

Contents

2	Company Information
3	Notice of Annual General Meeting
4	Directors' Report
8	Key Operating and Financial Data of Last Six Years
9	Statement of Compliance with the Code of Corporate Governance
10	Review report to the members on Statement of Compliance with the Best Practices of Code of Corporate Governance
11	Auditors' Report to the Members
12	Balance Sheet
14	Profit and Loss Account
15	Cash Flow Statement
16	Statement of Changes in Equity
17	Notes to the Accounts
35	Pattern of Shareholding
37	Proxy Form

Company Information

BOARD OF DIRECTORS:

Mr. Mussaid Hanif
Chairman/Chief Executive Officer
Mr. Burhan Muhammad Khan
Mr. Arbab Muhammad Khan
Mr. Aftab Ahmad Khan
Mr. Gauhar Abdul Hai
Ms. Tehniyat Mussaid
Ms. Sabah Burhan

AUDIT COMMITTEE:

Mr. Aftab Ahmed Khan
Chairman/Member
Mr. Arbab Muhammad Khan
Member
Ms. Tehniyat Mussaid
Member

COMPANY SECRETARY:

Mr. Faisal Shahzad

CHIEF FINANCIAL OFFICER:

Mr. Gauhar Abdul Hai

AUDITORS:

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISOR:

Cornelius Lane & Mufti
Advocate and Solicitors
Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah Road,
Lahore - 54000, Pakistan

BANKERS TO THE COMPANY:

Habib Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Allied Bank Limited
Faysal Bank Limited
NIB Bank Limited
Citibank N.A.
ABN AMRO Bank N.V.
Dubai Islamic Bank Pakistan Limited
Standard Chartered Bank

SHARE REGISTRAR:

THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3
Dr. Zia-ud-Din Ahmed Road, Karachi
UAN: 021-111-000-322
Fax: 021 - 5655595

MILLS:

1 Kilometer Balloki Bhai Pheru Road, Bhai Pheru
Tel: 0494 - 512007-9, 513103-5
Fax: 0494 - 512010

63 Km Gulshan Adda, Jumber Khurd
District, Kasur

REGISTERED AND HEAD OFFICE:

3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore.
Tel: 042 - 5782905
Fax: 042 - 5753202

Notice of Annual General Meeting

Notice is hereby given that the 9th Annual General Meeting of the shareholders of Zephyr Textiles Limited will be held at the Registered office of the company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on September 26, 2007 Wednesday at 11:00 AM to transact the following business:-

1. To confirm the minutes of the last annual general meeting.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2007 together with the Directors' and Auditors' report thereon.
3. To appoint auditors for the year ending June 30, 2008 and to fix their remuneration. The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment.
4. To consider and pass the following resolution:

RESOLVED THAT the consent of the shareholders of Zephyr Textiles Limited be and is hereby accorded to incur capital expenditure upto the extent of Rs. 100 million in connection with the Balancing, Modernization and Replacement (BMR) of the existing projects.

5. To transact any other business with the permission of the Chair.

By order of the Board

Lahore:
September 05, 2007

Faisal Shahzad
Company Secretary

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

It has been decided that the expansion may be made in the present project of the company by Balancing, Modernization and Replacement (BMR) with a view to make it as an economical project. This BMR will include the disposal of certain redundant machinery of the company. Consequent upon the BMR of the project the efficiency will be increased and reasonable profitability is expected. Hence the consent of the shareholders is required.

NOTES:

1. Share transfer books of the company will remain closed from September 26, 2007 to October 03, 2007 (both days inclusive) and no transfer will be accepted during this period.
2. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his /her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a 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.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their National Identity Card (NIC) along with their Account Number in CDC 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 it has been provided earlier) at the time of meeting.
4. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to notify any change in their addresses immediately.

Directors' Report

On behalf of the Board of directors, I am pleased to welcome you to the 9th Annual General Meeting of the company and place before you the audited financial statements and Auditors' report for the year ended June 30, 2007.

Economic environment

During the year under review the textile industry in Pakistan went through a extremely difficult period. Shortage of cotton resulted in lower gross margins for the industry in general. This situation got worse with the sharp increase in interest rates. The State Bank's timely decision of reducing the rates of interest for weaving and down stream industry played significant role in restoring some of the eroded margins.

Presently the textile industry is facing sever shortage of cotton resulting in abnormally high yarn prices. India has shown a tremendous growth in the cotton production during the year under review and trend is the same for the next year as well. However, with the anticipation of arrival of good cotton crop in early next month the market anticipates reduction in yarn prices and better profitability.

Operational review

During the year under review the following facilities have commenced commercial operation:

- 12 terry towel airjet weaving machines alongwith complete processing facilities commenced commercial operations from January 01, 2007; and
- Gas power generation unit of 3.4 MW capacity started commercial operations from February 2007.

These additions will provide the company with the capability to participate in the competitive global market in coming years once full capacity utilization is achieved.

Operating financial results

The company has registered sales net of commission and sales tax of Rs. 2,689.532 million (2006: Rs. 1,556.113 million showing an increase of 72.84%. It is pertinent to mention here that the aggregate sales value during the year is Rs. 2,728.336 million inclusive of trial run period's sales of Rs. 38.803 million. The gross profit of Rs. 277.059 million i.e. 10.30% (2006 Rs. 216.556 million i.e. 13.92%) depicts increase of 27.94% as against corresponding year. The operating profit of the company stands at Rs. 214.083 (2006: Rs. 167.133 million). The profit after charging financial charges of Rs. 197.880 (2006: Rs. 111.765 million) is Rs. 16.203 (2006: Rs. 55.367 million). The net profit of the company during the year after providing tax provisions of Rs. 13.563 million (2006: Rs. 9.333 million) is Rs. 2.640 million (2006: Rs. 46.034 million).

The profit for the year has decreased mainly due to increase in yarn cost which does not correspond with the selling prices. The contribution from towel manufacturing unit was not at its capacity. The dyeing unit is running at about 60% capacity resulting in insufficient recovery of fixed costs. The management is making endeavor to operate dyeing unit at its full capacity and is hopeful that by the end of this calendar year the sale of towel will register an increase. Furthermore, market conditions remained under pressure during the year under review and there was serious competition from neighboring countries of the region. The reduction in profit for the year is also due to heavy depreciation and financial charges

aggregating Rs. 339.293 million (2006: Rs. 183.021 million).

Earning Per Share

The Earning Per Share (EPS) of the company stands at Rs. 0.04 (2006: Rs. 0.78).

Appropriation of Profit

The profit for the year has been appropriated as under:-

	June 30, 2007	June 30, 2006
	Rupees	Rupees
Profit for the year before taxation	16,203,373	55,367,146
Taxation	13,563,296	9,333,272
	<hr/>	<hr/>
Profit for the year after taxation	2,640,077	46,033,874
Unappropriated profit brought forward	56,350,484	10,316,610
	<hr/>	<hr/>
Profit available for appropriation	58,990,561	56,350,484
	<hr/>	<hr/>
Unappropriated profit carried forward	58,990,561	56,350,484
	<hr/> <hr/>	<hr/> <hr/>

Marketing strategy

Presently the manufacturing facilities of the company are comprised of 224 weaving machines along with towel processing unit which has commenced commercial production during the year under review. These facilities are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making endeavor to capture new export market of apparel, home furnishing fabrics and towels. However, in recent period the domestic market has shown very robust growth and demand of high quality greige fabric is rising. This has created a great opportunity and market for the domestic weavers.

