annual report
2007

Ali Asghar Textile Mills Limited

CONTENTS

COMPANY INFORMATION

Board of Directors	:	Mr. Nadeem Ellahi Shaikh	Chief Executive
		Mr. Naveed Ellahi Shaikh	
		Mst. Marium Humayun	
		Mr. Salman Masood	
		Mr. Abdul Aziz	
		Mr. Sultan Mehmood	
		Mr. Muhammad Azad Khan	
Audit Committee	:	Mst. Marium Humayun	Chairperson
		Mr. Naveed Ellahi Shaikh	Member
		Mr. Sultan Mehmood	Member
Chief Financial Officer	:	Mr. Aftab Ahmad	
Chief Internal Auditor	:	Mr. Altaf Qadir	
Company Secretary	:	Mr. Abdul Aziz	
Auditors	:	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants,	
Bankers	:	Habib Bank Limited Habib Metropolitan Bank Limited National Bank of Pakistan	
Registered Office	:	306-308, Uni Tower, I.I. Chundrigar Road, Karachi-Pakistan.	
Website	:	**www.aatml.com.pk**	
Mills at	:	Plot 2 & 6, Sector No. 25, Korangi Industrial Area, Karachi-Pakistan.	

DIRECTORS' REPORT

The Directors have the honor to present 41st Annual Report alongwith audited financial statement for the period ended June 30, 2007

FINANCIAL RESULTS

The annual turnover for the year under review was Rs.549.25 Million as compared to Rs.586.64 Million last year and operating costs were Rs.20.14 Million as compared to Rs.20.11 Million last year.

However the cost push inflation led to rise in wages/energy/transportation costs resulted in a net loss of Rs.31.50 Million for the year. Accordingly the loss per share worked out at Rs.0.82 this year as compared to earning per share of Rs.0.37 last year.
This is the first loss after 3 years of consistent profitability and inspite of the operating profit of Rs.52.62 Million in the year under review .The biggest factor was the rise in financial cost. and increased depreciation of Rs.34.64. Million over Rs.13.13 Million last year.

In order to remedy the situation the management team is implementing the following steps .

a) Decrease financial cost by converting KIBOR loan to LIBOR based loan.
b) Pay off expensive leasing with cheaper borrowing from commercial banks.
c) Increase spindleage by another 8000 spindles to decrease cost and utilize existing civil and energy Infra-structure.
d) Increase capital of the company to improve balance sheet footing and debt/equity ratio.

The last 12 months have been one of the tremendous change in AATML 2007 saw the addition of 13 new ring frames and . the auto leveler DX8 TOYODA drawing which enabled AATML to manufacture 80/s Warp yarn which was a subsequent milestone in the history of the company.

FUTURE OUTLOOK

In view of positive attitude of our government towards supporting the spinning sector and grant of 3% subsidy on mark-up rate of long-term loans, the management is hopeful that the government will come to the rescue of the spinning sector. APTMA has made a detailed representation of the subsidies given to Pakistan textile competitors in the region and the Government of Pakistan has agreed to come out with a textile package in the near future to counter these unfair subsidies.

In view of the above steps taken by the management and the positive attitude of GOP. the comments of the auditor in note.No.1.2 are properly addressed and leave no doubt of the ability of the company to operate as a going concern.

During the year Company approached its bankers Habib Metropolitan Bank for restructuring of its various short term liabilities by transferring into long term. Negotiations with the banker was successfully reached in May 2007 and the both parties were principally agreed on such restructuring, however formal restructuring agreement was signed in July 2007 and accordingly, based on the fact that such restructuring was principally agreed between parties pending documentation only., the restructured loans has been correctly shown are shown under long term liabilities. However in view of the requirement of IAS in the opinion of the auditors these liabilities become long term subsequent to year end.

The Dividend has been passed over in view of loss and need for further investments in fixed assets..

The directors are pleased to report that your company has taken necessary steps to comply with the provisions of the code of Corporate Governance as incorporated in the listing regulations of stock exchange.

In light of the company's overall objective, the Board of Directors regularly reviews the company's strategic direction. Annual plans and perfomance targets set for the business the Board is committed to maintain the high standards, of good corporate governance. Given below is the statement of Corporate and Financial Report Framework.

These financial statements present fairly the state of affairs of the company, the results of its operations, cash flows and changes in equity.

The Company has maintained proper books of accounts.

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

International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

The system of internal control, which was in place, is being continuously reviewed by the management. The process of review and monitoring will continue with the object to improve it further. Hiring of appropriate staff to strengthen the internal audit function is under consideration.

The management of your company is leaving no stone unturned to improve the financial and operational performance.

All liabilities in regard to the payment on account of taxes, duties, levies, and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts.

There is no doubt about the company's ability to continue as going concern.

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

Key operating and financial data of last six years is annexed to the financial statements.

The Company operates un-funded gratuity scheme for its employees and provision has been made in the accounts accordingly.

No trades in the shares of the Company were carried out by the directors, CEO, CFO, Company Secretary and their spouces and minor children.

During the year six Board Meeting were held, the attendance by each Directors given below:-

S. No.	Name of Director	Number of meetings attended
1.	Mrs. Gulnar Humayun	4
2.	Mr. Nadeem Ellahi Shaikh	5
3.	Mr. Naveed Ellahi Shaikh	6

Leave of absence was granted to the directors who could not attend some of the Board meetings.

Code of Ethics and Business practice has been developed and are now being communicated and acknowledged by each director and employee of the Company.

The management of your company is leaving no stone unturned to improve the financial and operational performance and initiating following major steps to prove its reality.

The pattern of holding of the shares as on June 30, 2007 is annexed.

Retiring Auditors M/s. Yousuf Adil Saleem & Co. Chartered Accountants are eligible.

The Directors wish to place on record the highly dedicated services rendered by the employees and convey thanks to bankers, and leasing companies for their valuable support.

