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25th

ANNUAL REPORT

Year 2009

Masood Textile Mills Limited

بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

CHAIRMAN/CHIEF EXECUTIVE OFFICER	:	MR. SHAHID NAZIR
DIRECTORS	:	MR. NASEER AHMAD SHAH
	:	MR. MUHAMMAD ARSHAD
	:	MR. MATLOOB HUSSAIN
	:	MR. SHAHID IQBAL
	:	MR. FAZAL AHMAD
	:	MR. MUHAMMAD ASIF (Nominee-NIT)
COMPANY SECRETARY	:	MR. ABDUL BARI HAQQANI
CHIEF FINANCIAL OFFICER	:	MR. TANVEER AHMAD SIDDIQUI
AUDIT COMMITTEE	:	MR. FAZAL AHMAD (Chairman)
	:	MR. MATLOOB HUSSAIN
	:	MR. SHAHID IQBAL
AUDITORS	:	M/S. RIAZ AHMED AND COMPANY CHARTERED ACCOUNTANTS
SHARE REGISTRAR	:	ORIENT SOFTWARE AND MANAGEMENT SERVICES (PVT) LIMITED 35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL COMMERCIAL CENTRE, MADINA TOWN FAISALABAD PHONE: 041 - 8711930 - 8715759 FAX: 041 - 8711930
REGISTERED OFFICE	:	UNIVERSAL HOUSE, WEST CANAL ROAD FAROOQABAD, FAISALABAD. PHONE: 041 - 8734910-12 FAX: 041 - 8731180
MILLS	:	32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, West Canal Road, Farooqabad, Faisalabad on Saturday, 31st October, 2009 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31st October, 2008.
2. To receive and adopt the Audited Accounts of the Company for the financial year ended 30th June, 2009.
3. To approve the payment of cash dividend @ 15% (Rs.1.50 per ordinary share), as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2010. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.
5. To consider any other business that may be placed before the meeting with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 6th October, 2009. **(COMPANY SECRETARY)**

NOTES:

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 28th October to 5th November, 2009 (both days inclusive) for the determination of entitlement of cash dividend on Ordinary Shares. Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 27th October, 2009 will be treated in time.
2. Share Transfer Books for Preference Shares of the Company will remain closed from 28th October to 5th November, 2009 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR +200 bps p.a. (Rs.1.69 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 27th October, 2009 will be treated in time. Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights.
3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith.
4. Share holders whose shares are deposited with Central Depository System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting.
5. Share holders are requested to notify any change in their addresses immediately. Moreover, the share holders claiming exemption from Zakat are required to file their Declaration with our Share Registrar.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of **MASOOD TEXTILE MILLS LIMITED** feel great pleasure in presenting their 25th Annual Report at the occasion of our "SILVER JUBILEE" comprising of Annual Accounts of the Company for the financial year ended 30th June, 2009. The financial results of the Company for the year under discussion reflect an increase of 38.82% in sales which were increased from Rupees 7.885 Billion to Rupees 10.946 Billion during the year under review mainly due to enhanced exports. Gross profit margin increased from Rupees 1.456 Billion to Rupees 2.095 Billion as compared to the corresponding previous year, thus recording an increase of 43.87 %. The resultant net profit for the year after taxation increased from Rupees 333.753 Million to Rupees 451.706 Million while reflecting an increase of 35.34 %. Moreover, the earning per share basic was enhanced from Rupees 11.13 to Rupees 15.06 during the year under review. It could only be possible by employing aggressive marketing strategies to boost exports in the most competitive depressed international markets, production of quality products at optimal capacity utilization, timely delivery of export orders, improvement in efficiency & productivity and better control over cost of production etc. The comparative financial results of the Company are given below:

	2009	**2008**
	(RUPEES IN THOUSAND)	
SALES	10,946,180	7,884,785
COST OF SALES	8,851,416	6,428,798
GROSS PROFIT	2,094,764	1,455,987
DISTRIBUTION COST	605,061	348,281
ADMINISTRATIVE EXPENSES	160,057	139, 577
OTHER OPERATING EXPENSES	71,077	29,855
	836,195	517,713
	1,258,569	938,274
OTHER OPERTING INCOME	11,397	8,700
PROFIT FROM OPERATIONS	1,269,966	946,974
FINANCE COST	719,855	538,964
PROFIT BEFORE TAXATION	550,111	408,010
PROVISION FOR TAXATION	98,405	74,257
PROFIT AFTER TAXATION	451,706	333,753
EARNING PER SHARE - BASIC (RUPEES)	15.06	11.13
EARNING PER SHARE - DILUTED (RUPEES)	6.47	6.79

The Management of the Company has been constantly engaged in the process of balancing, modernization and replacement to enhance the efficiency and maximize the productivity. We are pleased to welcome the textile policy recently announced by the Government to boost the exports of textile products for earning maximum foreign exchange and to provide the level play field to compete with the International Players. In spite of recent encouraging steps taken by the Government, the problems of load shedding of electricity and sui gas alongwith deteriorating situation of law and order is very discouraging and badly affecting the industrial atmosphere of the country. The removal of such hurdles is the need of the hour to attain healthy business environment and to attract the international buyers in our country. It is expected that by employing better strategies at Company's management level and implementation of textile policy, continue supply of electricity, sui gas and improvement of law and order situation by the Government.

Your Directors have recommended cash dividend @ 15% (Rs.1.50 per ordinary share) for holders of Ordinary Shares for the current year in line with continues payout history of the Company.

The Directors of the Company congratulate the members of the Company for having been awarded Best Supplier Award, Best Quality Award, Best Compliance and Customer Services Medal by Fruit of the Loom and Quality Award by JC Penney due to company performance, quality standards and operational excellence etc.

In addition to Ordinary Shares, the Company has also issued Preference Shares of the value of Rupees 600.000 million to the financial institutions to meet its funds requirements. Introduction of fresh funds contributed a lot to improve the operational/financial plans of the Company. Under the agreed terms and conditions of Preference Shares, Preferred Dividend of Rupees 1.69 per share has been computed on the basis of average six months KIBOR + 200 bps p.a.

During the last quarter of the financial year under review, one of our Directors namely Mr. Muhammad Ali Sohail resigned from his office. The casual vacancy thereagainst was filled by the Board by appointing Mr. Shahid Iqbal as new Director in place of the outgoing Director. We warmly welcome his inclusion in the Board for seeking his guidance.

Keeping in view the relevant provisions of Corporate Governance, the Directors are pleased to state that financial statements along with cash flow statement and statement of changes in equity, present a fair view of the state of Company's affairs and that the proper books of accounts have been maintained. Appropriate accounting polices based on reasonable and prudent judgment, have been consistently applied and International Accounting Standards, as applicable in Pakistan, have been followed in preparing the financial statements for the year under discussion. The Directors further state that the system of internal control is sound in design and has been effectively implemented and monitored. There is no significant doubt upon the Company's ability to continue as a going concern and there has been no material departure from the last practices of Corporate Governance, as detailed in the Listing Regulations.

Five meetings of the Board of Directors were held during the financial year, with the following attendance:

S. No.	Name of Directors	No. of Meetings
1	Mr. Shahid Nazir	3
2	Mr. Naseer Ahmad Shah	4
3	Mr. Matloob Hussain	5
4	Mr. Muhammad Arshad	5
5	Mr. Muahammad Ali Sohail	4
6	Mr. Fazal Ahmad	4
7	Mr. Muhammad Asif (NIT-Nominee)	4

M/s. Riaz Ahmed & Company, Chartered Accountants, retire and being eligible, offer themselves for their re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30th June, 2010.

The Statement of Compliance with the Code of Corporate Governance is enclosed. Annexed to the Directors' Report, we are enclosing our comparative financial data for the last six years. We are also enclosing Form-34 containing the pattern of share holding along with additional information, as on 30th June, 2009.