The towel manufacturing unit alongwith complete finishing process has commenced commercial operation. We are targeting our sales to prominent European and American retailers. Currently our production line is for mid to higher end products, competing with Turkey, Spain and Portugal. We see a rapidly growing demand for towels in near future.

Future prospects and expansions

During the current year towel manufacturing and power generation plant were partially operational. Now these facilities are fully operational and will contribute effectively to increase the revenue and reduction in manufacturing fixed costs in coming year. Moreover, in coming year the effects of reduction in financial cost in lieu of conversion of long term finances into SBP's Long Term Finance-Export Oriented Project Scheme will be on full year basis. In view of stated matters, the management anticipates that the performance during the coming year will be better compare to year under review.

Subsequent to installation and operations of expansion projects of towel weaving and dyeing facilities the management plans to expand its towel weaving facilities for balancing the weaving operation via adding 14 terry towel weaving machines in the coming year. The plans are being finalized to set up yarn dyeing facility and jacquard terry looms however,

these plans will be implemented once the existing manufacturing facilities come into operation at their full capacity.

Board of directors

Following are the directors of the company elected in the elections held on August 16, 2006 for the period of three years in accordance with the provisions of the Companies Ordinance, 1984:

1.	Mr. Mussaid Hanif	Chairman and Chief Executive
2.	Mr. Burhan Muhammad Khan	Director
3.	Mr. Arbab Muhammad Khan	Director
4.	Mr. Aftab Ahmad Khan	Director
5.	Mr. Gauhar Abdul Hai	Director
6.	Ms. Tehniyat Mussaid	Director
7.	Ms. Sabah Burhan	Director

Compliance of Code of Corporate Governance

The Company complies with the requirements of best practices of Code of Corporate Governance. In order to protect and enhance the long term value of shareholders, the Board is responsible for overall Corporate Governance of the company including approving strategic policies and decision, capital expenditures, appointing, removing and creating succession policies. In compliance with Code of Corporate Governance following statements are given for corporate reporting framework:

- a) The financial statements, prepared by the management of the company, presents fairly and accurately its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. Ongoing review will continue in future for further improvement in controls.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance.
- h) Key operating and financial data of last six years is annexed herewith.

Board Meetings

During the year under review, in aggregate 4 meetings of the Board of Directors were held and the attendance of the directors was as under:-

Name of Directors	Meetings attended
Mr. Mussaid Hanif	3
Mr. Burhan Muhammad Khan	4
Mr. Arbab Muhammad Khan	3
Mr. Aftab Ahmad Khan	1
Mr. Gauhar Abdul Hai	4
Ms. Tehniyat Mussaid	2
Ms. Sabah Burhan	2

Pattern of Shareholding

The statement of shareholding of the company as on June 30, 2007 is annexed with this report. This statement is in compliance with the requirement of the Code of Corporate Governance and the Companies Ordinance, 1984.

Dividend

Considering the downward trend in the recent period and resources required to establish the just completed towel processing unit and weaving expansions, the management consider it prudent not to recommend dividend for the year ended June 30, 2007.

Audit Committee

The committee comprises of 3 members of whom 2 are non-executive directors. The names of its members are given in Company Information. The committee meets at least every quarter for review of audit report, interim and annual financial results prior to the approval of the Board.

Auditors

The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the company for the year ending June 30, 2008.

Acknowledgement

Finally the directors would like to extend there gratitude to the employees of the company for their team work, commitments, integrity and professionalism in trying to achieve the targets of the company.

For and on behalf of the Board of Directors

Lahore
August 31, 2007

MUSSAID HANIF
Chief Executive

Key Operating and Financial Data of Last Six Years

	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
PROFIT AND LOSS						
	Rupees in '000					
Sales	2,689,532	1,556,113	1,072,621	784,194	281,806	284,008
Gross Profit	277,058	215,912	114,543	98,426	44,506	43,305
Operating Profit plus other income	214,083	167,133	68,618	59,736	18,926	16,612
Financial & Other charges	197,880	111,766	38,493	24,904	3,820	7,184
Taxation	13,563	9,333	5,743	10,181	2,824	2,783
Net Profit after tax	2,640	46,034	24,382	24,650	12,281	6,645
BALANCE SHEET						
	Rupees in '000					
Capital	594,287	594,287	474,287	263,746	125,114	300
Share subscription money	-	-	10,660	-	-	-
Reserves	58,991	56,350	10,317	935	36,563	24,282
Net worth	653,278	650,637	495,264	264,680	161,677	24,582
Long Term Liabilities	730,710	760,945	471,431	111,368	98,763	3,250
Current Liabilities	1,676,626	1,153,050	766,758	415,271	172,048	81,488
Total Liabilities	2,407,336	1,913,995	1,238,189	526,639	270,811	84,737
Total Equity & Liabilities	3,060,614	2,564,632	1,733,453	791,319	432,488	109,319
Fixed Assets	1,752,408	1,622,115	1,026,638	379,630	257,612	6,952
Long Term Deposits	3,053	4,605	5,424	5,452	7,098	2,078
Current Assets	1,305,153	937,912	701,391	406,236	167,778	100,289
Total Assets	3,060,614	2,564,632	1,733,453	791,319	432,488	109,319
INVESTOR INFORMATION						
Break up value per share (Rs.)	10.99	10.95	10.44	10.04	12.92	819.39
Bonus/Cash dividend (Rs. In '000)	-	-	15,000	60,278	-	-
Earning Per Share (Rs.)	0.04	0.78	0.75	2.02	11.95	221.50
Return on Equity (%)	0.40	7.08	4.92	9.31	7.60	27.03
Return on Assets (%)	0.09	1.79	1.41	3.12	2.84	6.08
FINANCIAL RATIOS						
Gross Margin (%)	10.30	13.88	10.68	12.55	15.79	15.25
Net Margin (%)	0.10	2.96	2.27	3.14	4.36	2.34
Current Ratio	0.78	0.81	0.91	0.98	0.98	1.23
Leverage	3.69	2.94	2.50	1.99	1.68	3.45
Long Term Debt : Equity	59:41	54:46	49:51	30:70	38:62	12:88

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2007

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

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

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 2 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All 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 NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. Casual vacancy occurred in the Board during the year was filled within the stipulated period.
5. Statement of Ethics and Business Practice has been circulated to directors and employees of the company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of 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 for this purpose and the Board met at least once in every quarter. Written notice of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the period to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & 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 three members, of whom two are non-executive directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.
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 the 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 with.

