the year has been allocated as follows:

Cost of Sales	24,702,741	16,351,328
Administrative and General Expenses	2,076,137	2,390,987
	26,778,878	18,742,315

12.2 Capital Works-in-Progress

	2009			
	Opening Balance	Addition during the year	Transfer to Fixed Assets	Closing Balance
Plant and Machinery	11,736,189	-	--	11,736,189
Buildings and Civil Works	25,590,975	12,003,891	--	37,594,866
	37,327,164	12,003,891	--	49,331,055
	2008			
	Opening Balance	Addition during the year	Transfer to Fixed Assets	Closing Balance
Plant and Machinery	95,007,701	-	88,009,101	11,736,189
Buildings and Civil Works	38,948,598	-	16,000,000	25,590,975
	133,956,299	-	104,009,101	37,327,164



	Note	June 30, 2009	June 30, 2008
(Rupees)			
13 Long Term Investment			
Shares in Dewan Salman Fibre Limited (A Listed Associated Company) 32,279,849 (2008: 32,279,849) fully paid up ordinary shares of Rs.10/- each. (including 25,779,849 bonus shares)		65,000,000	65,000,000
Deficit due to change in fair value of investments		(17,225,823)	94,785,253
Aggregate Market value as at June 30 (2008: June 30) @ Rs. 1.48 (2008: Rs.4.95) per share		<u>47,774,177</u>	<u>159,785,253</u>
13.1 Impairment in value of available for sale investment has been taken directly to equity as per relaxation provided by Securities & Exchange Commission of Pakistan vide its notification SRO 150(I)/2009 dated February 13, 2009. The aforesaid treatment is against the requirements of International Accounting Standard 39 'Financial Instruments - Recognition and Measurement' (IAS-39). IAS - 39 requires that any impairment in value of available for sale financial assets should be recognized in profit and loss account for the period. Had the treatment in accordance with IAS-39 been made, the loss for the period would have been higher by Rs.8.612 million. The said impairment loss including any adjustment / effect for the price movements during the quarter of calender year 2009 will be taken to Profit and Loss Account on quarterly basis during the calender year ending on December 31, 2009. During the current year the Company charged Rs. 8.612 million in Profit & Loss Account.			
14 Stores, Spares & Loose Tools			
Stores and Spares		6,819,740	6,728,933
Packing Material		1,981,267	2,374,055
		<u>8,801,007</u>	<u>9,102,988</u>
15 Stock-in-Trade			
Raw Materials		18,555,308	65,319,741
Work-in-Process		5,337,309	10,847,969
Finished Goods		285,664,733	278,646,314
Waste		7,200,348	11,394,096
		<u>316,757,698</u>	<u>366,208,120</u>
15.1 Stock-in-trade and trade debtors are under hypothecation as security for the company's short term finances (See Note 9.1)			



	Note	June 30, 2009	June 30, 2008
(Rupees)			
16 Trade Debts - Considered Good			
Local Receivables - Unsecured		<u>197,640,358</u>	<u>107,942,527</u>
		<u>197,640,358</u>	<u>107,942,527</u>
16.1.	The aging of Debtors at the reporting adte was:		
	Up to one month	96,843,775	63,686,091
	1 to 6 months	69,174,125	24,826,781
	More than 6 months	<u>31,622,458</u>	<u>19,429,655</u>
		<u>197,640,358</u>	<u>107,942,527</u>
Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts due to major amount of trade debts have been recovered subsequent to the balance sheet date and for the rest of the trade debts management believes that the same will be recovered in short course of time. The credit quality of the company's receivable can be measured with their past performance of no default.			
17 Loans and Advances - Unsecured, Considered Good			
Advance against Suppliers		4,061,530	4,818,370
Loans and Advances to employees	17.1	<u>4,561,825</u>	<u>5,792,814</u>
		<u>8,623,355</u>	<u>10,611,184</u>
17.1	Advances include Rs. 0.049 million (2008: Rs. 0.859) due from executive of the company and maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.859 million (2008: Rs. 0.889).		
18 Trade Deposits, Prepayments and Statutory Balances - Considered good			
Deposits		17,100,409	3,142,049
Sales Tax Receivable		<u>9,104,267</u>	<u>11,022,316</u>
		<u>26,204,676</u>	<u>14,164,365</u>
19 Cash and Bank Balances			
Cash in Hand		493,127	239,986
Cash at Banks - Current Accounts		<u>1,803,829</u>	<u>9,983,964</u>
		<u>2,296,956</u>	<u>10,223,950</u>
20 SALES - Net			
Yarn			
- Local		637,456,857	1,186,471,492
- Export		--	6,591,117
Waste		<u>17,264,205</u>	<u>13,810,284</u>
Gross Sales		654,721,062	1,206,872,893
Commission:			
- on Local Sales		<u>(2,520,152)</u>	<u>(3,561,042)</u>
- on Export Sales		<u>--</u>	<u>--</u>
		<u>(2,520,152)</u>	<u>(3,561,042)</u>
		<u>652,200,910</u>	<u>1,203,311,851</u>