In the last, we wish to express our appreciation for our customers, suppliers, bankers, advisors and shareholders for their continued support and guidance. We also express our gratitude for the devotion and hardworking of our workers and officers in maintaining the pleasant atmosphere for achieving their targets and timely compliance of export orders.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 06 October, 2009

(SHAHID NAZIR)
(Chairman/Chief Executive Officer)

SIX YEARS FINANCIAL RESULTS

(RUPEES IN THOUSAND)

	2009	2008	2007	2006	2005	2004
SALES	10,946,180	7,884,785	6,017,735	4,899,190	3,163,252	3,354,442
COST OF SALES	8,851,416	6,428,798	4,963,190	4,000,910	2,591,194	2,728,120
GROSS PROFIT	2,094,764	1,455,987	1,054,545	898,280	572,058	626,322
DISTRIBUTION COST	605,061	348,281	289,470	245,922	151,475	142,404
ADMINISTRATIVE EXPENSES	160,057	139,577	132,967	123,812	94,319	213,273
OTHER OPERATING EXPENSES	71,077	29,855	31,586	13,766	43,017	5,877
	836,195	517,713	454,023	383,500	288,811	361,554
	1,258,569	938,274	600,522	514,780	283,247	264,768
OTHER OPERATING INCOME	11,397	8,700	6,887	2,778	1,817	2,476
PROFIT FROM OPERATIONS	1,269,966	946,974	607,409	517,558	285,064	267,244
FINANCE COST	719,855	538,964	439,539	335,266	154,904	155,757
PROFIT BEFORE TAXATION	550,111	408,010	167,870	182,292	130,160	111,487

VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive for excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2009

This statement is being prescribed to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors representing minority interests on its Board of Directors. At present the Board includes one director representing minority shareholders.

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 the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurring in the Board during the financial year under review were filled by the Directors promptly.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board and the Board met five times 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 meetings were appropriately recorded and circulated.

9. The Board had managed orientation for its directors to apprise them of their duties and responsibilities.

10. The Board had already approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members including the Chairman of the Committee.

16. The meetings of the Audit Committee were held 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 formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function to carry out the policies and procedures of the Company.

18. 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.

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

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

For Masood Textile Mills Limited

Faisalabad: 06 October, 2009

(SHAHID NAZIR)
Chairman/Chief Executive Officer

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 **MASOOD TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2009, to comply with the Listing Regulations of the respective Stock Exchanges, 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 are not required to consider wether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulations (xiii a) of Listing Regulations 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have insured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine weather the related party transaction were under taken at arm's length price or not.

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 30 June 2009.

FAISALABAD: 06 October 2009

RIAZ AHMAD AND COMPANY
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MASOOD TEXTILE MILLS LIMITED** as at 30 June 2009 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 objects of the company;

c) in ur opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

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

FAISALABAD: 06 October 2009

RIAZ AHMAD AND COMPANY
Chartered Accountants

BALANCE SHEET AS

	NOTE	2009	2008
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
65 000 000 (30 June 2008: 40 000 000) ordinary shares of Rupees 10 each		650,000	400,000
60 000 000 (30 June 2008: 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		1,250,000	1,000,000
Issued, subscribed and paid up share capital	3	900,000	900,000
Reserves	4	1,238,446	911,300
Total Equity		2,138,446	1,811,300
Surplus on revaluation of operating fixed assets		379,420	379,420
Deferred income on sale and lease back of operating fixed assets		2,515	4,891
NON-CURRENT LIABILITIES			
Long term financing	5	1,672,877	1,769,245
Liabilities against assets subject to finance lease	6	128,071	219,851
Deferred liability for gratuity	7	148,770	107,789
		1,949,718	2,096,885
CURRENT LIABILITIES			
Trade and other payables	8	1,201,683	906,159
Accrued mark-up	9	196,958	84,911
Short term borrowings	10	3,285,109	2,621,724
Current portion of non-current liabilities	11	369,485	254,874
Provision for taxation		98,405	74,257
		5,151,640	3,941,925
Total Liabilities		7,101,358	6,038,810
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		9,621,739	8,234,421

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

CHIEF EXECUTIVE OFFICER

AT 30 JUNE 2009

	NOTE	2009	2008
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,149,557	3,025,599
Long term advances	14	4,816	6,004
Long term security deposits		12,242	16,338
		3,166,615	3,047,941
CURRENT ASSETS			
Stores, spare parts and loose tools	15	432,437	366,850
Stock-in-trade	16	1,727,771	1,838,707
Trade debts	17	3,197,857	1,933,875
Loans and advances	18	146,124	165,391
Short term deposits and prepayments	19	180,689	166,415
Other receivables	20	449,220	577,987
Cash and bank balances	21	321,026	137,255
		6,455,124	5,186,480
TOTAL ASSETS		9,621,739	8,234,421

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009	2008
		(RUPEES IN THOUSAND)	
SALES	22	10,946,180	7,884,785
COST OF SALES	23	8,851,416	6,428,798
GROSS PROFIT		2,094,764	1,455,987
DISTRIBUTION COST	24	605,061	348,281
ADMINISTRATIVE EXPENSES	25	160,057	139,577
OTHER OPERATING EXPENSES	26	71,077	29,855
		836,195	517,713
		1,258,569	938,274
OTHER OPERATING INCOME	27	11,397	8,700
PROFIT FROM OPERATIONS		1,269,966	946,974
FINANCE COST	28	719,855	538,964
PROFIT BEFORE TAXATION		550,111	408,010
PROVISION FOR TAXATION	29	98,405	74,257
PROFIT AFTER TAXATION		451,706	333,753
EARNINGS PER SHARE - BASIC (RUPEES)	30	15.06	11.13
- DILUTED (RUPEES)	30	6.47	6.79

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009	2008
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	31	1,495,911	(244,071)
Finance cost paid		(607,808)	(531,695)
Income tax paid		(110,607)	(76,041)
Dividend paid to ordinary shareholders		(51,309)	(43,192)
Dividend paid to preference shareholders		(72,060)	(72,753)
Gratuity paid		(25,402)	(21,576)
Decrease in long term security deposits		4,096	7,580
Net cash generated from / (used in) operations		632,821	(981,748)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of operating fixed assets		23,152	32,983
Fixed capital expenditure		(394,853)	(449,109)
Long term advances		1,188	729
Net cash used in investing activities		(370,513)	(415,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing acquired		114,222	1,649,437
Repayment of long term financing		(71,074)	(79,406)
Payment of finance lease liabilities		(121,685)	(111,199)
Net cash (used in) / flows from financing activities		(78,537)	1,458,832
NET INCREASE IN CASH AND CASH EQUIVALENTS		183,771	61,687
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		137,255	75,568
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	321,026	137,255

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

(RUPEES IN THOUSAND)

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		CAPITAL			REVENUE			TOTAL RESERVES	
		SHARE PREMIUM	REDEMPTION FUND	SUB TOTAL	GENERAL	UNAPPRO-PRIATED PROFIT	SUB TOTAL		
Balance as at 01 July 2007	900,000	100,000	-	100,000	214,500	380,800	595,300	695,300	1,595,300
Profit for the year	-	-	-	-	-	333,753	333,753	333,753	333,753
Dividend at the rate of Rupee 1.50 per share (Ordinary Shares)	-	-	-	-	-	(45,000)	(45,000)	(45,000)	(45,000)
Dividend at the rate of Rupee 1.21 per share (Preference Shares)	-	-	-	-	-	(72,753)	(72,753)	(72,753)	(72,753)
Balance as at 30 June 2008	900,000	100,000	-	100,000	214,500	596,800	811,300	911,300	1,811,300
Profit for the year	-	-	-	-	-	451,706	451,706	451,706	451,706
Transfer to capital redemption reserve fund	-	-	200,000	200,000	-	(200,000)	(200,000)	-	-
Dividend at the rate of Rupee 1.75 per share (Ordinary Shares)	-	-	-	-	-	(52,500)	(52,500)	(52,500)	(52,500)
Dividend at the rate of Rupee 1.20 per share (Preference Shares)	-	-	-	-	-	(72,060)	(72,060)	(72,060)	(72,060)
Balance as at 30 June 2009	900,000	100,000	200,000	300,000	214,500	723,946	938,446	1,238,446	2,138,446

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. THE COMPANY AND ITS OPERATIONS

Masood Textile Mills Limited is a public company incorporated under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on stock exchanges in Pakistan. Its registered office is situated at Universal House, West Canal Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton/synthetic fibre yarn, knitted/dyed fabrics and garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 BASIS OF PREPARATION

a) 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 (IFRSs) issued by 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.

b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the following:

- Deferred liability for the staff retirement benefits which is recognized on the basis of actuarial valuation (Note 7).
- Land grouped in operating fixed assets which is carried at revalued amount (Note 13.1).
- Long term interest free loan which is carried at amortized cost (Note 5.8).

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Deferred liability for staff retirement benefits

In making the estimate for the possible obligation under staff retirement benefits, the Company uses the work of an expert actuary who has used certain assumptions as disclosed in Note 7 to calculate the provision required to be made in the books of account.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Standard and interpretation that are effective in current year

During the year ended 30 June 2009, IFRS 7 'Financial Instruments: Disclosures' and IFRIC 14 'IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction' became effective.