For and on behalf of the Board of Directors

Lahore
August 31, 2007

MUSSAID HANIF
Chief Executive

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 Zephyr Textiles Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

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

Lahore
August 31, 2007

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zephyr Textiles 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 conduct 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 our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore
August 31, 2007

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Balance Sheet

	Notes	2007 (Rupees)	2006 (Rupees)
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 62,500,000 (2006: 62,500,000) ordinary shares of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up share capital 59,428,729 (2006: 59,428,729) ordinary shares of Rs. 10 each	3	594,287,290	594,287,290
UNAPPROPRIATED PROFIT		58,990,561	56,350,484
		653,277,851	650,637,774
LONG TERM LOANS - secured	4	721,330,062	753,216,963
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	-	2,716,312
DEFERRED LIABILITIES			
Staff retirement benefits	7	9,380,479	5,011,995
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	8	253,310,254	198,847,889
Short term finances - Secured	9	1,211,698,641	845,931,599
Current portion of long term liabilities	6	211,616,820	108,269,931
Taxation	30	-	-
		1,676,625,715	1,153,049,419
CONTINGENCIES AND COMMITMENTS	10		
		3,060,614,107	2,564,632,463

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

DIRECTOR

As at June 30, 2007

	Notes	2007 (Rupees)	2006 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment	11	1,712,094,363	1,306,516,139
Asset subject to finance lease	12	1,920,035	15,144,279
Capital work in progress	13	38,393,740	300,454,405
		1,752,408,139	1,622,114,823
Long term advances and deposits	14	3,052,622	4,605,147
CURRENT ASSETS			
Stores, spares and loose tools	15	42,238,171	43,755,714
Stock in trade	16	587,888,152	391,529,153
Trade debts	17	378,084,796	215,701,120
Loans and advances	18	111,192,377	110,312,126
Trade deposits and prepayments	19	52,659,072	63,028,156
Other receivables	20	56,538,378	46,238,340
Short term Investments	21	16,725,256	31,895,094
Cash and bank balances	22	59,827,144	35,452,790
		1,305,153,346	937,912,493
		3,060,614,107	2,564,632,463

CHIEF EXECUTIVE

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2007

	Notes	2007 (Rupees)	2006 (Rupees)
SALES	23	2,689,532,420	1,556,112,736
COST OF SALES	24	2,412,473,760	1,340,201,025
GROSS PROFIT		277,058,660	215,911,711
OPERATING EXPENSES			
DISTRIBUTION COSTS	25	62,192,329	33,429,253
ADMINISTRATIVE	26	20,516,607	17,034,851
		82,708,936	50,464,104
		194,349,724	165,447,607
OTHER OPERATING EXPENSES	27	881,328	573,210
		193,468,396	164,874,397
OTHER OPERATING INCOME	28	20,614,655	2,258,328
OPERATING PROFIT		214,083,051	167,132,725
FINANCIAL AND OTHER CHARGES	29	197,879,678	111,765,579
PROFIT FOR THE YEAR BEFORE TAXATION		16,203,373	55,367,146
TAXATION	30	13,563,296	9,333,272
PROFIT FOR THE YEAR AFTER TAXATION		2,640,077	46,033,874
EARNING PER SHARE - BASIC	31	0.04	0.78

- The appropriations from profits are set out in the statement of changes in equity.

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

DIRECTOR

CHIEF EXECUTIVE

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2007

	2007 (Rupees)	2006 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	16,203,373	55,367,146
Adjustments for:		
Depreciation	141,413,164	71,255,405
Depreciation of leased assets	1,609,559	2,837,465
(Gain) / Loss on sale of fixed assets	(95,742)	8,774,219
Provision for staff gratuity	6,267,162	3,625,998
Financial charges	197,879,678	111,765,579
	347,073,821	198,258,666
	363,277,194	253,625,812
(Increase) / Decrease in current assets		
Stores, spares and loose tools	1,517,543	(10,648,928)
Stock in trade	(196,358,999)	(216,938,440)
Trade debts	(162,383,676)	(49,171,657)
Loans and advances	(880,251)	(4,117,889)
Trade deposits and prepayments	16,631,958	22,494,190
Other receivables	(10,300,038)	(11,790,567)
	(351,773,463)	(270,173,291)
Increase in current liabilities		
Creditors, accrued and other liabilities	66,033,827	81,884,492
Cash flow from operations	77,537,559	65,337,013
Financial charges paid	(209,451,140)	(82,787,901)
Taxes paid	(19,826,242)	(11,777,226)
Gratuity paid	(1,898,678)	(1,281,063)
	(231,176,060)	(95,846,190)
Net cash flow from operating activities (A)	(153,638,501)	(30,509,177)
CASH FLOW FROM INVESTING ACTIVITIES		
Long term advances, deposits and deferred costs	(396,075)	(604,082)
Sale proceeds of fixed assets	1,170,000	66,442,381
Short term Investments	15,169,838	(31,895,094)
Fixed capital expenditure	(274,390,297)	(744,786,530)
Net cash flow from investing activities (B)	(258,446,534)	(710,843,325)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	365,767,042	203,125,959
Repayment of lease liabilities	(5,960,835)	(8,771,652)
Long term loans	76,653,181	369,667,160
Paid up Capital	-	109,340,000
Net cash flow from financing activities (C)	436,459,388	673,361,467
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	24,374,354	(67,991,035)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35,452,790	103,443,825
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	59,827,144	35,452,790

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

DIRECTOR

CHIEF EXECUTIVE

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2007

Description	Paid-up Capital	Share Deposit Money	Share Subscription Money	Reserve for Issuance of Bonus Shares	Unappropriated Profit	Total
	(R u p e e s)					
Balance as at June 30, 2005	474,287,290	-	10,660,000	-	10,316,610	495,263,900
Net profit for the year	-	-	-	-	46,033,874	46,033,874
Share Subscription Money	10,660,000	-	(10,660,000)	-	-	-
Shares issued during the period	109,340,000	-	-	-	-	109,340,000
Balance as at June 30, 2006	594,287,290	-	-	-	56,350,484	650,637,774
Net profit for the year	-	-	-	-	2,640,077	2,640,077
Balance as at June 30, 2007	594,287,290	-	-	-	58,990,561	653,277,851

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

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 2007

I STATUS AND NATURE OF BUSINESS

Zephyr Textiles Limited (the “Company”) was incorporated in Pakistan on February 26, 1999 as a private limited company under the Companies Ordinance, 1984. Subsequently on October 04, 2004 it was converted into a public limited company. The company is principally engaged in the manufacturing, dying and trading of woven cloth which also includes towels. The registered office of the company is at 3rd Floor IEP Building, 97 B/D- I, Gulberg III, Lahore

The shares of the Company are listed on the Karachi and Lahore Stock Exchanges in Pakistan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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

2.2 IAS-I

Adoption of the following amendment / interpretations may only impact the extent of disclosures presented in the financial statements.

- | | | |
|-----|---|--------------------------------|
| (i) | IAS-I Presentation of financial statements
- Capital Disclosures | Effective from 01 January 2007 |
|-----|---|--------------------------------|

In addition to the above, a new series of standards called “International Financial Reporting Standards (IFRSs)” have been introduced and seven IFRSs have been issued by International Accounting Standard Board. Out of these following four IFRSs have been adopted by SECP vide its S.R.O.(I)/2006 dated December 06, 2006.

- | | | |
|-------|---|--|
| (i) | IFRS-2 Share Based Payments | Effective from accounting period beginning on or after December 06, 2006 |
| (ii) | IFRS-3 Business Combinations | Effective from accounting period beginning on or after December 06, 2006 |
| (iii) | IFRS-5 Non Current Assets held for sale and Discontinued Operations | Effective from accounting period beginning on or after December 06, 2006 |
| (iv) | IFRS-6 Exploration for and Evaluation of Mineral Resources | Effective from accounting period beginning on or after December 06, 2006 |

The company expects that the adoption of the pronouncements mentioned above will have no significant impact on the company’s financial statements in the period of initial application.

2.3 Accounting convention

These accounts have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value, recognition of certain employee retirement benefits at present value of projected benefits, export debtors, waste and lease liability.

2.4 Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. Estimates and judgements are continually evaluated and are

based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements;

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

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

Income Taxes

In making the estimates for income tax payable by the Company, the management considers current Income Tax law and decision of appellate authorities on certain cases issued in past.

Capital work in progress

Stage of completion of capital work in progress is determined by company's engineer based on management best estimate.