By Order of the Board

NADEEM ELLAHI SHAIKH
Chief Executive

Karachi: November 8, 2007

KEY OPERATING AND FINANCIAL RESULTS

FROM 2001-2002 TO 2006-2007

ACCOUNTING YEAR	**2006-2007**	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
OPERATING RESULTS:						
Sales -Net	549,246	586,638	375,005	460,868	365,744	375,412
Gross Profit (Loss)	61,336	79,309	54,859	45,987	25,500	52,980
Net Profit (Loss) After Tax	(31,495)	14,082	3,900	3,124	(13,838)	7,888
FINANCIAL POSITION						
Assets Employed						
Operating Assets	882,090	871,880	638,969	191,470	129,237	111,112
Current Assets	338,012	306,125	330,609	225,538	289,870	135,021
Other Assets	14,190	10,338	5,933	7,088	6,313	1,704
Deferred Costs	8,354	14,479	18,698	22,556		
	1,242,646	1,202,822	994,209	446,652	425,420	247,837
Assets Financed By:						
Shareholders Equity	(149,358)	(123,694)	(137,977)	(142,039)	(241,148)	(227,282)
Director Loan	31,703	35,504	33,504	6,867	63,728	52,218
Surplus on revaluation of Fixed Assets	578,014	583,847	490,439	80,431	80,668	84,908
Long Term Loan	336,765	301,931	164,529	132,483	104,620	98,723
Other Deferred Liabilities	3,084	3,965	3,463	3,499	7,372	3,613
Current Maturity	81,125	31,681	58,711	41,952	33,670	21,993
Other Current Liabilities	361,313	369,588	381,540	323,459	376,510	213,663
	1,242,646	1,202,822	994,209	446,652	425,420	247,836
Key Ratios:						
Gross Profit to Sales %	11.17%	13.52%	14.63%	9.98%	6.97%	14.11%
Net Profit (Loss) to Sales %	-5.73%	2.40%	1.04%	0.68%	-3.78%	2.10%
E.P.S.	-0.82%	0.37%	0.10%	0.08%	-0.36%	0.20%

PATTERN OF HOLDING OF SHARES

HELD BY THE SHARE HOLDERS
AS AT JUNE 30, 2007

SHARES FROM	SHARES TO	SHARE HOLDERS	TOTAL SHARES
1	100	447	42,876
101	500	274	83,186
501	1000	87	71,800
1001	5000	79	188,000
5001	10000	3	24,000
10001	15000	2	21,099
15001	20000	2	34,200
70001	75000	1	73,200
895001	985000	2	1,878,323
2500001	16100000	4	35,882,190
TOTAL		**901**	**38,298,874**

S. NO.	CATEGORY OF SHAREHOLDERS	NO.	SHARES HELD	%
1	INDIVIDUALS	882	21,187,686	55.32
2	INVESTMENT COMPANIES	2	200	0.00
3	INSURANCE COMPANIES	1	3,100	0.01
4	JOINT STOCK COMPANIES	4	914,322	2.38
5	FINANCIAL INSTITUTIONS	5	16,183,571	42.26
6	OTHERS	7	10,001	0.03
	TOTAL:-	**901**	**38,298,874**	**100%**

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2007

	Name of Shareholders	No.	Shares Held	Percentage
1.	**Associated Company**	-	-	-
2.	**N.I.T. & I.C.P**			
	Investment Corporation of Pakistan	3	14,999	0.039
3.	**Director CEO and Executive**	4		
	1. Mr. Nadeem Ellahi Shaikh - Chief Executive		8,487,092	22.160
	2. Mr. Naveed Ellahi Shaikh - Director		8,772,465	22.906
	3. Mst. Marium Humayun - Director		2,000	0.005
	4. Mr. Salman Masood - Director		2,000	0.005
4.	**Banks, Development Finance Institutions. Non Banking Finance Institutions Insurance Companies, Modaraba and Mutual Funds**	5		
	P.I.C.I.C. Limited		73,200	0.191
	Adamjee Insurance Co. Ltd.		3,100	0.008
	Habib Investment Co. Ltd.		100	0.000
	Shirazi Investment Co.,		100	0.000
	Habib Bank Limited.		16,095,372	42.026
5.	**Individuals**	878	3,924,123	10.246
6.	**Others**	11	924,323	2.414
	SHARE HOLDERS OF THE COMPANY	901	38,298,874	100.00
7.	**Share Holders holding 10% or more.**			
	Mr. Nadeem Ellahi Shaikh		8,487,092	22.16
	Mr. Naveed Ellahi Shaikh		8,772,465	22.90
	Habib Bank Limited		16,095,372	42.02

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, Chapter XIII and Chapter XI of regulation of KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes one independent non-executive director, but no 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or Non-banking Financial Institution, being a member of Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. Casual vacancy of one Director occurred during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being 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 / Chariperson and in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. No specific orientation course was held during the period. However, the management continues to appraise and familiarize with changes in law to discharge their duties and responsibilities.

10. The Board has approved appointment of CFO and head of internal audit during the period, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Director's report for this period 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 3 members including the Chairperson, two of them are non-executive directors.

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 determined and approved by the Board of Directors and advised to the committee for compliance.

17. There is no effective internal audit function. The implementation of effective internal audit function is under the consideration of the Board.

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

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

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

On Behalf of the Board of Directors

NADEEM E. SHAIKH
Chief Executive

Karachi: November 8, 2007

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 ALI ASGHAR TEXTILE MILLS LIMITED to comply with the Clause XIV of the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: November 08, 2007

A statement of material facts u/s. 160(1)(b) of the Companies Ordinance, 1984 relating to the special resolution and special business to be transacted at the said AGM is being sent to all the shareholders along with the Notice of AGM.

By Order of the Board

(ABDUL AZIZ)
Company Secretary

Karachi November 8, 2007 .

Notes:

I. The share transfer books of the company will remain closed from November 19, 2007 to November 30, 2007 (Both days inclusive).

II. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered office of the Company not less than 48 hours before the time of meeting.

III. C.D.C shareholders who wish to attend the Annual General Meeting are required to bring Original I.D. card with copy thereof along-with the Participant ID number, their account number at the time of meeting in order to authenticate their identity.

IV. Share-holders are requested to promply notify Company of any change in their address.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 41st Annual General Meeting pf Ali Asghar Textile Mills Limited will be held on November 30, 2007 at 10:30 a.m. at Company's Mills situated at Plot No. 2 & 6, Sector 25, Korangi, Karachi to transact the following business:

1 To confirm the minutes of extra ordinary General Meeting held on April 16, 2007. .

To receive, consider and adopt the annual audited accounts of the company for the year ended. Junde 30, 2007 together with the directors' and auditors' reports thereon.

To appoint auditors for the year ending June 30, 2008 and fix their remuneration.

SPECIAL BUSINESS

4. To approve the payment of remuneration and provision of certain facilities to the Chief Executive and a working director of the Company.

   Ordinary Resolutions:

   "Resolved that the payment of annual remuneration to the Chief Executive and a working director of the Company be and is hereby approved."

5. To with draw the issuance of right shares offered in the Extraordinary General Meeting of the shareholders held on April 16, 2007 and pass the following resolutions :

   "Resolved that the permission for issuance of 6,127,820 right shares @16% at par to the existing shareholders in proportion of 0.16 share on every one share held, granted in the Extraordinary General Meeting of the shareholders held on April 16, 2007 be and is hereby withdrawn and the said proposed issuance of right shares should be considered as cancelled."