	Note	June 30, 2009	June 30, 2008
21 Cost of Sales			
Raw Material Consumed	21.1	462,769,269	602,211,149
Packing Material		12,102,388	12,236,504
Stores and Spares Consumed		8,799,073	14,359,842
Fuel and Power		62,511,061	61,177,248
Salaries, Wages and Other Benefits	21.2	75,978,303	75,372,370
Insurance		3,743,000	4,423,400
Vehicle Expenses		844,312	2,735,188
Repairs and Maintenance		507,325	3,978,364
Rent, Rates and Taxes		5,295,735	659,952
Depreciation	12.1	24,702,741	16,351,328
		<u>657,253,207</u>	<u>793,505,345</u>
Work-in-Process - Opening		10,847,969	3,808,717
Work-in-Process - Closing		<u>(5,337,309)</u>	<u>(10,847,969)</u>
Cost of Goods Manufactured		662,763,867	786,466,093
Finished Goods - Opening		290,040,410	626,209,203
Purchase of Yarn		767,000	46,990,020
Finished Goods - Closing		<u>(292,865,081)</u>	<u>(290,040,410)</u>
		<u>660,706,196</u>	<u>1,169,624,906</u>
21.1 Raw Material Consumed			
Opening Stock		65,319,741	27,176,209
Purchases - Net		416,004,836	640,354,681
		<u>481,324,577</u>	<u>667,530,890</u>
Closing Stock		<u>(18,555,308)</u>	<u>(65,319,741)</u>
Raw Material Consumed		<u>462,769,269</u>	<u>602,211,149</u>
21.2 Salaries, wages and other benefits include Rs.3.936 million (2008: Rs.3.2 million) relating to staff retirement benefits.			
22 Distribution Costs and Selling Expenses			
Advertisement & Publicity		77,395	48,415
Cartage Freight and Octroi		11,552,910	16,608,383
Distribution Expenses		5,842,542	6,644,632
Export Expenses		--	628,806
		<u>17,472,847</u>	<u>23,930,236</u>



	Note	June 30, 2009	June 30, 2008
(Rupees)			
23 Administrative and General Expenses			
Salaries, Allowances and Other Benefits	23.1	9,576,158	11,736,814
Rent, Rates and Taxes		--	136,600
Travelling, Conveyance and Entertainment		4,067,558	2,162,625
Printing and Stationery		355,578	405,055
Communication		912,454	861,917
Vehicles Expenses		2,859,604	1,839,657
Legal and Professional Charges		1,272,050	288,000
Fees and Subscription		638,640	206,249
Other Expenses		5,210,415	5,709,471
Depreciation	12.1	2,076,137	2,390,987
Auditors Remuneration	23.2	300,000	264,000
Donation	23.3	528,000	95,577
		<u>27,796,594</u>	<u>26,096,952</u>

23.1 Salaries, allowances and other benefits include Rs.0.496 million (2008: Rs.0.493 million) relating to staff retirement benefits.

23.2 Represents Audit fee (Annual, Half year and Review of Code and corporate Governance) for the year.

23.3 Interest of the directors or their spouses in the donations made during the year is as follows:

Dewan Farooque Trust - related party	<u>500,000</u>	<u>-</u>
Dewan M. Yousuf Farooqui- Chairman board of Trustees		
Dewan Abdullah Ahmed - Trustee		
Dewan Asim Mushfiq Farooqui - Trustee		
Dewan Abdul Baqi Farooqui - Trustee		

24 Finance Cost

Mark up on Long term Loans	24.1	2,264,751	2,803,598
Mark-up on Short Term Borrowings		41,331,667	52,907,612
Bank Charges and Commission		2,075,203	513,963
		<u>45,671,622</u>	<u>56,225,173</u>

24.1 The company has not provided the markup on Long term and short term borrowing from January 2009 to June 2009 by Rs. 25.629 million the management feels that we are in the process of restructuring of loans with the financial institutions and which is in accordance with the proposal. However if the company provided this amount during the year the loss of the company had been increases by Rs. 25.629 million and consequently the financial charges and Accrued markup will also increases by same amount.