2.5 Staff retirement benefits

Defined Benefit Plan

The company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provisions are made to cover the obligation under the scheme on the basis of actuarial valuations and are charged to income.

The latest actuarial valuation has been carried out as at June 30, 2007, under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate	10% per annum
- Expected rate of salary increase in future	9% per annum
- Average expected remaining working life time of employees	4 years

Actuarial gains and losses related to employees defined benefit plans, exceeding ten percent of the present value of defined benefit obligations as at start of the financial year are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Other wise the actuarial gains and losses are not recognized.

The amount recognized in the Balance sheet represents the present value of defined benefits obligation adjusted for un recognized actuarial gain/ losses and unrecognized past service cost.

2.6 Property, plant and equipment

- Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost.

Cost of Property, plant and equipment consists of historical cost, borrowing cost pertaining to the erection / construction period and other directly attributable cost of bringing the assets to their working condition or commencement of commercial production. Preproduction expenses and trial run operation results are also

capitalized.

Depreciation is calculated by applying the reducing balance method so as to write off the cost of Property, plant and equipment over their expected useful lives.

Depreciation on additions to property, plant and equipment is now charged from the month in which the property, plant and equipment is acquired, capitalized or commencement of commercial production while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Gain / loss on disposal of Property, plant and equipment are credited or charged to income in the year of disposal. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

- Leased assets

Assets held under finance leases are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of related obligations under the lease less financial charges allocated to future payments are shown as liability. The financial charges are calculated at the interest rate implicit in the lease and are charged to income currently.

Depreciation on additions to leased assets is now charged from the month in which the leased assets is acquired, capitalized or commencement of commercial production while no depreciation is charged for the month in which leased assets is disposed off.

Assets acquired under finance lease are depreciated over the useful life of the assets applying reducing balance method. Depreciation of leased assets is charged to income currently.

2.7 Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses.

2.8 Stores, spares and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost comprising invoice value plus other charges paid thereon.

2.9 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value except waste which is valued at net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Cost of major components of stock in trade is determined as follows:-

Raw materials	- At weighted average cost
Work in process and finished goods	- At prime cost plus appropriate production overheads determined on weighted average basis.

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

2.10 Financial instruments

Financial assets and liabilities are recognized when the Company becomes the party to the contractual provisions of the instruments and de recognized when the Company, in case of financial assets loses control of the contractual right through either realization, surrender or aspiration and in case of financial liability on extinguishment, discharge, cancellation or expiration of obligation specified in the contract.

Changes in accounting policy

During the year the Company adopted IAS-39 "Financial Instruments: Recognition and Measurement" (Revised) which has resulted in change in accounting policy for initial recognition and measurement of financial assets

and liabilities in the scope of IAS-39. Under the new accounting policy financial assets and liabilities are recognized initially at fair value. Previously, these were recognized initially at cost. The change in accounting policy has no material recognition / measurement impact on current and prior period.

2.11 Loans and advances

These are stated at cost which represents the fair value of the consideration.

2.12 Trade debtors

Trade debts originated by the company are recognized and carried at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Known bad debts are written off as incurred.

2.13 Trade and other payables

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

2.14 Borrowings cost

Financial charges are accounted for on accrual basis and are included in creditors accrued and other liabilities to the extent of the amount remaining unpaid.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that are capitalized when incurred, whereas all other borrowing costs are expensed out in the period of incurrence.

2.15 Financial and other charges

Financial and other charges on long term loans are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such specific long-term loans. All other financial and other charges are taken to the profit and loss account.

2.16 Foreign currency translation

Transactions in foreign currency are recorded in Pak Rupee at the rate of exchange prevailing on the transaction date. All monetary assets and liabilities in foreign currencies are translated at exchange rates ruling on the balance sheet date. Exchange differences are dealt with through profit and loss account.

2.17 Revenue recognition

Export sales are accounted for on shipment basis. Exchange differences, if any, are adjusted in the period of realization except for modification made in note 2.16 (Foreign currency translation) to the financial statements. Local sales are recorded on dispatch of goods to customers.

Export rebates are accounted for on accrual basis. Investment and interest income is recognized on time proportion basis.

Dividend income on ordinary share is recognized when the right to receive dividend has been established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

2.18 Taxation

Provision for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

Deferred taxation is accounted for on all material temporary differences by using the liability method. However, deferred taxation is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

2.19 Impairment of fixed assets

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

2.20 Provisions

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

2.21 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 comprises cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finance under mark-up arrangements are included in current liabilities.

2.22 Investments

Initial Measurements

Investments in securities are recognized on a trade - date basis and are initially measured at cost which is the fair value of the consideration given.

Subsequent Measurements

Held for trading

These are securities, which are either acquired for generating a profit from short term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

2.23 Off-setting

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

	2007 (Rupees)	2006 (Rupees)
3 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
51,900,883 (2006: 51,900,883) Ordinary shares of Rs. 10 each fully paid in cash	519,008,830	519,008,830
7,527,846 (2006 : 7,527,846) Ordinary shares of Rs. 10 each issued as fully paid bonus shares	75,278,460	75,278,460
	594,287,290	594,287,290

4. LONG TERM LOANS

	Repayment Commencement	Interest rate	Sanctioned Limit Rupees(M)	Number of installments	2007 Rupees	2006 Rupees
Fixed Assets Finance						
-FAF(HBL) (Note 4.1)	Aug-06	SBP REF+2%	100	10 semiannually	70,000,000	100,000,000
Morabaha Finance-FBL (Note 4.1)	June-06	6.00%	50	12 quarterly	31,822,949	50,000,000
Morabaha Finance-FBL (Note 4.1)	June-06	Kibor + 3%	0.7	36 monthly	-	692,797
Term Finance - BOP (Note 4.1)	May-06	SBP REF+2%	100	12 semiannually	77,405,000	94,600,000
Term Finance - BOP (Note 4.1)	Dec-07	SBP REF+2%	70	8 semiannually	65,872,341	515,898
Demand Finance - NBP (Note 4.1)	Jul-06	SBP REF+2%	100	24 quarterly	83,262,217	99,609,440
Demand Finance - HBL (Note 4.1)	May-07	SBP REF+2%	150	10 semiannually	135,000,000	150,000,000
Demand Finance II- NBP (Note 4.1)	Apr-07	Kibor+2%&7%	200	10 semiannually	179,177,670	164,218,861
Demand Finance - UBL (Note 4.1)	Jun-07	SBP REF+2%	100	10 semiannually	95,889,604	95,889,604
Demand Finance - ABL (Note 4.1)	Sep-07	Kibor +2%	100	16 quarterly	93,750,000	100,000,000
Term Finance - BOP (Note 4.1)	Dec-08	Kibor + 2.5%	100	8 semiannually	100,000,000	-
					932,179,781	55,526,600
Current portion (Note 6)					(210,849,719)	(102,309,637)
					721,330,062	753,216,963

4.1 Long term loans have been converted into State Bank of Pakistan's Long Term Finance (Export Oriented Project) Scheme during the current financial year.