6. To consider and if deemed fit, to pass with or without modification, the following Special Resolutions"

   Special Resolution :

   "Resolved that further paid up capital of the Company be and is hereby enhanced by issuance and allotment of =6,127,820= Ordinary shares of Rs. 5/- each at par, ranking pari passu with the existing ordinary shares in all respect, to the directors of the Company against their loan, without issuance of right shares, in accordance with the provision of Section 86(1) of the Companies Ordinance1984 subject to approval from Securities and Exchange Commission of Pakistan."

   Further Resolved that the Chief Executive / Company Secretary be and is hereby authorised to take all the necessary steps to effect ht Special Resolution and fulfill the legal, corporate and procedural formalities to complete the process of raising further paid up capital without issue of right shares.

7. To consider any other business with the permission of the Chair.

STATEMENT UNDER SECTION 180 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the shareholders to be held on November 30, 2007.

Agenda Item No. 4 :

The Board of Directors have proposed to increase the payment of remuneration and provision of certain facilities to the Chief Executive and a working director of the Company as follows :

a)	Managerial Remuneration:	Rs. 1,440,000 each per annum for two.
b)	Reimbursable expenses which are in the nature of a perquisite or benefit;	Housing, Transport, Medical and Leave Fare facility for themselves, their wives and dependent children to the extent of 10% of the annual remuneration, (Rs. 1,440,000 each) .

Agenda Item No. 5 :

The shareholders in their Extraordinary General Meeting held on April 16, 2007 had permitted the issuance of =6,127,820= right shares @16% at par to be issued to the existing shareholders in proportion of 0.16 share on every one share held on April 11, 2007.

Due to prevailing recession in the textile sector, response of underwriters towards underwriting right shares issue was not positive. In view of inability of the company to get the issuance of right shares underwritten, which is a company requirement for right issue of loss making companies under Rule 5(iv)(b) of the Companies (Issue of Capital), Rules, 1996, the management decided to withdraw the offer of right shares.

Due to persistent textile crises, which have effected the Company's liquidity position adversely, there is dire need to increase the paid up capital of the Company, enabling it to reduce its dependence on borrowed capital and improve its balance sheet ratios.

Agenda Item No. 6 :

Some of directors of the Company have extended loans to the Company, have shown their intention to subscribe to further issue of Ordinary shares by the Company against their respective loans, after completion of all the necessary corporate and legal requirements.

Keeping in view circumstances of the Company, the Board of Directors has recommended that paid up capital of the company be raised by further issuing =6,127,820= fully paid ordinary shares of Rs.5/- each at par to the directors after obtaining approval of the Securities and Exchange Commission of Pakistan, in accordance with the provisions of section 86 of the Companies Ordinance.:

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ali Asghar Textile Mills Limited as at June 30, 2007, 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 accounting 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:

(1) The Company has classified short term loans of Rs. 62 million as long term loans in view of the fact that the same has been rescheduled. However since the resheduling was made subequent to the balance sheet date on July 25, 2007 the same could not be classified as long term liabilities as per International Accounting Standard-1 “Presentation of Financial Statements”.

(2) Except for effect on the financial statements of the matter referred to in the above paragraph, 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 our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and

(3) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) and

(4) Without qualifying our opinion, we draw attention to note 1.2 to the financial statements that describes the adverse financial condition of the Company and steps taken by the management including expected support from the directors and the financial institutions to address the going concern issue.

M. Yousuf Adil Saleem & Co.

Karachi: November 08, 2007

Chartered Accountants

BALANCE SHEET

	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
SHARE CAPITAL			
Authorised			
40,0000,000			
ordinary shares		200,000,000	200,000,000
Rs 5 each			
Issued, subscribed and	3	191,494,370	191,494,370
paid-up capital		(340,852,554)	(315,189,295)
Accumulated loss			
		(149,358,184)	(123,694,925)
SURPLUS ON REVALUATION			
OF PROPERTY PLANT	4	578,014,829	583,847,279
AND EQUIPMENT			
NON-CURRENT LIABILITIES			
	5	234,908,027	145,750,320
LONG TERM LOANS			
LIABILITIES AGAINST ASSETS	6	94,132,927	102,602,675
SUBJECT TO FINANCE LEASE			
	7	42,511,568	93,047,070
DEFERRED LIABILITIES			
CURRENT LIABILITIES	8	140,239,432	138,180,980
Trade and other payables	9	181,843,363	210,267,214
Short term bank borrowings	10	81,125,630	31,681,132
Current portion of non-current liabilities		36,420,248	18,193,844
Mark-up payable		2,809,611	2,946,702
Taxation			
		442,438,284	401,269,872
CONTINGENCIES AND	11		-
		1,242,647,451	**1,202,822,291**

AS AT JUNE 30, 2007

	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	12	882,090,335	871,880,175
DEFERRED COSTS	13	8,354,382	12,364,482
DEFERRED TAXATION	14	-	2,115,013
LONG TERM DEPOSITS		14,190694	10,337,694
CURRENT ASSETS			
Stores and spares	15	5,326,951	6,216,975
Stock in trade	16	135,510,241	129,126,786
Trade debts	17	154,924,427	127,780,876
Advances	18	19,408,415	21,678,746
Deposits and prepayments	19	5,286,378	4,034,521
Other receivables	20	2,763,476	12,038,597
Tax refundable	21	4,647,302	4,091,197
Cash and bank balances	22	10,144,850	1,157,227
		338,012,040	306,124,927
		1,242,647,451	**1,202,822,291**

The annexed notes 1 to 38 form an integral part of these financial statements.

NADEEM E. SHAIKH
Chief Executive

NAVEED E. SHAIKH
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Sales - net	23	549,246,296	586,638,076
Cost of goods sold	24	(487,909,428)	(507,328,786)
Gross profit		61,336,868	79,309,290
Other operating income	25	11,427,147	9,508,397
		72,764,015	88,817,687
Operating expenses			
Distribution cost	26	916,746	1,625,379
Administrative expenses	27	19,224,590	17,860,390
Workers' profit participation fund		-	628,845
		(20,141,336)	(20,114,614)
		52,622,679	68,703,073
Amortization of deferred cost	13	4,010,100	(4,010,100)
Finance costs	28	(75,200,353)	(52,705,825)
(Loss) / Profit before taxation		(26,587,774)	11,987,149
Taxation	29	(4,907,935)	2,095,830
(Loss) / Profit for the year		(31,495,709)	14,082,979
Earnings per share - basic and diluted	30	**(0.82)**	**0.37**

The annexed notes 1 to 38 form an integral part of these financial statements.