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 411(I) / 2008 dated 28 April 2008 notified the adoption of IFRS 7. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 'Disclosures in Financial Statements of Books and Similar Financial Institutions' and disclosure requirements of IAS 32 'Financial Instruments: Presentation'. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

IFRIC 14 provides guidance on assessing the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The interpretation does not have any impact on the Company's financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for Company's accounting periods beginning on or after 01 July 2008 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in the Company's financial statements.

f) Amendments to existing published approved accounting standards and interpretations that are relevant but not effective

The following amendments to existing published approved accounting standards and interpretations are mandatory for the Company's accounting periods beginning on or after 01 July 2009:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' effective for annual periods beginning on or after 01 January 2009. This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the Company's financial statements other than increase in disclosures.

IAS 1 'Presentation of Financial Statements' effective for annual periods beginning on or after 01 January 2009, revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in Comprehensive Income Statement. Adoption of the above standard will only impact the presentation of the financial statements.

IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 01 January 2009 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The change will not effect the financial statements as the Company already has the policy to capitalize its borrowing cost.

IFRS 8 'Operating Segments' effective for annual periods beginning on or after 01 January 2009. It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. The management is in the process of evaluating the impact of this standard on the Company's financial statements.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in May 2008 and April 2009, specifically in IFRS 8 'Operating Segments', IAS 7 'Cash Flow Statement', IAS 16 'Property, Plant and Equipment', IAS 19 'Employee Benefits', and IAS 23 'Borrowing Costs' that are considered relevant to the Company's financial statements. The management is in the process of evaluating the impact of these changes on the Company's financial statements.

g) Standards, interpretations and amendments to published approved accounting standards that are not relevant and not yet effective

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefits

The Company operates unfunded gratuity scheme for its employees. Provision is made in the books of account on the basis of actuarial computation subject to a maximum of 8.33 percent of salary of the employees. Latest actuarial valuation has been made as at 30 June 2009 by the consulting actuaries using projected unit credit method.

2.3 Foreign currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or at the contracted rates, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.4 Taxation

Current

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the accounts accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax base.

Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except where deferred tax arises on the items credited or charged directly to the equity, in which case it is included in equity.

Deferred tax provision for the current year is not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

2.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except land which is stated at cost/appreciated value. Capital work-in-progress is stated at cost less impairment loss, if any. Cost of property, plant and equipment signifies historical cost, applicable exchange differences (upto 30 September 2004), appreciated value, borrowing cost pertaining to erection / construction period and directly attributable cost of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Leased – Finance Lease

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account. Assets so acquired are depreciated over their expected useful life.

Depreciation

Depreciation on property, plant and equipment is charged to income on reducing balance method at the rates given in Note 13.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is derecognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognized.

2.6 Deferred cost

Deferred costs already recognized are being amortized over a period of three years from the year of occurrence. From the year 2005, the Company has not deferred any cost to comply with Circular No. 1 of 2005 dated 19 January 2005 issued by SECP.

2.7 Inventories

Inventories, except for stock in transit and waste stock/rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores and spare parts are valued principally at moving average cost, while items considered obsolete are carried at Nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

i) For raw materials	-	Annual average basis.
ii) For work-in-process and finished goods	-	Average manufacturing cost including a portion of production over heads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon, waste stock/rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.8 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to profit and loss account.

2.9 Related party transactions and transfer pricing

Transactions and contracts with related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method.

2.10 Provisions

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

2.11 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus.

2.12 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sales is recognized on delivery of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into amounts outstanding and rates applicable thereon.

2.13 Share capital

Ordinary and preference shares are classified as equity.

2.14 Financial instruments

Financial instruments carried on the balance sheet include long-term and short-term deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term finances, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item.

Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.15 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.17 Dividend and transfer of reserve

Dividend and transfers among reserves are treated as post balance sheet non-adjusting events. Hence, do not qualify for provision in the financial statements in accordance with the requirements of IAS-10 "Events after the balance sheet date". These transfers are, therefore, recorded in the next year's financial statements.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009	2008		2009	2008
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
30 000 000	30 000 000	Ordinary shares of Rupees 10 each fully paid in cash	300,000	300,000
60 000 000	60 000 000	Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1)	600,000	600,000
90 000 000	90 000 000		900,000	900,000

3.1 The Company issued cumulative preference shares as at 30 June 2005, which are listed on Lahore Stock Exchange, to finance the working capital requirements and fixed capital expenditure.

Terms of redemption

a) Conversion option

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.

b) Call option

The Company has the option to redeem the preference shares after the four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

c) Rate of dividend

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

d) Sinking fund reserve

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

4. RESERVES

	2009	2008
	(RUPEES IN THOUSAND)	
Composition of reserves is as follows:		
Capital		
Share premium (Note 4.1)	100,000	100,000
Capital redemption reserve fund (Note 4.2)	200,000	-
	300,000	100,000
Revenue		
General	214,500	214,500
Unappropriated profit	723,946	596,800
	938,446	811,300
	1,238,446	911,300

4.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 The Company has created this reserve from its profits to make payments against any call option of preference shares.

5. LONG TERM FINANCING - SECURED

Long term financing from banking companies are as under:

	2009	2008
Demand Finances / Long Term Finances for Export Oriented Projects:		
United Bank Limited (Note 5.1)	-	2,500
United Bank Limited (Note 5.2)	3,333	6,667
United Bank Limited (Note 5.3)	18,750	37,500
United Bank Limited (Note 5.4)	46,082	53,359
United Bank Limited (Note 5.5)	9,369	10,305
United Bank Limited (Note 5.6)	90,000	100,000
United Bank Limited (Note 5.7)	49,437	49,437
Habib Bank Limited (Note 5.8)	105,692	133,969
Habib Bank Limited (Note 5.9)	25,138	-
Habib Bank Limited (Note 5.10)	67,878	-
Habib Bank Limited (Note 5.11)	8,602	-
Habib Bank Limited (Note 5.12)	12,604	-
	436,885	393,737

	2009	2008
	(RUPEES IN THOUSAND)	
Syndicate Term Finance:		
United Bank Limited (Note 5.13)	350,000	350,000
Habib Bank Limited (Note 5.13)	350,000	350,000
NIB Bank Limited (Note 5.13)	150,000	150,000
The Bank of Punjab (Note 5.13)	250,000	250,000
Habib Metropolitan Bank Limited (Note 5.13)	150,000	150,000
Atlas Bank Limited (Note 5.13)	150,000	150,000
The Bank of Khyber (Note 5.13)	100,000	100,000
	1,500,000	1,500,000
	1,936,885	1,893,737
Less: Current portion shown under current liabilities (Note 11)	264,008	124,492
	1,672,877	1,769,245

5.1 The finance was secured by way of first charge on specific machinery up to the extent of Rupees 80 million and markup was chargeable at the rate of six months KIBOR plus 2.65 percent per annum. This finance was repayable in nine semi annual installments with six month grace period commenced from 24 January 2004. This finance has been fully repaid on 25 August 2008.

5.2 This finance is secured by way of first charge on specific machinery and markup is chargeable at the rate of 6 percent per annum payable on semi annual basis. The finance is repayable in five semi annual installments commenced from 31 March 2007.

5.3 This finance is secured by way of first charge on specific machinery and markup is chargeable at the rate of 6 percent per annum payable on semi annual basis. The finance is repayable in five semi annual installments commenced from 31 March 2007.

5.4 This finance is secured by way of first charge on specific machinery and markup is chargeable at the rate of 7 percent per annum payable on quarterly basis. The finance is repayable in twenty four quarterly installments with one year grace period commenced from 15 February 2008.

5.5 This finance is secured by way of first charge on specific machinery and markup is chargeable at the rate of 7 percent per annum payable on quarterly basis. The finance is repayable in twenty four quarterly installments with one year grace period commenced from 31 March 2008.

5.6 This finance is secured by way of equitable/ registered mortgage on operating fixed assets of the Company for Rupees 134.000 million and markup is chargeable at the rate of six months KIBOR plus 2 percent per annum, payable on semi annual basis. The finance is repayable in ten half yearly installments in arrear with one year grace period commenced from 06 April 2009.

5.7 This finance is secured by way of first charge on specific machinery and markup is chargeable at the rate of six months KIBOR plus 2 percent per annum, payable on semi annual basis. The finance is repayable in ten half yearly installments in arrear with one year grace period commencing from 30 December 2009.