4.2 It represents long term loan from commercial banks/financial institutions (stated above) to finance the manufacturing facilities of the company comprised of weaving machines, towel, power generation unit and allied machineries. Markup is payable along with installment as per schedule stated above. The loan is secured against equitable mortgage charge on land, first pari passu charge on fixed assets of the company and personal guarantees of directors of the company.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2007			June 30, 2006		
	Minimum lease Payment (MLP)	Finance charge not yet due	Present value of minimum lease payments (MLP)	Minimum lease Payment (MLP)	Finance charge not yet due	Present value of minimum lease payments (MLP)
Total Liabilities	785,684	18,583	767,101	9,055,321	378,715	8,676,606
Not later than one year	771,773	17,502	754,271	6,319,956	359,662	5,960,294
Overdue portion	13,911	1,081	12,830	-	-	-
Later than one year but not later than five years	-	-	-	2,735,365	19,053	2,716,312

The value of minimum lease rental payments has been discounted at implicit interest rates ranges from 9.75% to 13% to arrive at their present value. Taxes, repairs & insurance costs are to be borne by the lessee. The lease agreements are renewable at the option of the lesser and on such terms as may be agreed upon. These liabilities are partly secured by deposit of Rs. 340,300 included in long term deposits in Note 14 to the accounts.

6. CURRENT PORTION OF LONG TERM LIABILITIES

		2007 Rupees	2006 Rupees
Long term loans	(Note 4)	210,849,719	102,309,637
Liabilities against assets subject to finance lease	(Note 5)	767,101	5,960,294
		211,616,820	108,269,931

	2007	2006
	Rupees	Rupees
7. STAFF RETIREMENT BENEFITS (DEFINED BENEFIT PLAN)		
Staff Retirements Benefits	9,380,479	5,011,995
7.1 Movement in net liability recognized in balance sheet		
Balance sheet liability at the beginning of the year	5,011,995	2,667,060
Amount recognized during the year (Note 7.3)	6,267,162	3,625,998
Amount paid during the year	(1,898,678)	(1,281,063)
	9,380,479	5,011,995
7.2 Reconciliation of Liability recognized in balance sheet		
Present value of defined benefits obligation at the end of the year	11,108,152	7,152,281
Unrecognized actuarial gain	(265,771)	(191,083)
Unrecognized transitional liability	(1,461,902)	(1,949,203)
(Note 7.1)	9,380,479	5,011,995
7.3 Amount charged to profit and loss account		
Current service cost for the year	5,136,156	2,794,206
Interest cost for the year	643,705	344,491
Transitional liability arising out of actuarial valuation amortized	487,301	487,301
	6,267,162	3,625,998
The principal actuarial assumptions used in the actuarial valuation, using projected unit credit method, of the gratuity scheme as on June 30, 2007 are:		
- Discount rate	10% per annum	
- Expected rate of salary increase in future	9% per annum	
- Average expected remaining working life of employee	4 years	
7.4 Current cost of staff retirement has been charged to:		
Cost of sales (Note 24)	3,377,943	2,036,616
Administrative (Note 26)	2,889,219	1,589,382
	6,267,162	3,625,998
8. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	163,433,404	122,800,434
Accrued liabilities	43,357,496	15,911,092
Accrued mark-up / interest on long term loans	12,523,051	29,741,399
Accrued mark-up / interest on short term finances	24,545,100	18,898,214
Tax deducted at source	491,424	1,951,421
Temporary overdraft	-	1,900
Retention money payable	205,146	2,799,369
Workers' Profit Participation Fund (Note 8.1)	8,444,354	6,744,060
Workers Welfare Fund	310,279	-
	253,310,254	198,847,889

		2007 Rupees	2006 Rupees
8.1 Workers' Profit Participation Fund			
At the beginning of the year		6,744,060	3,658,425
Allocation for the year	(Note 29)	909,523	2,893,729
		7,653,583	6,552,154
Interest during the year	(Note 29.1)	790,771	191,906
		8,444,354	6,744,060
Amount paid during the year		-	-
		8,444,354	6,744,060

9. SHORT TERM FINANCES - Secured

	Note	Sanctioned limit Rupees (m)	Interest rate (Matching KIBOR/ LIBOR +)	Mark-up/ repayment terms	2007 Rupees	2006 Rupees
Pre-shipment	9.1 & 9.2	1285	1.25% to 2.5%	Quarterly	587,870,000	646,500,000
Pre-shipment - Foreign Currency Financing	9.1 & 9.2	1035	0.9% to 1.75%	Quarterly	435,426,739	53,613,303
Post-shipment	9.2	135	1.6% to 2%	Quarterly	30,796,000	28,800,000
Morabaha Finance	9.2	50	2.5%	Quarterly	49,848,000	5,500,000
Running finance	9.2	170	0.90% to 2%	Quarterly	107,757,902	111,518,296
					1,211,698,641	845,931,599

9.1 The company has aggregate sanctioned limit of export refinance facilities of Rs. 1,285 million out of which Rs. 1035 million is a sub limit of foreign currency financing facility. The aggregate outstanding balance at any given time of this account will remain within sanction limit of Rs. 1,285 million.

9.2 These loans are secured against hypothecation of stocks, lien on confirmed export orders, pari passu charge on current assets and personal guarantees of the directors. Morabaha finance is for the purpose of raw material on short term basis.

10. CONTINGENCIES AND COMMITMENTS

10.1 The company had earlier filed a recovery suit Rs. 3.288 million against WAPDA which was deposited by the company under interim order passed by the Honorable Lahore High Court on account of arrear bill claimed by WAPDA on account of ex-premises defaulter namely Pearl Fabrics Limited. The petition was decided in the favour of the company by the learned bench of Honorable Lahore High Court and WAPDA failed to file the appeal against the order of the Honorable Lahore High Court before Honorable Supreme Court of Pakistan within stipulated time. However, it has filed an appeal before Honorable Supreme Court of Pakistan for grant of relaxation for filing of appeal against the order passed by the Honorable Lahore High Court. The request for grant of relaxation filed by the WAPDA is pending for decision before the Honorable Supreme Court of Pakistan. The management is very confident that the outcome of the matter will be in the favour of the company.

10.2 Commitments against irrevocable letters of credit for import of machinery and raw material as at June 30, 2007 amounting to Rs. 21.208 million (2006: Rs. 74.752 million) and Rs. Nil (2006: Rs. 30.408 million) respectively.

10.3 The company has filed appeal before the Customs, Excise and Sales Tax Appellate Tribunal, Lahore under section 46(1) of the Sales Tax Act, 1990 for refund of sales tax aggregating Rs. 15,500,885 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order NO. 2/2007 (STGO), dated February 6, 2007 and SRO NO. 992(I)/2005 dated September 21, 2005 read with SRO No.

487(I)/2006 dated May 26, 2006. The management is of strong view that the interpretation of referred STGO/SROs are repugnant to the parent statute and the SROs suffer from ambiguity, unreasonableness and are virtually extending unfettered and unregulated which is not permissible in law. Furthermore, the department has placed reliance on the provisions of SROs in a retrospective manner whereas without prejudice to the legal grounds and objections relied on by the company, it is a well established principle of the law upheld by the Honorable Supreme Court of Pakistan, that notifications cannot be given retrospective effect to the disadvantage of the petitioner and benefits and advantages if already accrued in favor of a party shall be available to it. In view of stated manner, the management is confident that the appeal will be decided in favor of the company.