NADEEM E. SHAIKH
Chief Executive

NAVEED E. SHAIKH
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007 Rupees	2006 Rupees
A. Cash flows from operating activities		
Profit before taxation	(26,587,774)	11,987,149
Adjustments for:		
Depreciation	34,635,818	13,130,014
Amortization of deferred cost	4,010,100	4,010,100
Provision for gratuity	2,114,965	1,817,504
Provision against doubtful advances	1,626,150	-
Provision against doubtful trade receivables	524,127	769,282
Provision against workers' profit participation fund	-	628,845
Gain on sale of property plant and equipment	(9,106,055)	(2,919,099)
Finance cost	75,200,353	52,744,909
	109,005,458	70,181,555
	82,417,684	82,168,703
Decrease / (increase) in current assets		
Stores and spares	890,024	(1,725,380)
Stock in trade	(6,383,455)	21,788,204
Trade debts	(27,143,551)	(17,280,584)
Advances	1,863,119	23,317,063
Deposits and prepayments	(1,251,857)	8,658,559
Other receivables	9,275,121	(9,709,630)
Tax refundable	(929,999)	(1,204,508)
	(23,680,598)	23,843,723
(Decrease) / Increase in current liabilities		
Trade and other payables	2,058,452	(25,016,611)
Cash generated from / operating activities	60,795,538	80,995,816
Finance cost paid	(56,973,949)	(46,219,935)
Gratuity paid	(2,997,092)	(1,315,395)
Tax paid	(2,146,505)	(2,553,718)
	(62,117,546)	(50,089,048)
Net cash / (used in) from operating activities	(1,332,008)	30,906,768

	2007 Rupees	2006 Rupees
B. Cash flows from investng activities		
Fixed capital expenditure	(38,707,385)	(85,193,453)
Sale proceeds from disposal of fixed assets	9,276,982	8,604,000
Long term deposits	(3,853,000)	(4,404,938)
Net cash used in investing activities	(33,283,403)	(80,994,391)
C. Cash flows from financing activities		
Long term loans - net	79,222,092	(1,176,398)
Repayment of liabilities agains assets subject to finance lease	(21,348,588)	(18,371,290)
Deferred liabilities	39,428,422	64,245,771
Short term finance	(28,423,851)	(2,407,288)
Net cash from financing activities	68,878,075	42,290,795
Net decrease in cash and cash equivalents (A + B + C)	34,272,664	(7,796,829)
Cash and cash equivalent at the beginging of the year	169,262,946	(161,466,117)
Cash and cash equivalent at the end of the year	(134,990,281)	(169,262,946)
Cash and cash equivalents (Refer note 2.18)		
Cash and bank balances	10,144,850	1,157,227
Running finance	145,135,131	(170,420,173)
	134,990,281	(169,262,946)

The annexed notes 1 to 38 form an integral part of these financial statements.

NADEEM E. SHAIKH
Chief Executive

NAVEED E. SHAIKH
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paidup capital	Accumulated Losses	Total Equity
	....	Rupees	....
Balance at September 30, 2005	191,494,370	(329,472,233)	(137,977,863)
Profit for the period	-	14,082,979	14,082,979
Transfer from surplus on revaluation of fixed assets - incremental depreciation net of deferred tax.	-	199,959	199,959
Balance at June 30, 2006	**191,494,370**	**(315,189,295)**	**(123,694,925)**
Loss for the year	-	(31,495,709)	(31,495,709)
Transfer from surplus on revaluation of fixed assets - incremental depreciation net of deferred tax.	-	5,832,450	5,832,450
Balance at June 30, 2007	**191,494,370**	**(340,852,554)**	**(149,358,184)**

The annexed notes 1 to 38 form an integral part of these financial statements.

NADEEM E. SHAIKH
Chief Executive

NAVEED E. SHAIKH
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. GENERAL INFORMATION

1.1 The Ali Asghar Textile Mills Limited (the Company) was incorporated in Pakistan on February 9, 1967 as a public limited company having its registered office at Uni Tower, I. I. Chundrigar Road, Karachi in the province of Sindh. Its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The principal activity of the Company is to manufacture and sale of yarn. The manufacturing facilities of the Company are located at Korangi Industrial Area, Karachi in the province of Sindh.

1.2 The Company has accumulated losses of Rs 340.8 million as at June 30, 2007. Current liabilities exceeds its current assets by Rs.110.9 million. However, Company has continuous financial support from banks, financial institutions and its sponsors.

The company is in the process of modernization and replacement of manufacturing facilities. In the current year addition of 73 million has been made in the plant and machinery.

Management is confident that with better manufacturing facilities and the continuous financial support from financial institutions and the directors, they would further improve the financial position and restore its profitability. Accordingly, these financial statements have been prepared on a going concern assumption.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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

2.2 Basis of preparation

These financial statements have been prepared under historical cost convention, except that leasehold land and buildings have been included at revalued amounts and measurement of certain financial instruments at fair value and retirement benefits at present values in accordance with the recognition and measurement criteria as mentioned in International Accounting Standard applicable to such instruments.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

IAS 1 - Presentation of financial statements-amendments relating to capital disclosures	Effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	Effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	Effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	Effective from accounting period beginning on or after January 1, 2007
IFRIC 11 - Group and treasury share transactions	Effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	Effective from accounting period beginning on or after January 1, 2007

2.4 Employee benefit cost - defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. At year end, valuation of the defined gratuity scheme is conducted by using "Project Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses as reduced by the fair value of plan assets, if any.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's gratuity is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in note 7.1 to these financial statements.

2.5 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax credits, tax rebates and exemptions available, if any, or half percent of turnover whichever is higher in accordance with the provisions of income tax laws and under the provisions of presumptive tax regime.

Deferred

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized.

Deferred taxes are calculated at the tax rate that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case their deferred tax is also dealt within equity.

2.6 Property, plant and equipment

Operating Assets

Property, plant and equipment except leasehold land, are stated at cost / revalued amount less accumulated depreciation and impairment loss, if any. Lease hold land is stated at revalued amount.

Depreciation is charged to income applying the reducing balance method at the rates specified in Property, plant and equipment note.

In respect of additions and disposal during the year depreciation is charged from the month of addition and upto the month preceding the disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income as and when incurred.

Capital work in progress

All cost / expenditure connected with specific assets incurred during the implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

2.7 Accounting for leases

The Company accounts for assets acquired under finance leases by recording the assets and the related liability. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The outstanding obligation under the lease less finance charges allocated to future period is shown as a liability. The financial charges are allocated to accounting period in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at the same rate as Company owned assets.

2.8 Deferred costs

These are amortized on straight line basis over the period of sixty months.

2.9 Stores and spares

These are valued at lower of moving average cost or net realizable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon. Provision, if required, is made for slow moving and obsolete stock.

2.10 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis: -

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Realizable value

Average cost in relation to work in process and finished goods signifies average manufacturing cost including a portion of related direct overheads. Net realizable value signifies the selling prices prevailing in the market less cost of completion and selling expenses incidental to sales. Stock in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.11 Trade debts and other receivables

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

2.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.13 Provisions

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

2.14 Revenue recognition

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

Sales are recorded on dispatch of goods.