5.8 Reconciliation of principal amount and carrying value:

	2009	2008
Principal outstanding	124,938	169,938
Effect of adjustment (Note 5.8.2)	(35,969)	(55,770)
Amortization charged to profit and loss account using the effective interest method	16,723	19,801
Carrying amount as at 30 June	105,692	133,969

5.8.1 This finance represents Habib Bank Limited DF-II secured by way of equitable/registered mortgage on operating fixed assets of the Company and personal guarantee of directors. The finance was free from mark-up and repayable in twenty two unequal quarterly installments commenced from 30 September 2006.

5.8.2 The Company has determined the amortized cost of this long term mark-up free finance using the effective interest method in the financial year ended 30 June 2008. Rate of interest used to calculate the amortized cost is the fair market rate applicable on the financial instruments of similar nature and condition.

5.9 This finance is secured by way of first charge on specific machinery and mark up is chargeable at the rate of 10 percent per annum, payable on quarterly basis. The finance is repayable in twenty one quarterly installments with two years grace period commencing from 09 January 2011.

5.10 This finance is secured by way of first charge on specific machinery and mark up is chargeable at the rate of 10 percent per annum, payable on quarterly basis. The finance is repayable in twenty one quarterly installments with two years grace period commencing from 22 February 2011.

5.11 This finance is secured by way of first charge on specific machinery and mark up is chargeable at the rate of 10 percent per annum, payable on quarterly basis. The finance is repayable in twenty one quarterly installments with two years grace period commencing from 18 August 2011.

5.12 This finance is secured by way of first charge on specific machinery and mark up is chargeable at the rate of 10 percent per annum, payable on quarterly basis. The finance is repayable in twenty one quarterly installments with two years grace period commencing from 18 August 2011.

5.13 This finance is acquired by the Company against fixed assets and is secured by way of first pari passu charge over all present and future moveable fixed assets of the Company and mortgage over immoveable fixed assets of the Company. Mark-up is chargeable at the rate of three months KIBOR plus 1.50 percent per annum, payable on quarterly basis. The finance is repayable in seven half yearly unequal installments with two years grace period commencing from 22 April 2010.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future rentals and year during which they fall due are as under:

	2009	2008
	(RUPEES IN THOUSAND)	
2009	-	160,441
2010	127,702	130,212
2011	99,487	82,487
2012	23,999	14,752
2013	10,944	13,609
2014	9,962	13,608
2015	2,297	6,804
	274,391	421,913
Less: Financial charges	40,843	71,680
Present value of minimum lease rental payments	233,548	350,233
Less: Current portion shown under current liabilities (Note 11)	105,477	130,382
	128,071	219,851

6.1 The value of minimum lease payments has been discounted using implicit interest rate of 7.00 to 15.76 percent per annum (30 June 2008: 7.00 to 17.19 percent per annum). Balance rentals are payable in monthly/ quarterly installments. In case of default in any payment, an additional charge at the rate of 0.1 percent per day shall be paid. Taxes, repairs and insurance costs are to be borne by the company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 10.155 million (30 June 2008: Rupees 13.920 million) included in long term security deposits and Rupees 5.000 million (30 June 2008: Rupees 7.727 million) included in short term deposits and prepayments (Note 19).

6.2 Minimum lease payments and their present values are regrouped as under:

(RUPEES IN THOUSAND)

	2009			2008		
	Within one year	More than one year but less than five years	More than five years	Within one year	More than one year but less than five years	More than five years
Total of minimum lease payments	127,702	144,392	2,297	160,441	241,060	20,412
Less: Financial charges	22,225	18,550	68	30,059	39,497	2,124
Present value of minimum lease payments	105,477	125,842	2,229	130,382	201,563	18,288

	2009	2008
	(RUPEES IN THOUSAND)	
7. DEFERRED LIABILITY FOR GRATUITY		
Opening balance	107,789	90,180
Add: Provision for the year (Note 7.1)	67,668	38,000
	175,457	128,180
Less: Payments made during the year	(25,402)	(21,576)
(Increase) / decrease in current liability-net	(1,285)	1,185
	(26,687)	(20,391)
	148,770	107,789

7.1 Provision for the year:

	2009	2008
Current service cost	32,299	28,663
Interest cost	13,013	9,337
Past service cost	22,356	-
	67,668	38,000

	2009	2008
	(RUPEES IN THOUSAND)	

7.2 Reconciliation of present value of defined benefit obligations as at 30 June is given below:

	2009	2008
Present value of defined benefit obligations as at 01 July	108,436	93,367
Current service cost	32,299	28,663
Interest cost	13,013	9,337
Past service cost	22,356	-
Benefits paid during the year	(25,402)	(21,576)
(Increase) / decrease in current liability - net	(1,285)	1,185
Actuarial gain on present value	(2,948)	(2,540)
Present value of defined benefit obligations as at 30 June	146,469	108,436

7.3 Reconciliation of present value of defined benefit obligations and liability recognized as at 30 June is given below:

	2009	2008
Present value of defined benefit obligations as at 30 June	146,469	108,436
Unrecognized actuarial gain / (loss) - accumulative	2,301	(647)
Recognized liability	148,770	107,789

Principal Actuarial Assumptions:

	2009	2008
Discount rate	12% per annum	12% per annum
Expected rate of increase in salary in future years	11% per annum	11% per annum
Average expected remaining life time of employees	13 years	13 years

7.4 The present value of defined benefit obligation is as follows:

(RUPEES IN THOUSAND)

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	146,469	108,436	93,367	75,588	62,201
Experience adjustment arising on plan liabilities	(2,948)	(2,540)	3,681	(1,527)	(640)

8. TRADE AND OTHER PAYABLES

	2009	2008
Creditors	751,163	639,792
Advances from customers	13,056	20,461
Accrued liabilities	386,640	204,194
Income tax deducted at source	6,281	4,592
Workers' welfare fund	6,991	8,327
Workers' profit participation fund (Note 8.1)	29,096	21,528
Unclaimed dividend	8,456	7,265
	1,201,683	906,159

	2009	2008
	(RUPEES IN THOUSAND)	

8.1 WORKERS' PROFIT PARTICIPATION FUND

	2009	2008
Balance as at 01 July	21,528	10,049
Allocation for the year	29,096	21,528
Interest accrued	2,720	1,022
	53,344	32,599
Less: Payments made during the year	24,248	11,071
	29,096	21,528

8.1.1 Interest is paid at the prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on the funds utilized by the Company till the date of allocation to workers.

9. ACCRUED MARK-UP

Mark-up payable on:

	2009	2008
Long term financing	139,280	41,446
Short term borrowings	57,678	43,465
	196,958	84,911

10. SHORT TERM BORROWINGS

These represent the finances obtained from banking companies which are secured by way of first, second and third equitable mortgage on fixed assets of the Company and pledge/hypothecation of stores and spare parts, stocks, work-in-process, lien on export receivable and personal guarantee of directors. Mark-up is paid at the rate of paisas 12 to 42 (30 June 2008: paisas 12 to 41) per Rupees 1,000 per day. The sanctioned credit facilities are Rupees 4,450 million (30 June 2008: Rupees 3,574 million).

11. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2009	2008
Long term financing (Note 5)	264,008	124,492
Liabilities against assets subject to finance lease (Note 6)	105,477	130,382
	369,485	254,874

12. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company is contingently liable to the aggregate sum of Rupees 0.989 million (30 June 2008: Rupees 0.989 million) against bank guarantees for import license fee for which cases are pending with courts.

Guarantees of Rupees 39.712 million (30 June 2008: Rupees 33.941 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Collector of Customs, Lahore.

Commitments

Contracts for capital expenditure are amounting to Rupees 41.159 million (30 June 2008: Rupees 3.045 million) and other than capital commitments are Rupees 119.156 million (30 June 2008: Rupees 77.372 million).