	Note	June 30, 2009	June 30, 2008
(Rupees)			
25 Earnings Per Share - Basic			
Profit after Taxation		<u>(93,931,773)</u>	<u>(99,649,490)</u>
Weighted Average Number of Ordinary Shares		<u>5,682,459</u>	<u>5,682,459</u>
Earning Per Share - Basic	Rupees	<u>(16.53)</u>	<u>(17.54)</u>

26 Remuneration of Chief Executive, Director and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

Particulars	2009				2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	<i>Rupees</i>				<i>Rupees</i>			
Managerial Remuneration	--	600,030	1,580,079	2,180,109	--	600,030	1,752,088	2,352,118
Meeting fees	--	14,000	--	14,000	--	--	--	--
House rent allowance	--	266,940	702,942	969,882	--	266,940	779,465	1,046,405
Utilities allowance	--	33,030	86,979	120,009	--	33,030	96,447	129,477
Total		914,000	2,370,000	3,284,000		900,000	2,628,000	3,528,000
Number of persons	--	1	4	5	--	1	3	4

26.1 The Chief Executive Officer, Director and Executives of the company are provided with free use of company maintained cars and utilities at their residences.

27 Related Party Transactions

Sales	159.785 million	377.693 million
Purchases	415.356 million	711.991 million

All transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment are given in Note 26 to the financial statements.

28 Plant Capacity and Production

Particulars	Kgs	Kgs
Actual production at actual average count	4,778,404	5,786,027
Actual production converted to 20 count	6,825,663	9,240,360
Attainable capacity converted to 20 count	7,600,000	7,600,000
Number of spindles installed	25,536	25,536
Worked during the year	17,992	24,961
Number of shifts worked during the year	804	1,077



The main reason for reduction in capacity utilization was due to short supply of raw material to the plant caused by the working capital constraints.

	Note	June 30, 2009	June 30, 2008
		(Rupees)	
29 Cash and Cash Equivalents			
Cash and Bank Balances	19	2,296,956	10,223,950
Short term Borrowings	9	<u>(377,466,860)</u>	<u>(374,691,099)</u>
		<u>(375,169,904)</u>	<u>(364,467,149)</u>

30 Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

30.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:

	2009	2008
	Rupees	
Lon term Investments	47,774,177	159,785,253
Trade Debts - Considered Good	197,640,358	107,942,527
Loans and Advances - Unsecured, Considered good	8,623,355	10,611,184
Trade Deposits, Prepayments and Statutory Balances - Considered good	26,204,676	14,164,365
Other Receivables - Unsecured, Considered good	14,222,044	11,447,569
Cash and Bank Balances	<u>2,296,956</u>	<u>10,223,950</u>
	<u>296,761,566</u>	<u>314,174,848</u>

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

The company is exposed to liquidity risk in respect of non current interest bearing liabilities, short term borrowings, trade and other payable and mark up accrued.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2009				
Carrying amount	Contractual Cash flows	Six Months or less	Six to twelve	One Year onward
Rupees				
Financial liabilities				
Long term Finances	8,000,000	9,224,000	9,224,000	-
Trade & other payables	355,573,161	355,573,161	88,893,290	266,679,871
Short term Borrowings	373,572,106	431,475,783	431,475,783	-
	737,145,267	796,272,944	529,593,073	266,679,871
2008				
Carrying amount	Contractual Cash flows	Six Months or less	Six to twelve	One to two year onward
Rupees				
Financial liabilities				
Long term Finances	20,000,000	22,900,000	9,160,000	9,160,000
Trade & other payables	227,909,342	227,909,342	118,512,858	109,396,484
Short term Borrowings	374,377,967	424,918,993	424,918,993	-
	622,287,309	675,728,335	552,591,851	118,556,484

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30, 2009. The rates of markup have been disclosed in relevant notes to the financial statements.

30.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices or the market prices due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

30.4 Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

30.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates, majority of the interest rate exposure arises from short and long term borrowings from bank and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments are:



	Carrying amounts	
	2009	2008
	Rupees	
Fixed rate instruments	-	-
Variable rate instruments	-	-
Financial assets	-	-
Financial liabilities	<u>(377,572,106)</u>	<u>(394,377,967)</u>
	<u>(377,572,106)</u>	<u>(394,377,967)</u>

30.6 Risk management policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

30.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2009	2008
	Rupees	
Total Borrowings	385,466,860	394,691,099
Less Cash and Bank Balances	<u>2,296,956</u>	<u>10,223,950</u>
Net debt	383,169,904	384,467,149
Total equity	<u>92,216,179</u>	<u>289,546,118</u>
Total Capital	<u>475,386,083</u>	<u>674,013,267</u>
Gearing ratio	<u>80.60%</u>	<u>57.04%</u>

30.8 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

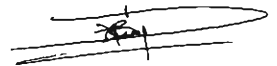
As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

31 General

- i) Figures have been rounded off to nearest rupee.
- ii) Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial Statements are presented in Pakistani rupees, which is the Company's functional and Presentational currency.