Profit on bank deposits is recognized on accrual basis.

Rental income is recognized on accrual basis.

2.15 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Exchange differences are included in income currently.

2.16 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

2.17 Financial instruments

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

2.18 Offsetting of financial assets and financial liabilities

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

2.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks and short term running finances.

2.20 Critical judgement and estimates

The preparation of financial statements in conformity with 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, 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 judgment was exercised in application of accounting policies is retirement benefits (2.4 & 7.1).

3. ISSUED, SUBSCRIBED AND PAID UP

2007	2006		2007	2006
No. of shares			No. of shares	
21,222,201	**21,222,201**	Ordinary shares of Rs.5/- each fully paid in cash.	**106,111,005**	**106,111,005**
17,076,673	**17,076,673**	Ordinary shares of Rs.5/- each issued for consideration other than cash (note 3.1)	**85,383,365**	**85,383,365**
38,298,874	**38,298,874**		**191,494,370**	**191,494,370**

3.1 This includes 16,095,372 shares issued to Habib Bank Limited (HBL) in accordance with restructuring agreement dated May 14, 1986 against their deferred loan converted into ordinary shares. These shares does not qualify for any dividends unless minimum of 10% is paid to the ordinary shareholders and also do not carry voting rights.

4. SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

	Land	Building Mills	Building Others	2007 Rupees	2006 Rupees
Opening Balance	484,885,978	77,442,824	21,518,477	583,847,279	490,439,304
Add: Revaluation during the year	-	-	-	-	98,858,875
Transferred to deferred tax	-	-	-	-	(5,250,941)
	484,885,978	77,442,824	21,518,477	583,847,279	584,047,238
Transferred to accumulated loss in respect of incremental depreciation charged during the year net of deferred tax		(5,025,829)	(806,621)	(5,832,450)	(199,959)
Balance at June 30,2007	-	72,416,995	20,711,856	578,014,829	583,847,279

Revaluation of mills and other buildings was carried out on June 30, 2006 by an independent valuer M/s Consultancy Support and Services. The valuation has been performed on the basis of current market value. Previous revaluation was carried out on September 7, 1993 by Eastern Surveyors. Revaluation of Land was carried out on March 14, 2005 by Consultancy Support and Services. Previous revaluation was carried out on April 1, 1994 on the basis of market value determined by Eastern Surveyors.

5. LONG TERMS LOANS

	Note	2007 Rupees	2006 Rupees
From banking companies and other financial institutions-secured and interest bearing	5.1	200,820,009	107,862,302
From directors - unsecured and interest free		31,703,710	35,503,710
From others - unsecured and interest free		2,384,308	2,384,308
		234,908,027	145,750,320

5.1 Long Terms Loans

	Banking Companies			NBFI			
	Demand finance I	Demand finance Frozen mark up II	Term loan	Term loan	Term loan	2007 Rupees	2006 Rupees
Opening balance	34,192,302	78,104,000	-	-	-	112,296,302	54,328,701
Obtained during the year	-	-	-	27,610,617	-	27,610,617	-
Adjusted / transferred in during the year due on restructuring	-	-	80,000,000	-	22,000,000	102,000,000	83,588,933
Paid during the year	(1,662,400)	(415,600)	-		-	(2,078,000)	(3,176,399)
	32,529,902	77,688,400	80,000,000	27,610,617	22,000,000	239,828,919	134,741,235
Overdue portions	(1,884,800)	(471,200)	-	-	-	(2,356,000)	-
Adjusted / transferred in during the year due to restructuring	-	-	-	-	-	-	(22,444,933)
Amount due and payable within one year shown under current liabilities	(9,547,200)	(2,386,800)	(18,000,000)	(3,487,194)	(3,231,716)	(36,652,910)	(4,434,000)
	(11,432,000)	(2,858,000)	(18,000,000)	(3,487,194)	(3,231,716)	(39,008,910)	(26,878,933)
	21,097,902	74,830,400	62,000,000	24,123,423	18,768,284	200,820,009	107,862,302
	5.1.1	5.1.1	5.1.2	5.1.3	5.1.4		

Principle amount	34,912,000	78,284,000	80,000,000	27,610,617	22,000,000
Repayment period	January 2006 to September 2010	January 2006 to December 2013	August 2007 to November 2011	November 2007 to October 2012	August 2007 to May 2012
Rate of mark-up	Six Month KIBOR + 3% with floor of 12.25%	Nil	Six Month KIBOR +2%	Six Month KIBOR +550 bps	Six Month KIBOR +450 bps
Installment interval	Monthly	Monthly	Monthly	Monthly	Quarterly
No. of installment	57	96	40	60	20

5.1.1 These are secured against 1st pari passu charge over fixed assets of the Company by way of legal mortgage of Rs.6.3 million and equitable mortgage of Rs.322.9 million over mills property and pledge of sponsors' shares in the company.

5.1.2 It is secured against pledge of raw cotton stored at mills site with 10% margin and personal guarantee of all directors.

5.1.3 It is secured against pari passu charge over a factory plot situated in Korangi Industrial area.

5.1.4 It is secured against Pari passu charge over fixed assets of the company with a 30% margin.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents property plant and equipment acquired under finance leases from leasing companies/banks The financing rate used as discounting factor ranges from 8.37% to 26.63% (2006 8.37% to 18.34%)

Taxes, repairs, replacement and insurance costs are borne by the Company.

The Company intends to exercise its option to purchase the above assets upon completion of the lease periods.

The amounts of future payments and the periods in which these will be due are as follows:

	2007		2006	
	Minimum lease payments	**Present value**	**Minimum lease payments**	**Present value**
	.... Rupees			
Not later than one year	54,150,541	40,971,100	39,506,366	25,833,660
Later than one year and not later than five years	114,381,076	88,425,345	109,396,935	90,210,276
Later than five years	475,735	227,582	-	-
Total minimum lease payments	169,007,352	129,624,027	148,903,301	116,043,936
Financial charges	(39,383,325	-	(32,859,365)	-
Present value of minimum lease payments	129,624,027	129,624,027	116,043,936	116,043,936
Advance received against lease finance (6.1)	5,480,000	5,480,000	12,392,399	12,392,399
	135,104,027	135,104,027	128,436,335	128,436,335
Payable within one year shown under current liabilities	(40,971,100)	(40,971,100)	(25,833,660)	(25,833,660)
	94,132,927	94,132,927	102,602,675	102,602,675

6.1 This represents advances against acquisition of property, plant and machinery under leasing arrangement, the documentation for which is in process.