II. PROPERTY PLANT & EQUIPMENT

DESCRIPTION	COST			R A T E %	DEPRECIATION				Written Down Value as on June 30, 2007
	As on July 01, 2006	Additions/ (Adjust- ments)	As on June 30, 2007		As on July 01, 2006	Adjustment	For the Year	As on June 30, 2007	
Land - freehold	35,140,976	-	35,140,976	-	-	-	-	-	35,140,976
Building - on freehold land	179,896,153	130,476,929	310,373,082	5	14,255,436	-	11,448,970	25,704,406	284,668,676
Link Road	-	26,615,223	26,615,223	10	-	-	665,381	665,381	25,949,842
Non factory building	25,798,801	16,128,754	41,927,555	10	2,602,246	-	2,700,473	5,302,719	36,624,836
Plant & machinery	1,116,794,926	352,521,408	1,469,316,334	10	77,578,178	4,627,213	120,162,210	202,367,601	1,266,948,732
Furniture & fixtures	3,007,556	317,393	3,324,949	10	698,445	-	248,074	946,519	2,378,430
Vehicles	11,319,692	5,797,164 (675,000)	16,441,856	20	3,099,171	1,810,261 (33,375)	1,846,170	6,722,227	9,719,629
Electrical installations	27,618,557	20,694,123	48,312,680	10	2,506,937	-	3,554,729	6,061,666	42,251,014
Office equipment	10,523,709	2,972,630 (1,581,895)	11,914,444	10	2,843,816	(128,756)	787,157	3,502,217	8,412,227
2007 Rupees	1,410,100,370	555,523,624 (2,256,895)	1,963,367,099		103,584,229	6,308,718 (162,131)	141,413,164	251,272,736	1,712,094,363
2006 Rupees	327,428,908	1,174,133,568 (91,462,105)	1,410,100,370		44,669,135	3,517,194 (15,857,505)	71,255,405	103,584,229	1,306,516,139

	2007 Rupees	2006 Rupees
II.1 Depreciation for the year has been allocated as under :		
Cost of sales (Note 24)	138,350,197	68,803,478
Distribution costs (Note 25)	1,531,484	1,225,964
Administrative expenses (Note 26)	1,527,205	1,225,963
	141,413,164	71,255,405

II.2 Disposal of office equipments includes Rs. 1,133,895, which is reclassified in the plant and machinery along with the depreciation during the year.

II.3 Disposal of operating fixed assets

The following is the detail of disposals during the year:

PARTICULARS	Quantity	Cost	Book Value	Sale Proceeds	Profit/(Loss)	Mode of Disposal	Name and Address
Office Equipment IP Gate Way & AC	1	448,000	432,633	448,000	15,367	Negotiation	Heaven Cool Abid Market Lahore
Vehicle Toyota Surf	1	675,000	641,625	722,000	80,375	Negotiation	Mustafa Aftab, 272,A Mall Road, Rawalpindi
2007 Rupees		1,123,000	1,074,258	1,170,000	95,742		
2006 Rupees		91,462,105	75,604,600	66,830,381	(8,774,219)		

11.4 Additions in Building and Plant and machinery includes Rs. 9,572,948 and Rs. 22,852,757 respectively, being borrowing cost capitalized during the year. Applicable interest rates are mentioned in note 4 and 9.

12. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	COST			R A T E %	DEPRECIATION				Written Down Value as on June 30, 2007
	As on July 01, 2006	Additions/ (Deletions)	As on June 30, 2007		As on July 01, 2006	Adjustment	For the Year	As on June 30, 2007	
Plant & machinery	14,500,000	(14,500,000)	-	10	3,605,990	(4,513,824)	907,834	-	-
Vehicles	6,955,228	25,000 (3,463,770)	3,516,458	20	2,704,959	(1,810,261)	701,725	1,596,423	1,920,035
2007 Rupees	21,455,228	(17,938,770)	3,516,458		6,310,949	(6,324,085)	1,609,559	1,596,423	1,920,035
2006 Rupees	34,522,078	(13,066,850)	21,455,228		6,990,678	(3,517,194)	2,837,465	6,310,949	15,144,279

	2007 Rupees	2006 Rupees
12.1 Depreciation for the year has been allocated as under:		
Cost of sales (Note 24)	1,089,396	1,777,798
Distribution costs (Note 25)	260,082	529,834
Administrative expenses (Note 26)	260,082	529,833
	1,609,559	2,837,465

13. CAPITAL WORK IN PROGRESS

Building	4,331,997	94,166,421
Plant and machinery	32,607,709	173,854,761
Preproduction expenses	1,454,034	941,465
Borrowing costs capitalized	-	14,535,951
Trial run losses (Note 13.2)	-	16,955,807
	38,393,740	300,454,405

13.1 Assets amounting to Rs. 163.2 million has been transferred to Buildings and Rs. 278 million to Plant and machinery during the year from CWIP. Stage of completion is about 90%.

13.2 Trial run losses

Trial run sales	-	27,358,003
Raw Materials Consumed	-	29,352,441
Salaries and benefits	-	1,586,652
Stores Consumed	-	1,098,808
Sizing Materials	-	2,763,386
Fuel and Power	-	3,435,233
Other factory overheads	-	2,255,926
	-	40,492,446
Adjustment of closing stocks	-	(578,206)
Cost of goods sold	-	39,914,240
Administrative expenses	-	957,257
Selling expenses	-	818,623
Financial Charges	-	2,623,690
Trial run loss	-	(16,955,807)

	2007	2006
	Rupees	Rupees
14. LONG TERM ADVANCES AND DEPOSITS		
Lease key money	340,300	2,288,900
Security deposits	2,712,322	2,316,247
	3,052,622	4,605,147
15. STORES, SPARES AND LOOSE TOOLS		
Stores and spares	42,238,171	43,755,714
	42,238,171	43,755,714
16. STOCK IN TRADE		
Raw materials	175,420,921	176,061,189
Work in process	63,639,016	35,598,075
Finished goods & waste (Note 16.1)	348,828,215	179,869,889
	587,888,152	391,529,153
16.1 This includes goods in transit amounting to Rs. 13,616,499 (2006: 4,134,099)		
17. TRADE DEBTS - CONSIDERED GOOD		
Export - Secured against letters of credit	88,162,692	67,706,863
Local - Unsecured	289,922,104	147,994,257
	378,084,796	215,701,120
18. LOANS AND ADVANCES		
Advances - unsecured but considered good:		
to suppliers	76,126,024	53,068,852
to employees	6,981,011	4,668,754
to others	6,876,695	7,430,426
	89,983,730	65,168,032
Letters of credit	21,208,647	6,131,617
Advance against consumable machinery parts and land	-	39,012,477
	111,192,377	110,312,126
19. TRADE DEPOSITS AND PREPAYMENTS		
Prepayments	2,124,643	1,315,820
Advance income tax	15,000,201	8,737,327
Margin deposits	2,347,089	2,033,889
Sales tax refundable	31,931,764	49,408,002
Export rebate receivable	1,255,375	1,533,118
	52,659,072	63,028,156
20. OTHER RECEIVABLES		
Receivable from associated undertakings (Note 35)	28,995,505	25,213,483
Other receivables	27,542,873	21,024,857
	56,538,378	46,238,340