Dewan Abdul Rehman Farooqui
Director



Dewan Abdul Baqi Farooqui
Chief Executive



Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	451,185	7.94%
2.	NIT and ICP	2	347,441	6.11%
3.	Directors, CEO, their Spouses & Minor Children	8	2,382,371	41.92%
4.	Executives	2	1,000	0.02%
5.	Public Sector Companies & Corporations	5	287,962	5.07%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	5	606,265	10.67%
7.	Individuals	698	1,606,236	28.27%
TOTAL		721	5,682,460	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1. <u>Associated Companies</u>				
1.1	Dewan Motors (Pvt.) Limited	1	451,185	7.94%
2. <u>NIT and ICP</u>				
2.1	National Bank of Pakistan, Trustee Deptt.	1	280,286	4.93%
2.2	National Investment Trust Limited	1	67,155	1.18%
		2	347,441	6.11%
3. <u>Directors, CEO, their Spouses & Minor Children</u>				
<u>Directors and CEO</u>				
3.1	Dewan Muhammad Yousuf Farooqui	1	1,125,569	19.81%
3.2	Dewan Abdullah Ahmed Farooqui	1	272,868	4.80%
3.3	Dewan Asim Mushfiq Farooqui	1	272,881	4.80%
3.4	Dewan Abdul Rehman Farooqui	1	339,015	5.97%
3.5	Dewan Abdul Baqi Farooqui	1	272,868	4.80%
3.6	Mr. Abrar Mauzoor	1	500	0.01%
3.7	Mr. Haroon Iqbal	1	500	0.01%
		7	2,284,201	40.20%
<u>Spouses of Directors and CEO</u>				
3.8	Mrs. Heena Yousuf	1	65,766	1.16%
		1	65,766	1.16%
<u>Minor Children of Directors and CEO</u>				
3.9	Miss Yumna Yousuf	1	9,730	0.17%
3.10	Mr. Khizer Salman	1	23,674	0.42%
		2	33,404	0.59%

SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad Yousuf Farooqui	1	1,125,569	19.81%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.



THE COMPANIES ORDINANCE, 1984

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number 006194
2. Name of the Company DEWAN KHALID TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the Shareholders as at 3 0 0 6 2 0 0 9

Number of Shareholders	Shareholdings				Total Shares held
348	1	-	100	Shares	8,055
210	101	-	500	Shares	56,561
50	501	-	1,000	Shares	38,751
76	1,001	-	5,000	Shares	165,663
10	5,001	-	10,000	Shares	67,385
3	10,001	-	20,000	Shares	51,221
2	20,001	-	25,000	Shares	45,373
1	25,001	-	30,000	Shares	30,000
2	30,001	-	35,000	Shares	66,288
1	35,001	-	60,000	Shares	57,778
3	60,001	-	70,000	Shares	198,687
1	70,001	-	80,000	Shares	75,762
1	80,001	-	170,000	Shares	166,182
1	170,001	-	225,000	Shares	222,715
1	225,001	-	270,000	Shares	268,125
4	270,001	-	275,000	Shares	1,091,485
1	275,001	-	285,000	Shares	280,286
2	285,001	-	290,000	Shares	574,462
1	290,001	-	305,000	Shares	301,912
1	305,001	-	340,000	Shares	339,015
1	340,001	-	455,000	Shares	451,185
1	455,001	-	1,130,000	Shares	1,125,569
721	TOTAL				5,682,460



5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	2,383,371	41.94%
5.2	Associated Companies, undertakings and related parties	451,185	7.94%
5.3	NIT and ICP	347,441	6.11%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	6,311	0.11%
5.5	Insurance Companies	89,344	1.57%
5.6	Modarabas and Mutual Funds	510,610	8.99%
5.7	Shareholders holding 10%	1,125,569	19.81%
5.8	<u>General Public</u>		0.00%
	a. Local	1,606,236	28.27%
	b. Foreign		0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	287,962	5.07%



**DEWAN KHALID TEXTILE MILLS LIMITED
32ND ANNUAL GENERAL MEETING**

FORM OF PROXY

IMPORTANT

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **Raoji Consulting Associates (Private) Limited**, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan. Not later than 48 hours before the time of holding the meeting.

A Proxy should also be a member of the Company.

I/we _____

of _____ being a member (s) of

DEWAN KHALID TEXTILE MILLS LIMITED and holder of _____

Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No. _____

hereby appoint _____

of _____

or failing him _____

of _____

who is also member of DEWAN KHALID TEXTILE MILLS LIMITED vide Registered Folio

No./CDC Participant's ID and Account No. _____ as my/our proxy to vote for me/us and

on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Thursday, October

29th, 2009 at 1:30 p.m. and any adjournment thereof.

Signed this _____ day of _____ 2009.

Affix
Revenue
Stamp
Rs. 5/-

Signature _____

Witness: _____

SIGNATURE

Witness: _____

SIGNATURE

Name: _____

Name: _____

Address: _____

Address: _____