7. DEFERRED LIABILITIES

	Note	2007 Rupees	2006 Rupees
Staff retirement benefits - gratuity		3,083,146	3,965,273
Bills payable	7.1	39,428,422	87,940,376
Unearned rent		-	1,141,421
		42,511,568	93,047,070

7.1 Staff retirement benefits

The amount recognised in the profit and loss account against unfunded gratuity scheme is as follows:

Current service cost	1,580,335	1,457,557
Interest cost	435,985	335,592
Acturial gain / loss charge	98,645	-
Increase in liability on actuarial valuation	-	24,355
	2,114,965	**1,817,504**

Movement in the liability recognized in the balance sheet is as follows:

Opening balance	3,965,273	3,463,164
Charge for the year	2,114,965	1,817,504
Payment made during the year	(2,997,092)	(1,315,395)
	3,083,146	**3,965,273**

	2007 Rupees	2006 Rupees
The amount recognised in the balance sheet against unfunded gratuity scheme is as follows:		
Present value of defined benefit obligation	4,296,346	4,844,279
Actuarial (loss) to be recognized in later periods	(1,213,200)	(879,006)
Unrecognized additional liability to be recognized in later periods	-	-
	3,083,146	**3,965,273**
Discount rate per annum	9.0%	9.0%
Expected rate of increase in salary per annum	8.0%	8.0%
Average expected remaining working life of employees	4 years	4 years

Comparisons for five years:

	2007	2006	2005	2004	2003
	....	....	Rupees	....	....
As at June 30 Present value of defined benefit obligation	4,296,346	4,844,279	3,728,805	3,498,799	3,457,647

	Note	2007 Rupees	2006 Rupees
8. TRADE AND OTHER PAYABLES			
Trade creditors		24,365,666	27,993,604
Accrued liabilities		16,163,301	10,949,175
Bills payable		79,844,456	71,319,302
Advance from customers		9,356,432	17,772,476
Other payables:			
Advance against land-refundable		8,020,837	8,020,837
Withholding taxes		1,111,646	904,995
Unclaimed dividend		239,589	239,983
Workers' profit participation fund	8.1	1,137,505	980,608
		140,239,432	138,180,980

	2007	2006
8.1 Workers' profit participation fund		
Opening balance	980,608	312,679
Interest on fund utilized in Company's business	156,897	39,084
	1,137,505	351,763
Allocation for the year	-	628,845
	1,137,505	980,608

	Note	2007 Rupees	2006 Rupees
9. SHORT TERM BANK BORROWINGS			
Under mark-up arrangements - secured			
Finance against trust receipt	9.2	36,708,232	39,847,041
Running finance			-
- Local currency	9.3	86,262,268	120,485,581
- Foreign currency	9.4	58,341,349	49,934,592
		144,604,217	170,420,173
Book overdraft		530,914	-
		181,843,363	210,267,214

9.1 The aggregate unavailed short term borrowing facilities available amounted to Rs.282.8 million (2006 : Rs.224 million).

9.2 This represents facility against inland/import letters of credit and is subject to mark-up at the rate of 6 months KIBOR + 3% (2006 : 6 months KIBOR + 3%) with the floor of 9%. It is secured against Trust Receipts for retirement of inland / import Bills.

9.3 The Company is availing short term finance facilities from various banks under mark-up arrangements. These are subject to mark-up ranging between 6.8% to 13% (2006 : 6.0% to 11.3%) and are secured against pledge of stock and local bills purchased and discounted in addition to securities mentioned in note 5.1.1.

9.4 It is a sub-limit of running facility against finance for imports. It is subject to mark-up of 6 months LIBOR + 2% (2006: LIBOR + 2%) and is secured against lien on import documents with subsequent pledge of imported cotton on receipt of shipment in addition to securities mentioned in note 5.1.1.

	Note	2007 Rupees	2006 Rupees
10. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term loans	5.1	39,008,910	4,434,000
Liabilities against assets subject to finance lease	6	40,971,100	25,849,132
Unearned Rent		1,145,620	1,398,000
		81,125,630	**31,681,132**

11. CONTINGENCIES AND COMMITMENTS

11.1 In the previous year Excise and taxation authorities imposed cess of Rs.2,569,267 on certain imports. The Company has filed an appeal in the High Court and have deposited bank guarantee of Rs.3,798,967 as per the Court's Order. The ultimate outcome of the case cannot be determined at this stage, however management is confident of a favorable decision and accordingly no provision has been made in these accounts.

11.2 In the year 2004 the Company had entered into a sale agreement of a portion of factory land and received an amount of Rs.8 million as an advance. However the said transaction was not completed by the buyers in stipulated time and agreement stand void, accordingly Company offered refund of advance of Rs.8 million to the counter party in the previous years and served various legal notices in this regard. During the year the counter party has served a public notice and filed a suit against the company claiming the title of the said land in their name and restraining the company from sale of such land to any other party and also claimed damages of Rs.500 million. The case is currently pending in the High Court of Sindh at Karachi. The management is confident of a favorable decision and accordingly no provision against the said claim is required to be made in these accounts.

11.3 The Company filed appeal before Electric Inspector Karachi in 2004 against KESC for billing fixed charges on the basis of original sanctioned load of 1924 KW which was reduced to 500 KW due to shifting to self power generation. The appeal was decided in favour of the Company in August 08, 2005 however KESC kept on charging on the basis of 1924 KW Capacity and claiming approximately Rs.1 million against which the Company has filed appeal before the Secretary Irrigation and Power Generation of Sindh (SIP) which is pending. The management is confident of a favorable decision and accordingly no provision against the said claim has been made in these accounts.

	Note	2007 Rupees	2006 Rupees
11.4 Outstanding letters of credit for:			
Raw material		23,964,442	40,364,698
Machinery		-	25,538,844

12. PROPERTY, PLANT AND EQUIPMENT

	Note	2007 Rupees	2006 Rupees
Operating assets	12.1	866,716,278	802,552,462
Capital work in progress	12.2	15,374,057	69,327,713
		882,090,335	871,880,175

12.1.1 Depreciation has been allocated as under:

	Note	2007 Rupees	2006 Rupees
Cost of goods manufactured	23.1	33,785,459	12,500,217
Administrative expenses	24	850,359	629,797
		34,635,818	**13,130,014**

12.1.2 Had there been no revaluation, the related figures of land and buildings at June 30, 2007 would have been as follows

	2007			2006		
	Cost	Accumulated depreciation	Written down value	Cost	Accumulated depreciation	Written down value
	.... Rupees					
Land	666,022	-	666,022	666,022	-	666,022
Building						
Mills	21,918,708	10,214,439	11,704,269	11,753,955	8,913,964	2,839,991
Others	10,906,084	4,886,090	6,019,994	10,906,084	4,569,248	6,336,836
	32,824,792	15,100,529	17,724,263	22,660,039	13,483,212	9,176,827
	33,490,814	**15,100,529**	**18,390,285**	**23,326,061**	**13,483,212**	**9,842,849**