	2007 Rupees	2006 Rupees
21. SHORT TERM INVESTMENTS		
Pak Elektron Limited (PEL) 625 (2006: 10,500) Ordinary shares @ Rs. 10 each	40,438	919,112
Oil & Gas development corporation (OGDC) Nil (2006: 44,000) Ordinary shares @ Rs. 10 each	-	5,513,304
National Bank of Pakistan (NBP) Nil (2006: 60,000) Ordinary shares @ Rs. 10 each.	-	11,787,330
Pakistan Telecommunication Co. Ltd. (PTCL) Nil (2006: 20,000) Ordinary shares @ Rs. 10 each	-	845,084
Lucky Cement Limited Nil (2006: 10,000) Ordinary shares @ Rs. 10 each	-	840,585
Fauji Fertilizer Bin Qasim Limited 10,000 (2006: Nil) Ordinary shares @ Rs. 10 each	285,000	328,033
Pakistan Petroleum Limited Nil (2006: 20,000) Ordinary shares @ Rs. 10 each	-	4,490,979
New Jubilee Life Insurance Company Limited 45,000 (2006: 20,000) Ordinary shares @ Rs. 5 each	832,500	442,869
DG Khan Cement Co. Ltd. Nil (2006: 20,000) Ordinary shares @ Rs. 10 each	-	1,688,673
Pakistan Cement 50,000 (2006: 200,000) Ordinary shares @ Rs. 10 each	648,129	1,696,000
UPT Growth Fund Limited(INVESTMENT A/C) 37,132 (2006: 37,132) Ordinary shares @ Rs. 10 each	482,716	730,997
Attock Refinery Limited (INVESTMENT A/C) 5,357 (2006: Nil) Ordinary shares @ Rs. 10 each	447,738	-
Crescent Commercial Bank Limited (INVESTMENT A/C) 20,000 (2006: Nil) Ordinary shares @ Rs. 10 each	327,400	-
Call Mate Telips Telecom Limited (INVESTMENT A/C) 200,100 (2006: Nil) Ordinary shares @ Rs. 10 each	11,025,890	-
Crescent Standard Bank Limited (INVESTMENT A/C) 50,000 (2006: Nil) Ordinary shares @ Rs. 10 each	250,000	-
Standard Chartered Bank Limited (INVESTMENT A/C) 25,000 (2006: Nil) Ordinary shares @ Rs. 10 each	1,348,000	-
Dewan Farooq Spinning Mills Limited (INVESTMENT A/C) 25,000 (2006: Nil) Ordinary shares @ Rs. 10 each	209,017	-
	15,896,828	29,282,966
Add: Fair value adjustments	828,428	2,612,128
	16,725,256	31,895,094
22. CASH AND BANK BALANCES		
Cash in hand	889,143	328,573
Cash at banks - current accounts	58,938,001	35,124,217
	59,827,144	35,452,790

		2007 Rupees	2006 Rupees
23. SALES			
Cloth - Export - invoiced value		1,260,749,926	601,359,523
Exchange gain / (loss)		(11,130,750)	3,239,367
		1,249,619,176	604,598,890
Cloth - Local	(Note 23.1)	1,451,909,312	958,623,161
		2,701,528,488	1,563,222,051
Export rebate		1,484,805	861,837
		2,703,013,293	1,564,083,888
Commission and claim		(13,480,873)	(7,971,152)
		2,689,532,420	1,556,112,736
		2,689,532,420	1,556,112,736
23.1	All Local sales are exclusive of sales tax Nil (2006. Nil).		
24. COST OF SALES			
Raw materials consumed	(Note 24.2)	1,864,856,775	1,069,795,510
Stores consumed		13,668,153	8,169,303
Packing, Sizing and lubricants consumed		76,929,636	52,117,639
Fuel and power		97,006,014	58,556,801
Salaries, wages and other benefits	(Note 24.1)	83,590,725	43,704,162
Processing charges		299,925,855	156,611,068
Insurance		2,627,404	696,946
Repair and maintenance		2,555,043	612,261
Depreciation	(Note 11.1)	138,350,197	68,803,478
Depreciation of assets subject to finance lease	(Note 12.1)	1,089,396	1,777,798
Other production overheads		4,783,874	2,191,199
		2,585,383,072	1,463,036,165
Adjustment of work-in-process			
Opening stock		35,598,075	21,359,893
Closing stock		(63,639,016)	(35,598,075)
Closing stock transferred from trial run		4,126,353	-
		(23,914,588)	(14,238,182)
Adjustment of finished goods and waste			
Opening stock		179,291,683	70,694,725
Closing stock		(348,828,215)	(179,291,683)
Closing stock transferred from trial run		20,541,808	-
		(148,994,724)	(108,596,958)
		2,412,473,760	1,340,201,025
		2,412,473,760	1,340,201,025
24.1	This includes Rs. 3,377,943 (2006: Rs.2,036,616) in respect of staff retirements benefits.		

	2007	2006
	Rupees	Rupees
24.2 Raw materials consumed		
Opening stock	176,061,189	66,924,719
Purchases	1,916,818,471	1,422,572,647
Discount on purchases	(4,370,697)	-
Net purchases	1,912,447,774	1,422,572,647
Stock transfer from air jet looms trial run	-	45,759,220
Freight	15,667,128	7,123,515
	2,104,176,091	1,475,455,382
Closing stock	(175,420,921)	(176,061,189)
Trial production	(63,898,395)	(296,523,402)
	1,864,856,775	1,069,795,510
25. DISTRIBUTION COSTS		
Freight	37,944,709	16,673,952
Clearing & Forwarding	3,614,048	1,278,772
Depreciation (Note 11.1)	1,531,484	1,225,964
Depreciation of assets subject to finance lease (Note 12.1)	260,082	529,834
Other expenses	18,842,007	13,720,731
	62,192,329	33,429,253
26. ADMINISTRATIVE EXPENSES		
Director's remuneration	3,350,000	2,537,920
Salaries and other benefits (Note 26.1)	7,583,341	4,228,277
Traveling and conveyance	1,018,426	1,777,593
Rent, rates and taxes	663,285	410,699
Printing and stationery	392,224	417,545
Communication	1,075,368	711,459
Vehicles running and maintenance	1,475,014	1,015,753
Repair and maintenance	509,560	1,882,198
Legal and professional	555,195	618,000
Electricity, gas and water	645,136	459,816
Insurance	361,825	150,827
Advertisement	144,513	253,237
Depreciation (Note 11.1)	1,527,205	1,225,963
Depreciation of assets subject to finance lease (Note 12.1)	260,082	529,833
Others	955,434	815,731
	20,516,607	17,034,851
26.1 This includes Rs. 2,889,219 (2006: Rs. 1,589,382) in respect of staff retirements benefits.		
27. OTHER OPERATING EXPENSES		
Auditors' remuneration (Note 27.1)	360,000	235,000
Fee & subscription	521,328	338,210
	881,328	573,210

	2007	2006
	Rupees	Rupees
27.1 Auditors' remuneration		
Audit fee	200,000	100,000
Half yearly review	50,000	50,000
Code of corporate governance review fee	50,000	25,000
Tax representation and consultancy fee	60,000	60,000
	360,000	235,000
28. OTHER OPERATING INCOME		
Gain / (Loss) on sale of fixed assets (Note 11.3)	95,742	(8,774,219)
Gain / (Loss) on sale of marketable securities	2,488,240	-
Fair value adjustment of foreign debtors/foreign Loans	8,614,712	491,535
Fair value adjustments of the short term investments	828,428	2,612,128
Others	8,587,533	7,928,884
	20,614,655	2,258,328
29. FINANCIAL AND OTHER CHARGES		
Financial charges (Note 29.1)	196,659,875	108,871,850
Workers Profit Participation Fund	909,523	2,893,729
Workers Welfare Fund	310,279	-
	197,879,678	111,765,579
29.1 Financial Charges		
Lease finance charges	393,245	772,373
Mark-up / Interest on long term loans	63,831,539	40,301,144
Mark-up / Interest on short term finances	110,106,272	51,370,215
Interest on Workers' Profit Participation Fund	790,771	191,906
Bank charges and others	21,626,402	16,236,212
	196,748,229	108,871,850
30. TAXATION		
Current year	13,563,296	9,333,272
Tax expense for the year (Note 30.2)	13,563,296	9,333,272
Less: Deducted/Paid	13,563,296	9,333,272
Closing provision	-	-

30.1 The company has not accounted for any deferred taxation as it falls under the ambit of final tax regime under section 154 and minimum tax payment on turn over of the company under section 113 of the Income Tax Ordinance, 2001. The company has assessed losses amounting Rs. 357 million and taxable temporary differences of Rs. 440 million related to fixed assets. Provision for income tax is made in the accounts accordingly. Income tax assessments of the company have been finalized up to tax year 2006.