	2009	2008
	(RUPEES IN THOUSAND)	
13. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 13.1)	2,768,199	2,507,643
Assets subject to finance lease (Note 13.1)	358,392	447,567
Capital work-in-progress (Note 13.2)	22,966	70,389
	3,149,557	3,025,599

13.1 OPERATING FIXED ASSETS

(RUPEES IN THOUSAND)

	OWNED											LEASED		
	Freehold land	Buildings on freehold land	Plant and machinery	Electric and gas installations	Factory equipment	Telephone installations	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
At 01 July 2007														
Cost	616,774	416,947	1,643,520	131,242	62,566	13,282	76,580	2,850	66,171	126,254	3,156,186	512,659	47,629	560,288
Accumulated depreciation	-	(101,564)	(525,569)	(45,362)	(27,276)	(6,806)	(29,852)	(1,810)	(45,110)	(42,318)	(825,667)	(115,826)	(19,378)	(135,204)
Net book value	616,774	315,383	1,117,951	85,880	35,290	6,476	46,728	1,040	21,061	83,936	2,330,519	396,833	28,251	425,084
Year ended 30 June 2008														
Opening net book value	616,774	315,383	1,117,951	85,880	35,290	6,476	46,728	1,040	21,061	83,936	2,330,519	396,833	28,251	425,084
Additions/adjustment	4,500	80,930	267,677	17,857	822	555	7,794	127	40,600	18,651	439,513	53,488	22,895	76,383
Deletion/adjustment														
Cost	-	-	(62,485)	-	-	(8)	-	-	-	(33,130)	(95,623)	-	(18,913)	(18,913)
Accumulated depreciation	-	-	5,987	-	-	1	-	-	-	7,674	13,662	-	10,778	10,778
	-	-	(56,498)	-	-	(7)	-	-	-	(25,456)	(81,961)	-	(8,135)	(8,135)
Depreciation charge	-	(17,369)	(118,265)	(9,577)	(3,315)	(1,010)	(7,504)	(163)	(7,443)	(15,782)	(180,428)	(40,039)	(5,726)	(45,765)
Closing net book value	621,274	378,944	1,210,865	94,160	32,797	6,014	47,018	1,004	54,218	61,349	2,507,643	410,282	37,285	447,567
At 30 June 2008														
Cost	621,274	497,877	1,848,712	149,099	63,388	13,829	84,374	2,977	106,771	111,775	3,500,076	566,147	51,611	617,758
Accumulated depreciation	-	(118,933)	(637,847)	(54,939)	(30,591)	(7,815)	(37,356)	(1,973)	(52,553)	(50,426)	(992,433)	(155,865)	(14,326)	(170,191)
Net book value	621,274	378,944	1,210,865	94,160	32,797	6,014	47,018	1,004	54,218	61,349	2,507,643	410,282	37,285	447,567
Year ended 30 June 2009														
Opening net book value	621,274	378,944	1,210,865	94,160	32,797	6,014	47,018	1,004	54,218	61,349	2,507,643	410,282	37,285	447,567
Additions/adjustment	-	30,641	388,907	17,921	2,953	1,250	15,523	208	17,706	14,962	490,071	5,000	-	5,000
Deletion/adjustment														
Cost	-	(214)	(30,126)	-	-	(11)	-	(104)	(1,727)	(3,741)	(35,923)	(80,008)	(8,380)	(88,388)
Accumulated depreciation	-	7	6,765	-	-	6	-	54	1,397	849	9,078	35,612	4,981	40,593
	-	(207)	(23,361)	-	-	(5)	-	(50)	(330)	(2,892)	(26,845)	(44,396)	(3,399)	(47,795)
Depreciation charge	-	(20,088)	(135,061)	(10,557)	(3,132)	(1,001)	(7,907)	(157)	(12,686)	(12,081)	(202,670)	(39,591)	(6,789)	(46,380)
Closing net book value	621,274	389,290	1,441,350	101,524	32,618	6,258	54,634	1,005	58,908	61,338	2,768,199	331,295	27,097	358,392
At 30 June 2009														
Cost	621,274	528,304	2,207,493	167,020	66,341	15,068	99,897	3,081	122,750	122,996	3,954,224	491,139	43,231	534,370
Accumulated depreciation	-	(139,014)	(766,143)	(65,496)	(33,723)	(8,810)	(45,263)	(2,076)	(63,842)	(61,658)	(1,186,025)	(159,844)	(16,134)	(175,978)
Net book value	621,274	389,290	1,441,350	101,524	32,618	6,258	54,634	1,005	58,908	61,338	2,768,199	331,295	27,097	358,392
Annual rate of depreciation (%)	-	5	10	10	10	15	15	15	20	20		10	20	

13.1.1 Freehold land of the company was revalued as at 30 June 2007 by an independent value using market value method and stated in note 13.1 at appreciated value. Previously, it was revalued by an independent value as at 30 September 1995. Had there been no revaluation on that date, the value of freehold land would have been lower by Rupees 379.420 million (30 June 2008: Rupees 379.420 million).

13.1.2 The book value of freehold land on cost basis is Rupees 241.971 million (30 June 2008: Rupees 241.971 million).

13.1.3 Depreciation charge for the year has been allocated as follows:

	(RUPEES IN THOUSAND) 2009	2008
Owned:		
Cost of sales (Note 23)	168,838	148,526
Distribution cost (Note 24)	96	89
Administrative expenses (Note 25)	33,736	31,813
	202,670	180,428
Leased:		
Cost of sales (Note 23)	39,591	40,039
Distribution cost (Note 24)	2,305	2,213
Administrative expenses (Note 25)	4,484	3,513
	46,380	45,765
	249,050	226,193

13.1.4 **Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:**

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE/CLAIM PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
	---------RUPEES IN THOUSAND--------					
PLANT & MACHINERY						
Juki Sewing & over lock machines	9,137	5,197	3,940	2,525	Negotiation	Muhammad Abrar, Waste Merchant, Hajiabad, Faisalabad.
Juki Sewing & over lock machines	325	157	168	104	Negotiation	Zain Export International, Faisalabad.
Juki Sewing & over lock machines	152	48	104	106	Negotiation	Zain Export International, Faisalabad.
MATSUA Computerized flat knitting machines	5,000	-	5,000	5,000	Sale and lease back	First Habib Bank Modaraba.
Boiler	411	166	245	1,125	Negotiation	Muhammad Siddique, Negehbanpura, Faisalabad.
Chiller plant with accessories	625	308	317	325	Negotiation	Mirza Yaqoob, Negehbanpura, Faisalabad.
Yarn dyeing plant	12,728	282	12,446	7,800	Negotiation	Haji Zulfiqar, Chak No. 224 R.B., Faisalabad.
Softening plant vessal	1,071	331	740	540	Negotiation	Haji Zulfiqar, Chak No. 224 R.B., Faisalabad.
Blower with motor & D-Gassifier tank	426	212	214	215	Negotiation	Haji Zulfiqar, Chak No. 224 R.B., Faisalabad.
OFFICE EQUIPMENT						
Photocopier machine	104	54	50	20	Negotiation	Ocean Office Automation, Office No. 4, 2nd Floor, Galary Rex City, Satiana Road, Faisalabad.
COMPUTER EQUIPMENT						
Computer parts	400	329	71	5	Negotiation	Wali Printers, Shop No.102, 2nd Floor, Gallery Rex City, Satiana Road, Faisalabad.
VEHICLES						
LXN-6876 Baleno	311	173	138	375	Negotiation	Muhammad Boota, Chak No.77-JB, Tehsil & District, Faisalabad
FSG-7076 Toyota Corolla	413	-	413	850	Insurance Claim	New Jubilee Insurance Company Limited, Karachi
FSF-9776 Cuore	173	-	173	579	Insurance Claim	New Jubilee Insurance Company Limited, Karachi

Book value of other assets disposed of during the year was less than Rupees 50,000.

		2009	2008
		(RUPEES IN THOUSAND)	
13.2	**CAPITAL WORK-IN-PROGRESS**		
	Building	21,077	8,388
	Plant and machinery	-	62,001
	Advances against purchase of machinery	1,889	-
		22,966	70,389
14.	**LONG TERM ADVANCES**		
	Considered good:		
	Secured:		
	Advances to employees		
	Executives (Note 14.4)	3,025	4,725
	Other employees	4,232	2,955
		7,257	7,680
	Less : Current portion shown under current assets (Note 18)	2,441	1,676
		4,816	6,004

14.1 These represent the interest free advances to Company's employees recoverable in equal monthly installments and secured against lien on residential houses of the employees.

14.2 Maximum balance due from executives at the end of any month during the year was Rupees 5.855 million (30 June 2008: Rupees 4.945 million).

14.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.