12.1.3 Details of property, plant and equipment disposed off during the year:

Particulars/ Mode of disposal		Cost	Accumulated depreciation	Written down value	Sale proceed	Particular of purchasers
		.... Rupees				
Plant and machinery Negotiations		8,532,168	8,532,168	-	8,929,982	Meo Engineering 4-Chandni Centre, 1st Floor, Liaquat Market, M.A. Jinnah Road, Karachi.
Vehicles Negotiation		599,000	428,037	170,927	347,000	Ghulam Nabi Plot-45, Bihar Colony, Lyari Shah Abdul Latif Road, Karachi.
	2007	9,131,168	8,960,241	170,927	9,276,982	
	2006	8,249,839	2,564,938	6,606,777	8,604,000	

12.2 Capital Work in Progress

	Note	2007 Rupees	2006 Rupees
Buildings		1,938,975	13,647,557
Plant and machinery		13,435,082	55,680,156
		15,374,057	69,327,713

	Note	2007 Rupees	2006 Rupees
13. DEFERRED COSTS			
Un-amortized balance at the beginning of the year		12,364,482	16,374,582
Less : amortization for the year		(4,010,100)	(4,010,100)
		8,354,382	12,364,482

These represents discount on issue of right shares and other related expenses.

14. DEFERRED TAXATION

As a matter of prudence Company has not recognized the deferred tax asset of Rs. 5.6 million.

	2007 Rupees	2006 Rupees
15. STORE AND SPARES		
Stores	2,906,249	3,573,310
Spares	2,420,702	2,643,665
	5,326,951	6,216,975
16. STOCK IN TRADE		
Raw material		
- in hand	45,571,150	82,913,957
- in transit	15,387,938	-
	60,959,088	82,913,957
Work in process	5,902,437	4,853,353
Finished goods	66,737,139	40,932,795
Waste	1,911,577	426,681
	135,510,241	**129,126,786**

16.1 Stock pledged as at June 30, 2007 was Rs.75,221,884/- (2006 : Rs.121,611,812/-).

	Note	2007 Rupees	2006 Rupees
17. TRADE DEBTS			
Trade debts - unsecured		157,148,750	129,481,072
Less : Provision against doubtful trade debts		(2,224,323)	(1,700,196)
Considered good		**154,924,427**	**127,780,876**

		Note	2007 Rupees	2006 Rupees
18.	ADVANCES			
	Considered good			
	Advance to:			
	Staff		1,297,313	1,358,138
	Suppliers and contractors		17,286,524	17,794,314
	Less: Provision against doubtful advances		(2,239,065)	(612,915)
			15,047,459	17,181,399
	Advance income tax		2,146,505	2,553,718
	Others		917,138	585,492
			19,408,415	**21,678,746**
19.	DEPOSITS AND PREPAYMENTS			
	Margin deposit on letters of credit		4,982,125	3,915,519
	Prepayments		304,254	119,002
			5,286,375	**4,034,521**
20.	OTHER RECEIVABLES			
	Other receivables		3,263,476	12,538,597
	Less : Provision against doubtful receivables		(500,000)	(500,000)
	Considered good		**2,763,476**	**12,038,597**
21.	TAX REFUNDABLE			
	Income tax		2,512,795	2,886,689
	Sales tax		2,134,507	1,204,508
			4,647,302	**4,091,197**
22.	CASH AND BANK BALANCES			
	Cash in hand		1,563,203	646,999
	Balance with banks in			
	- current accounts		8,581,647	370,929
	- deposit accounts		-	139,300
			8,581,647	510,229
			10,144,850	**1,157,227**

		Note	2007 Rupees	2006 Rupees
23.	SALES - NET			
	Yarn			
	- Local		517,819,260	558,343,875
	- Export		12,838,990	18,263,187
			530,658,250	576,607,062
	Waste - local		20,216,008	12,733,133
			550,874,258	589,340,195
	Brokerage and commission		(1,627,962)	(2,702,119)
			549,246,296	**586,638,076**
24.	COST OF GOODS SOLD			
	Finished stock - opening		41,359,476	44,929,612
	Purchase of finished goods		16,041,540	17,107,838
	Cost of goods manufactured	24.1	499,157,128	486,650,812
			556,558,144	548,688,262
	Finished stock - closing *		(68,648,716)	(41,359,476)
			487,909,428	**507,328,786**

'* It includes waste of Rs.1,911,577/- (2006: Rs. 426,681)

		Note	2007 Rupees	2006 Rupees
24.1	Cost of goods manufactured			
	Raw material consumed	24.1.1	325,177,128	358,719,942
	Salaries, wages and benefits	24.1.2	47,944,016	46,920,003
	Stores and spares		17,635,440	8,859,144
	Packing material		5,992,039	6,540,029
	Doubling		947,881	2,423,257
	Power	24.1.2	59,588,972	46,173,315
	Rent, rates and taxes		509,100	567,900
	Insurance		2,911,813	2,454,544
	Repairs and maintenance		4,494,433	435,548
	Depreciation		33,785,459	12,500,217
	Other overheads		1,219,931	1,410,094
			500,206,212	487,003,993
	Work in process			
	Opening stock		4,853,353	4,500,172
	Closing stock		(5,902,437)	(4,853,353)
			(1,049,084)	(353,181)
				-
			499,157,128	**486,650,812**

24.1.1 Raw material consumed

	June 30, 2007 Rupees	June 30, 2006 Rupees
Opening stock	82,913,957	87,299,255
Purchases and related expenses - net of quality claims and sale of raw material	287,834,321	354,334,644
	370,748,278	441,633,899
Closing stock	(45,571,150)	(82,913,957)
	325,177,128	**358,719,942**

24.1.2 Salaries, wages and benefits include Rs 1,840,020 (2006 - Rs. 1,581,228/-) in respect of staff retirement benefits.

24.1.3 This includes machinery overhauling charges of Rs. 5,934,695/- during the year.

25. OTHER OPERATING INCOME

Rent	1,393,800	1,779,830
Gain on sale of Fixed assets	9,106,055	2,919,099
Scrap sale	305,412	3,459,275
Exchange loss	(1,159,744)	(469,974)
Others	1,781,624	1,820,167
	11,427,147	**9,508,397**

26. DISTRIBUTION COST

Freight	35,735	372,802
Clearing and forwarding	871,208	893,107
Others	9,803	359,470
	916,746	**1,625,379**

27. ADMINISTRATIVE EXPENSES

Directors' remuneration		2,291,050	2,339,058
Staff salaries and benefits	27.1	7,227,241	6,940,458
Travelling and conveyance		722,056	803,657
Rent, rates and taxes		316,000	198,000
Utilities		310,500	285,422
Postage and telephone		884,925	924,194
Printing and stationery		198,419	284,823
Vehicles running and maintenance		831,827	569,215
Fees and subscription		306,379	570,499
Entertainment		1,153,517	1,324,969
Legal and professional		633,500	223,000
Auditors' remuneration	27.2	267,500	463,500
Repairs and maintenance		232,892	309,173
Insurance		429,184	474,222
Depreciation		850,359	629,797
Provision against bad debts		524,127	769,282
Provision against doubtful receivables		1,626,150	
Donation		-	355,580
Advertisement		179,620	46,633
Others		239,344	348,908
		19,224,590	**17,860,390**

27.1 Staff salaries and benefits includes Rs. 274,945 (2006 - Rs. 236,276) in respect of staff retirement benefits.

		Note	2007 Rupees	2006 Rupees
27.2	Auditors' remuneration			
	Annual audit		125,000	125,000
	Half yearly review		40,000	40,000
	Corporate services		25,000	50,000
	Tax services		60,000	231,000
	Out of pocket expenses		17,500	17,500
			267,500	**463,500**
28.	FINANCE COSTS			
	Mark-up/interest on :			
	Long term loans		6,587,436	3,295,381
	Short term borrowings		39,533,301	26,803,263
	Finance lease		18,733,642	12,018,391
	Worker's profit participation fund		156,897	39,084
			65,011,276	42,156,119
	Bank charges and guarantee commission		10,189,077	10,549,706
			75,200,353	**52,705,825**
29.	TAXATION			
	Current		2,792,922	2,946,702
	Deferred		2,115,013	(5,042,532)
			4,907,935	(2,095,830)

The relationship between tax expense and accounting profit for current year and comparative figures for 2006 has not been presented in these financial statements as the income of the Company attracts minimum tax under section 113 and presumptive tax under section 154 of the Income Tax Ordinance, 2001.

30. EARNING PER SHARE

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

		2007	2006
(Loss) Profit after taxation	Rs.	(31,495,709)	14,082,979
Average number of ordinary shares		38,298,874	38,298,874
Earnings per share - basic and diluted	Re.	(0.82)	0.37

	Chief Executive		Director	
	2007	2006	2007	2006
	.... Rupees			

31. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive 2007	Chief Executive 2006	Director 2007	Director 2006
Remuneration	640,000	640,000	640,000	640,000
House rent and other allowances	320,000	320,000	320,000	320,000
	960,000	960,000	960,000	960,000
No. of Persons	1	1	1	1

The Chief Executive and Directors were provided with free use of company maintained cars and were reimbursed for entertainment expenses, the monetary value of which is Rs.958,710/- (2006 : Rs.225,000/) approximately. Chief Executive is also entitled for reimbursement of residential telephone and utility bills and reimbursement of some other expenses, the monetary value of which is Rs.374,050/- (2006 : Rs.359,440/).

32. TRANSACTIONS WITH RELATED PARTIES

Name of related Parties	Name of Transaction	2007 Rupees	2006 Rupees
Directors of the Company	Long term loan obtained	-	2,000,000
	Long term loan paid	3,800,000	-
	Rent (Office premises)	316,000	162,000

33. PLANT CAPACITY AND ACTUAL PRODUCTION

It is difficult to determine precisely the production capacity in the textile Industry since it fluctuate widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist. It would also vary according to the pattern of production adopted in a particular year. However, the capacity of the project has been estimated at 7.795 million kgs. based on 20/s count.

	2007	2006
Total number of spindles installed	32,684	31,388
Total number of spindles worked	32,684	31,388
Number of shifts per day	3	3
Installed capacity converted into 20/s count, Kgs.	8,116,941	7,795,084
Actual production converted into 20/s count - Kgs.	10,458,899	9,723,315

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets, the financial assets which are subject to credit risk amounted to Rs.166,855,780/-. The Company believes that it is exposed to major concentration of credit risk in the textile sector. The management monitors and limits the Company's exposure of credit risk by limiting transactions with specific counter parties and continually assessing their credit worthiness.

34.2 Interest rate/ mark-up rate risk

Interest/mark-up rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is however exposed to interest rate risk in case of bank borrowings. The rate of interest/mark-up and their maturities are given in the respective notes.

The analysis of interest rate/mark-up rate risk is as under:

	Interest bearing					
	Maturity upto one year	Maturity after one year	Sub Total	Non-interest Bearing	2007	2006
	.... Rupees					
Financial assets						
Long term deposits	-	-	-	14,190,694	14,190,694	10,337,694
Trade debts	-	-	-	154,924,427	154,924,427	127,780,876
Advances	-	-	-	11,482,101	11,482,101	19,523,626
Short term deposits	-	-	-	4,982,125	4,982,125	3,915,519
Other receivables	-	-	-	2,763,476	2,763,476	14,592,315
Cash and bank balances	-	-	-	10,144,850	10,144,850	1,157,227
	-	-	-	198,487,673	198,487,673	177,307,257
Financial liabilities						
Long term loans	36,150,910	125,989,609	162,140,519	111,776,418	273,916,937	150,184,320
Liabilities against assets subject to finance lease	40,971,100	94,132,927	135,104,027	-	135,104,027	128,436,335
Deferred liabilities	-	39,428,422	39,428,422		39,428,422	93,047,070
Short term bank borrowings	181,843,363	-	181,843,363	-	181,843,363	210,267,214
Trade and other payable	128,633,849	-	128,633,849	11,605,583	140,239,432	136,295,377
Mark-up accrued on secured loans	-	-	-	36,420,248	36,420,248	18,193,844
	387,599,222	259,550,958	647,150,180	159,802,249	806,952,429	736,424,160
On Balance Sheet gap	(387,599,222)	(259,550,958)	(647,150,180)	38,685,424	(608,464,756)	(559,116,902)

34.3 Fair values of financial instruments

The fair value of all the financial instruments reported in the financial statements approximates their fair value.

34.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

34.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2007, the total foreign currency risk exposure was Rs.58,792,409/- (2006 : Rs.49,934,592/-) in respect of foreign currency finance.

35. NON-CASH TRANSACTIONS

Additions to plant and machinery during the year amounting to Rs.15,030,000 were financed by new finance lease.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 8, 2007 by the Board of Directors of the Company.

37. RECLASSIFICATION AND CHANGE OF NOMENCLATURE

Following reclassification / rearrangements have been made in the financial statements for better presentation.

Previous classification	Current classification	Rupees
Advance from customers	Advance against land-refundable	8,020,837
Bank charges and guarantee commission	Mark up on Short term borrowings	2,674,335

38. GENERAL

38.1 Figures have been rounded off nearest to Rupee.

38.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

NADEEM E. SHAIKH
Chief Executive

NAVEED E. SHAIKH
Director