14.4 Reconciliation of advances given to executives is given below:

	2009	2008
Balance as at 01 July	4,725	4,280
Add: Disbursement made during the year	1,200	700
	5,925	4,980
Less: Recovered during the year	2,900	255
Balance as at 30 June	3,025	4,725

		2009	2008
15.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	367,126	317,628
	Spare parts	65,176	49,141
	Loose Tools	135	81
		432,437	366,850

		2009	2008
		(RUPEES IN THOUSAND)	
16.	**STOCK-IN-TRADE**		
	Raw material	745,310	790,100
	Work-in-process	404,679	441,849
	Finished goods	562,258	589,040
	Waste	15,524	17,718
		1,727,771	1,838,707
17.	**TRADE DEBTS**		
	Considered good:		
	Secured against letters of credit	808,385	504,962
	Unsecured	2,389,472	1,428,913
		3,197,857	1,933,875
	Considered doubtful:		
	Others - unsecured	24,832	16,861
	Less: Provision for doubtful debts		
	As at 01 July	16,861	16,861
	Add: Provision for the year	7,971	-
	As at 30 June	24,832	16,861
		-	-
		3,197,857	1,933,875

17.1 As at 30 June 2009, trade debts of Rupees 108.396 million (30 June 2008 : Rupees 64.053 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2009	2008
Upto 1 month	55,062	16,414
1 to 6 months	36,278	20,258
More than 6 months	17,056	27,381
	108,396	64,053

17.2 As at 30 June 2009, trade debts of Rupees 7.971 million (30 June 2008: Nil) were impaired and provided for. The ageing of these trade debts was more than six months.

		2009	2008
18.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees - Interest free:		
	Against expenses	11,084	31,438
	Against salary	29,732	27,287
		40,816	58,725
	Current portion of long term advances (Note 14)	2,441	1,676
	Advances to suppliers	102,867	104,990
		146,124	165,391
19.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Letters of credit	27,209	30,568
	Short term prepayments	3,637	9,495
	Margin against letters of credit/guarantees	9,385	18,524
	Security deposits	8,174	11,894
	Income tax	132,284	95,934
		180,689	166,415

		2009	2008
		(RUPEES IN THOUSAND)	
20.	**OTHER RECEIVABLES**		
	Considered good:		
	Sales tax	154,119	86,561
	Export rebates	69,845	68,603
	Research and development support	105,026	276,708
	Others	120,230	146,115
		449,220	577,987
21.	**CASH AND BANK BALANCES**		
	Cash in hand	1,869	2,128
	Cash with banks on:		
	Current accounts	145,433	132,371
	Saving accounts Including US$ 241,873 (30 June 2008: US$ 36,470)	173,724	2,756
		319,157	135,127
		321,026	137,255

21.1 Rate of profit on bank deposits ranges from 5% to 10% (30 June 2008: 6%) per annum.

22.	**SALES**		
	Local	451,767	391,319
	Export	10,271,909	7,311,126
	Waste	194,615	127,856
	Knitting/dyeing income	27,889	54,484
		10,946,180	7,884,785

22.1 Exchange gain due to currency rate fluctuation relating to export sales amounting to Rupees 120.260 million (30 June 2008: Rupees 72.846 million) has been included in export sales.

23.	**COST OF SALES**		
	Raw material consumed	3,958,919	3,014,630
	Salaries, wages and other benefits	1,329,564	897,780
	Staff retirement benefits	57,925	31,442
	Fuel and power	389,856	270,826
	Dyes and chemicals	639,319	399,073
	Stores and spare parts	190,737	106,398
	Packing materials and other charges	978,388	725,592
	Outside knitting, dyeing and CMT charges	599,883	458,174
	Repair and maintenance	192,869	117,459
	Insurance	20,170	20,554
	Other factory overheads	219,211	124,668
	Depreciation - owned assets (Note 13.1.3)	168,838	148,526
	Depreciation - leased assets (Note 13.1.3)	39,591	40,039
		8,785,270	6,355,161
	Work -in-process:		
	Opening stock	441,849	409,049
	Closing stock	(404,679)	(441,849)
		37,170	(32,800)
	Cost of goods manufactured	8,822,440	6,322,361
	Finished goods:		
	Opening stock	606,758	713,195
	Closing stock	(577,782)	(606,758)
		28,976	106,437
		8,851,416	6,428,798

		2009	2008
		(RUPEES IN THOUSAND)	
24.	**DISTRIBUTION COST**		
	Salaries, wages and other benefits	16,187	15,115
	Staff retirement benefits	1,629	1,202
	Commission to selling agents	292,729	124,330
	Insurance	1,121	1,088
	Traveling and conveyance	3,326	2,954
	Vehicles' running	666	519
	Printing and stationery	126	98
	Communication	1,653	1,247
	Advertisement	-	11
	Outward freight and distribution	285,223	199,415
	Depreciation - owned assets (Note 13.1.3)	96	89
	Depreciation - leased assets (Note 13.1.3)	2,305	2,213
		605,061	348,281
25.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and other benefits	67,992	48,298
	Staff retirement benefits	8,114	5,388
	Rent, rates and taxes	2,574	1,609
	Traveling and conveyance	2,901	1,246
	Entertainment	5,920	4,832
	Repair and maintenance	1,313	478
	Vehicles' running	5,701	3,845
	Printing and stationery	2,640	1,643
	Communication	4,934	3,731
	Legal and professional	4,122	14,263
	Newspapers and periodicals	96	69
	Electricity and Sui gas	3,328	1,864
	Auditors' remuneration (Note 25.1)	1,165	496
	Subscription and fee	3,287	1,905
	Advertisement	409	1,212
	Insurance	4,872	3,551
	Miscellaneous	2,469	1,220
	Research and development support	-	8,601
	Depreciation - owned assets (Note 13.1.3)	33,736	31,813
	Depreciation - leased assets (Note 13.1.3)	4,484	3,513
		160,057	139,577
25.1	**Auditors' remuneration**		
	Annual audit fee	1,000	400
	Half yearly review fee	100	50
	Corporate governance compliance review fee	25	15
	Reimbursable expenses	40	31
		1,165	496
26.	**OTHER OPERATING EXPENSES**		
	Loss on sale of operating fixed assets	3,693	-
	Workers' profit participation fund	29,096	21,528
	Provision for doubtful debts	7,971	-
	Research & development support written off	30,317	-
	Workers' welfare fund	-	8,327
		71,077	29,855

		2009	2008
		(RUPEES IN THOUSAND)	
27.	**OTHER OPERATING INCOME**		
	Income from non-financial assets		
	Sale of stores and scrap	2,633	2,162
	Gain on disposal of operating fixed assets	-	3,103
	Miscellaneous	541	259
	Worker's welfare fund (Note 27.1)	1,182	-
	Amortization of deferred income on sale and lease back of operating fixed assets	2,376	2,154
		6,732	7,678
	Income from financial assets		
	Mark-up on saving accounts	4,665	1,022
		11,397	8,700
27.1	**Workers' welfare fund**		
	Current year expense	11,821	8,327
	Prior years adjustment	(13,003)	-
	Net (income)/expense	(1,182)	8,327
28.	**FINANCE COST**		
	Interest/mark-up on:		
	Workers' profit participation fund	2,720	1,022
	Long term finances	359,662	87,045
	Amortization on long term finance calculated using the effective interest method (Note 5.8)	16,723	19,801
	Short term borrowings	251,814	355,540
	Finance charges on finance lease liabilities	36,701	32,343
	Bank charges and commission	52,235	43,213
		719,855	538,964

29. PROVISION FOR TAXATION

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. However, provision for tax on other income is made at current tax rates after considering the rebates and tax credits, if any and accumulated losses. No provision for deferred taxation is required due to presumptive tax on exports.

Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

			2009	2008
30.	**EARNINGS PER SHARE**			
	Basic earnings per share			
	Profit after taxation	**(Rupees in thousand)**	451,706	333,753
	Number of ordinary shares		30 000 000	30 000 000
	Earnings per share - Basic	**(Rupees)**	15.06	11.13
	Diluted earnings per share			
	Profit after taxation	**(Rupees in thousand)**	451,706	333,753
	Weighted average number of shares		69 768 020	49 155 559
	Earnings per share - Diluted	**(Rupees)**	6.47	6.79

		2009	2008
		(RUPEES IN THOUSAND)	
31.	**CASH FLOWS FROM OPERATIONS**		
	Profit before taxation	550,111	408,010
	Adjustments for non-cash charges and other items:		
	Depreciation	249,050	226,193
	Provision for gratuity	67,668	38,000
	Provision of doubtful debts	7,971	-
	Loss/(gain) on disposal of operating fixed assets	3,693	(3,103)
	Amortization of deferred income on sale and lease back of operating fixed assets	(2,376)	(2,154)
	Debit balances written off	30,317	-
	Finance cost	719,855	538,964
	Working capital changes (Note 31.1)	(130,378)	(1,449,981)
		1,495,911	(244,071)
31.1	**Working capital changes**		
	(Increase)/decrease in current assets		
	- Stores and spare parts	(65,587)	(80,647)
	- Stock in trade	110,936	(24,730)
	- Trade debts	(1,271,953)	(322,573)
	- Loans and advances	19,267	(35,296)
	- Short term deposits and prepayments	22,076	(38,415)
	- Other receivables	98,450	(117,113)
	Increase/(decrease) in current liabilities		
	- Short term borrowings - net	663,385	(1,062,604)
	- Trade and other payables	293,048	231,397
		(130,378)	(1,449,981)

32. EVENTS AFTER THE BALANCE SHEET DATE

Board of Directors of the Company have proposed a cash dividend for the ordinary shareholders of the Company for the year ended 30 June 2009 amounting to Rupees 1.50 (30 June 2008: Rupees 1.75) per share and preference dividend for the preference shareholders of the Company amounting to Rupees 1.69 (30 June 2008: Rupees 1.20) per share at their meeting held on 06 October, 2009. However, these events have been considered as non-adjusting events under IAS-10 and have not been recognized in these financial statements.

33. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in the financial statements for the year for remuneration, allowances including all benefits to the chief executive officer, directors and executives of the Company are as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	2009			2008		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Managerial remuneration	1,200	1,956	29,316	1,200	1,424	18,737
House rent	480	782	12,204	480	570	7,634
Other allowances	120	196	3,096	120	142	1,548
	1,800	2,934	44,616	1,800	2,136	27,919
Number of persons	1	4	38	1	4	30

33.1 The chief executive officer, some of the directors and some of the executives are provided free use of Company's maintained vehicles.

34. PLANT CAPACITY AND ACTUAL PRODUCTION

		2009	2008
		(FIGURES IN THOUSAND)	
SPINNING			
Production at normal capacity converted to 20s count based on three shifts per day.	(Kgs .)	4 762	4 762
Actual production converted to 20s count based on three shifts per day.	(Kgs .)	4 107	4 223
KNITTING			
Production at normal capacity converted to 30s count based on three shifts per day.	(Kgs .)	19 654	19 216
Actual production converted to 30s count based on three shifts per day.	(Kgs .)	10 458	10 211
DYEING/FINISHING			
Production at normal capacity on reactive dyeing basis at three shifts per day.	(Kgs .)	12 360	11 880
Actual production converted on reactive dyeing basis at three shifts per day.	(Kgs .)	9 875	9 261
GARMENTS			
Production at normal capacity converted on normal/basic garments capacity based on single shift per day.	(Dzn.)	2 397	2 253
Actual production converted on normal/ basic garments capacity basis on single shift per day.	(Dzn.)	2 015	1 866

34.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance, gas/electric supply shutdown and initial period of additional installations of production facilities. Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity.

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk.

(a) **Market risk**

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2009	2008
Cash at banks - USD	241,873	36,470
Trade debts - USD	35,739,570	26,230,997
Trade and other payable - USD	(492,390)	(201,333)
Net exposure - USD	35,489,053	26,066,134

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	78.62	62.67
Reporting date rate	81.10	68.57

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 133.978 million (30 June 2008: Rupees 83.201 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financings, liabilities against assets subject to finance lease and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2009	2008
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial assets		
Bank balances - saving accounts	173,724	2,756
Financial liabilities		
Long term financing	191,756	107,831
Liabilities against assets subject to finance lease	74,708	117,701

	2009	2008
	(RUPEES IN THOUSAND)	
Floating rate instruments		
Financial liabilities		
Long term financing	1,745,129	1,785,906
Liabilities against assets subject to finance lease	158,840	232,532
Short term borrowings	3,285,109	2,621,724

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 48.310 million (30 June 2008: Rupees 43.200 million) lower / higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	3,197,857	1,933,875
Loans and advances	36,989	34,967
Deposits	29,801	46,756
Other receivables	120,230	146,115
Bank balances	319,157	135,127
	3,704,034	2,296,840

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2009	2008
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks:					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	234	555
Allied Bank Limited	A1+	AA	PACRA	6,326	11,510
Askari Bank Limited	A1+	AA	PACRA	10,373	4,238
Bank Alfalah Limited	A1+	AA	PACRA	437	848
Faysal Bank Limited	A-1+	AA	PACRA	144	134
Habib Bank Limited	A-1+	AA+	JCR-VIS	37,004	16,234
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	197,320	80,459
Bank Al-habib Limited	A1+	AA+	PACRA	200	573
MCB Bank Limited	A1+	AA+	PACRA	2,469	3,325
NIB Bank Limited	A1+	AA-	PACRA	12,946	1,022
The Royal Bank of Scotland Limited	A1+	AA	PACRA	682	684
The Bank of Punjab	A1+	AA-	PACRA	6,912	12,378
Silkbank Limited	A-3	A-	JCR-VIS	33	34
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	100	-
United Bank Limited	A-1+	AA+	JCR-VIS	2,589	982
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	9	9

	Rating			2009	2008
	Short Term	Long term	Agency	(Rupees in thousand)	
Arif Habib Bank Limited	A-2	A	JCR-VIS	41,068	-
Atlas Bank Limited	A2	A-	PACRA	100	-
Bank Islami Pakistan Limited	A1+	A	PACRA	96	1,000
Meezan Bank Limited	A-1	A+	JCR-VIS	115	1,142
				319,157	135,127

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rupees 1,165 million 30 June 2008: 952 million) available borrowing limits from financial institutions and Rupees 321 million (30 June 2008: 137 million) cash and bank balances. Management believes the liquidity risk to be low.

The following are the contractual maturities of financial liabilities as at 30 June 2009:

(RUPEES IN THOUSAND)

	Carrying Amount	Contractual Cash flows	6 month or less	6-12 month	1-2 Year	More than 2 years
Long term financing	1,936,885	2,581,801	110,826	324,837	759,722	1,386,416
Liabilities against assests subject to finance lease	233,548	274,391	65,189	62,513	99,487	47,202
Short term borrowings	3,285,109	3,421,885	1,175,946	2,245,939	-	-
Trade and other payables	1,137,803	1,137,202	674,163	463,039	-	-
Accrued mark-up	196,958	196,958	196,958	-	-	-
	6,790,303	7,612,237	2,223,082	3,096,328	859,209	1,433,618

'The following are the contractual maturities of financial liabilities as at 30 June 2008:

	Carrying Amount	Contractual Cash flows	6 month or less	6-12 month	1-2 Year	More than 2 years
Long term financing	1,893,737	2,767,403	127,916	317,041	385,742	1,936,704
Liabilities against assests subject to finance lease	350,233	421,913	84,934	75,507	130,212	131,260
Short term borrowings	2,621,724	2,738,670	1,072,241	1,666,429	-	-
Trade and other payables	843,986	843,986	401,638	442,348	-	-
Accrued mark-up	84,911	84,911	84,911	-	-	-
	5,794,591	6,856,883	1,771,640	2,501,325	515,954	2,067,964

Short term borrowing and trade and other payables are financial liabilities of revolving nature which will get renewed as part of working capital management.

(d) Capital risk

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares.

35.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

35.3 Financial instruments by categories

	Loans and receivables	
	2009	2008
	(RUPEES IN THOUSAND)	
As at 30 June		
Assets as per balance sheet		
Trade debts	3,197,857	1,933,875
Loans and advances	36,989	34,967
Deposits	29,801	46,756
Other receivables	120,230	146,115
Cash and bank balances	321,026	137,255
	3,705,903	2,298,968

	Financial liabilities at amortized cost	
	2009	2008
	(RUPEES IN THOUSAND)	
Liabilities as per balance sheet		
Long term financing	1,936,885	1,893,737
Liabilities against assets subject to finance lease	233,548	350,233
Short term borrowings	3,285,109	2,621,724
Trade and other payables	1,137,803	843,986
Accrued mark-up	196,958	84,911
	6,790,303	5,794,591

36. DATE OF AUTHORISATION

These financial statements have been approved and authorized for issue by the Board of Directors of the Company on 06 October, 2009

37. FIGURES

Comparative figures of balance sheet, profit and loss account, cash flow statement and statement of changes in equity have been re-arranged, wherever necessary for the purpose of comparison. However, no significant reclassification /re-arrangement has been made.

38. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

FORM 34

PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2009

1. Incorporation Number **M-12**
2. Name of the Company **MASOOD TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at 30.06.2009

4. No. of Shareholders	Shareholdings	Total Share held
ORDINARY SHARES:		
667	Shareholding from 1 to 100 Shares	50,485
604	Shareholding from 101 to 500 Shares	137,116
95	Shareholding from 501 to 1000 Shares	78,379
91	Shareholding from 1001 to 5000 Shares	216,675
14	Shareholding from 5001 to 10000 Shares	105,450
8	Shareholding from 10001 to 15000 Shares	114,850
2	Shareholding from 15001 to 20000 Shares	36,750
1	Shareholding from 30001 to 35000 Shares	34,500
1	Shareholding from 35001 to 40000 Shares	36,000
2	Shareholding from 45001 to 50000 Shares	100,000
1	Shareholding from 80001 to 85000 Shares	84,875
1	Shareholding from 105001 to 110000 Shares	105,500
2	Shareholding from 110001 to 115000 Shares	230,000
2	Shareholding from 115001 to 120000 Shares	239,650
1	Shareholding from 120001 to 125000 Shares	123,500
1	Shareholding from 125001 to 130000 Shares	130,000
2	Shareholding from 140001 to 145000 Shares	283,650
4	Shareholding from 145001 to 150000 Shares	600,000
2	Shareholding from 150001 to 155000 Shares	305,500
1	Shareholding from 160001 to 165000 Shares	163,125
1	Shareholding from 165001 to 170000 Shares	168,650
2	Shareholding from 170001 to 175000 Shares	346,875
2	Shareholding from 180001 to 185000 Shares	364,250
2	Shareholding from 185001 to 190000 Shares	376,300
1	Shareholding from 190001 to 195000 Shares	191,000
3	Shareholding from 195001 to 200000 Shares	600,000
1	Shareholding from 200001 to 205000 Shares	201,000
3	Shareholding from 220001 to 225000 Shares	671,250
1	Shareholding from 235001 to 240000 Shares	235,500
1	Shareholding from 240001 to 245000 Shares	240,750
1	Shareholding from 285001 to 290000 Shares	286,500
1	Shareholding from 295001 to 300000 Shares	297,000
1	Shareholding from 390001 to 395000 Shares	392,750
1	Shareholding from 690001 to 695000 Shares	691,875
1	Shareholding from 1010001 to 1015000 Shares	1,012,914
1	Shareholding from 1040001 to 1045000 Shares	1,043,386
1	Shareholding from 1095001 to 1100000 Shares	1,096,658
1	Shareholding from 1315001 to 1320000 Shares	1,320,000
1	Shareholding from 1445001 to 1450000 Shares	1,450,000
1	Shareholding from 1605001 to 1610000 Shares	1,609,350
1	Shareholding from 2285001 to 2290000 Shares	2,287,500
1	Shareholding from 2890001 to 2895000 Shares	2,890,487
1	Shareholding from 9045001 to 9050000 Shares	9,050,000
1532	Total	30,000,000

PREFERENCE SHARES:

4. No. of Shareholders	Shareholdings			Total Share held
1	Shareholding from	1495001 to 1500000	Shares	1,500,000
2	Shareholding from	2495001 to 2500000	Shares	5,000,000
3	Shareholding from	4995001 to 5000000	Shares	15,000,000
1	Shareholding from	9995001 to 10000000	Shares	10,000,000
1	Shareholding from	10995001 to 11000000	Shares	11,000,000
1	Shareholding from	17495001 to 17500000	Shares	17,500,000
9	Total			60,000,000

5. Categories of shareholders	share held	Percentage
ORDINARY SHARES:		
5.1 Directors, Chief Executive Officer, etc.	760,750	2.54
5.2 Associated Companies, undertakings and related parties.	-	-
5.3 NIT and ICP	1,013,764	3.37
5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.	1,047,686	3.49
5.5 Insurance Companies	393,850	1.31
5.6 Modarabas and Mutual Funds	5,500	0.02
5.7 Share holders holding 10%	9,050,000	30.17
5.8. General Public		
a. Local	8,081,895	26.94
b. Foreign	-	-
5.9. Others - Joint Stock Companies / Co-operative Societies.	9,646,555	32.16
Total Ordinary Shares	30,000,000	100.00
PREFERENCE SHARES:		
5.3 Banks, Development Financial Institutions, Non Banking Financial Institutions.	60,000,000	100.00

6. Signature of Chief Executive/ Secretary

7. Name of Signatory: ABDUL BARI HAQQANI

8. Designation: COMPANY SECRETARY

9. NIC Number: 3 3 1 0 0 - 7 8 9 1 4 1 5 - 3

	Day	Month	Year
10. Date	0 6	1 0	2 0 0 9

NAMEWISE CATEGORIES OF SHAREHOLDERS
AS ON 30.06.2009

NAME		Shares Held	Total Shares	Percentage
ORDINARY SHARES				
Directors:				
Mr. Shahid Nazir	Chairman/CEO	691,875		
Mr. Naseer Ahmad Shah	Director	18,750		
Mr. Muhammad Arshad	Director	9,375		
Mr. Fazal Ahmad	Director	15,000		
Mr. Shahid Iqbal	Director	15,000		
Mr. Matloob Hussain	Director	10,750		
Mr. Muhammad Asif (NIT Nominee)	Director	-	760,750	2.54
Shareholders Holding 10 % or More:				
Mrs. Nazia Nazir		-	9,050,000	30.17
Associated Undertakings:		-	-	-
Investment Companies:				
Investment Corporation of Pakistan (ICP)		-	850	0.00
Financial Institutions:				
Banks:				
National Bank of Pakistan (NIT)		1,012,914		
NBP Trustee - NI(U)T (LOC) Fund		1,043,386		
IDBP (ICP UNIT)		4,300	2,060,600	6.87
Insurance Companies:				
Delta Insurance Company Limited		1,100		
State Life Insurance Corporation of Pakistan		392,750	393,850	1.31
Modarabas:				
Unicap Modaraba		600		
Third Prudential Modaraba		4,900	5,500	0.02

NAME	Shares Held	Total Shares	Percentage
Joint Stock Companies/Co-op.Societies:			
Aizad Corporation (Pvt) Ltd.	2,890,487		
Fortress Textiles (Pvt) Ltd.	1,096,658		
M/S Haydri Boring (Pvt) Ltd.	50		
Kohistan Corporation (Pvt) Ltd.	1,450,000		
Masood Impex (Pvt) Limited	2,287,500		
Prudential Cap. Management Ltd.	1,600		
Savari (Pvt) Limited	1,610,250		
Harvest Smartrend Securities (Pvt) Ltd.	1,000		
Ismail Iqbal Securities (Pvt) Ltd.	1,000		
Pasha Securities (Pvt) Limited	100		
MAM Securities (Pvt) Limited	200		
Ismail Abdul Shakoor Securities (Pvt) Ltd.	50		
Y.S. Securities & Services (Pvt) Ltd.	630		
National Ind. Co-op Finance Corporation	800		
Darson Securities (Pvt) Limited	600		
M/S Conti Trade Corporation	50		
H.M. Investments (Pvt.) Ltd.	4,900		
Pakistan Kuwait Investment (Pvt) Ltd.	2,600		
Pasban Co-op Finance Corporation	200		
Nh Securities (Pvt) Limited	5		
Durvesh Securities (Pvt) Limited	875		
First Capital Equities Limited	297,000		
		9,646,555	**32.16**
General Public:		**8,081,895**	**26.94**
TOTAL ORDINARY SHARES		**30,000,000**	**100.00**
PREFERENCE SHARES			
Financial Institutions:			
Banks:			
Allied Bank Limited	-	17,500,000	
United Bank Limited	-	11,000,000	
Habib Bank Limited-Treasury Division	-	10,000,000	
MCB Bank Limited-Treasury	-	5,000,000	
Askari Bank Limited	-	2,500,000	
National Bank of Pakistan	-	5,000,000	
Silkbank Limited	-	1,500,000	
Cdc Trustee-Pakistan Capital Mariket Fund	-	2,500,000	
		55,000,000	**91.67**
Investment Companies:			
Pakistan Kuwait Investment Co. (Pvt) Limited	-	**5,000,000**	**8.33**
TOTAL PREFERENCE SHARES		**60,000,000**	**100.00**

MASOOD TEXTILE MILLS LIMITED

FORM OF PROXY

No. of Ordinary shares held.____________ Folio No.__________ CDC A/c No. _________________

I/We, ____

of ____

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint ______________________

____

(NAME)

of ____

____

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held at its Registered office at Universal House, West Canal Road, Farooqabad, Faisalabad on Saturday, the 31st day of October, 2009 at 11:00 A.M or any adjournment thereof.

As witnessed my hands this ________________ day of ______________________________ 2009

signed by me in the presence of witness:____

____

(Signature of witness)
NIC. ____________

(Member's Signature)
NIC. ___________

Five Rupees
Revenue
Stamp

Note : Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.