	2007 Rupees	2006 Rupees
30.2 Reconciliation of applicable and effective tax rate		
Accounting profit before tax	-	-
Revenue	2,712,659,238	1,866,654,312
Tax rate	0.5%	0.5%
Tax on accounting profit	13,563,296	9,333,272
Difference due to final tax regime	-	-
Adjustment in respect of income tax of prior years	-	-
Tax expense for the current year	13,563,296	9,333,272

Tax rates used are actually applicable in relevant periods due to legal status of the company on closing dates.

31. EARNING PER SHARE - BASIC

Profit attributable to ordinary shareholders	2,640,077	46,033,874
Weighted average number of ordinary shares	59,428,729	58,705,441
Earning per share - Basic	0.04	0.78

31.1 There is no dilutive effect on the basic earning per share.

32. FINANCIAL ASSETS AND LIABILITIES

	Effective Interest/Mark-up rate (Matching KIBOR/LIBOR+)	Mark-up bearing		Non mark-up bearing		Total 2007 Rupees	Total 2006 Rupees
		Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		
		Rupees	Rupees	Rupees	Rupees		
Financial Assets							
Long term advances and security deposits		-	-	-	2,712,322	2,712,322	2,316,247
Trade debts		-	-	378,084,796	-	378,084,796	215,701,120
Advances, deposits & other receivables	15%	28,995,505	-	9,001,338	-	37,996,843	68,036,144
Short term investments		-	-	16,725,256	-	16,725,256	31,895,094
Cash and bank balances		-	-	59,827,144	-	59,827,144	35,452,790
		28,995,505	-	463,638,534	2,712,322	495,346,361	353,401,395
Financial Liabilities							
Loans from commercial banks	6% to 11.75% (Note 9)	210,849,719	721,330,062	-	-	932,179,781	855,526,600
Short term finances		1,211,698,641	-	-	-	1,211,698,641	845,931,599
Creditors, accrued and other liabilities		-	-	253,310,254	-	253,310,254	198,847,889
		1,422,548,360	721,330,062	253,310,254	-	2,397,188,676	1,900,306,088
Sensitivity gap		(1,393,552,855)	(721,330,062)	210,328,279	2,712,322	(1,901,842,316)	(1,546,904,693)

32.1 Concentration and management 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. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The company believes that it is not exposed to major concentration of credit risk. To manage credit risk, company applies credit limits to its customers.

32.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sales and purchases transactions with foreign undertakings. The company does not view hedging as being financially feasible owing to the excessive costs involved in relation to the amount at risk.

32.3 Liquidity risk management

Liquidity risk reflects company's inability in raising funds to meet commitments. The management closely monitors company's liquidity and cash flow position to ensure adequate liquidity and manage the assets keeping in view the liquidity position.

32.4 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market interest rates. The company is not exposed to major interest rate risk due to the factor that State Bank of Pakistan has fixed the interest on Long term demand finance at the rate SBP Ref + 2% and financial institutions have adopted this rate accordingly. Interest rates on short term finances are comparable with the market interest rate which are not significantly volatile. The rate of interest and maturity periods are disclosed in respective notes.

32.5 Fair values of financial assets and financial liabilities

The management is of the view that carrying values of all financial assets and financial liabilities approximate to their fair values except long-term assets whose fair value is not reasonably determinable due to non-availability of active market of such instruments and characteristics of these instruments which make them non-tradable.

Method used for fair value estimation

Assets

(i) Short term

Fair value of all short term financial assets approximates to the carrying value because of their short term maturity.

Liabilities

(i) Short term

Carrying value of current maturity of long term loans, interest accrued and short term loans equals to their fair value because of their short term maturity.

(ii) Long term

Carrying value of long term financial liabilities approximates its fair value due to its fixed maturity amount and floating interest rates on these debts.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2007			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	800,004	1,434,000	3,440,000	800,000	1,280,000	1,120,000
House rent allowance	360,000	430,000	1,032,000	360,000	576,000	504,000
Utilities	39,996	286,000	688,000	40,000	64,000	56,000
Rupees	1,200,000	2,150,000	5,160,000	1,200,000	1,920,000	1,680,000
No. of persons	1	3	7	1	3	2

33.1 Some of the directors and the executives are provided with free use of company cars as per rules.

33.2 No meeting fee was paid to the directors for attending the meetings of the board.

33.3 Gratuity expense related to directors is classified under note no 26.

		2007	2006
34. PLANT CAPACITY & PRODUCTION			
Greige Fabric Unit			
No. of looms installed		212	178
No. of looms worked		212	178
Shifts per day		3	3
No. of days actually worked		364	364
Rated capacity	(Square Meters in millions)	71	67.842
Actual production	(Square Meters in millions)	70.002	66.427
Towel Unit			
No. of looms installed		12	-
No. of looms worked		12	-
Shifts per day		3	-
No. of days actually worked		181	-
Rated capacity	(Tons)	630	-
Actual production	(Tons)	432	-
Towel Dyeing and Processing Unit			
Rated capacity	(Tons)	1,356	-
Actual production	(Tons)	541	-

It is difficult to determine precisely the production capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

The company has installed additional looms during the period which increased the rated capacity of the plant. The towel dyeing and processing unit was not in operation at its full capacity during the year.

35. RELATED PARTIES DISCLOSURE

The related parties comprise associated undertaking, companies where directors also held directorship, directors and key management personnel. Transactions with associated undertakings and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 33, are as follows:

Relationship	Nature of transactions	2007 Rupees	2006 Rupees
Associated undertaking	Advances (Note 20)	28,995,505	25,213,483

35.1 Maximum aggregate balance of advances to associated undertakings at the end of any month during the year was Rs. 28,995,505 (2006. Rs. 25,213,483). Agentex is an associated undertaking due to common directorship.

36. NUMBER OF EMPLOYEES

Number of employees at the year end	1193	881
-------------------------------------	-------------	-----

37. AUTHORIZATION OF FINANCIAL STATEMENTS

- These accounts have been approved by the board of directors on August 31, 2007.

38. FIGURES

- Have been rounded off to the nearest rupee.
- last year figures have been reclassified as per following details;

	2006 Rupees (Reclassified)	2006 Rupees (Published)
Distribution Costs	33,429,253	20,570,359
Administrative	17,034,851	29,893,745
	50,464,104	50,464,104

DIRECTOR

CHIEF EXECUTIVE

Form 34
Pattern of Share Holding
as on June 30, 2007

Number of shareholders	From	Shareholding	To	Total Shares held
1	1		100	50
164	101		500	82,000
139	501		1000	138,900
244	1001		5000	754,298
74	5001		10000	654,600
17	10001		15000	218500
20	15001		20000	373,200
10	20001		25000	248,000
10	25001		30000	287,000
1	30001		35000	30,500
3	35001		40000	113,000
2	40001		45000	85,500
8	45001		50000	400,000
1	50001		55000	52,500
2	55001		60000	120,000
2	60001		65000	125,000
1	65001		70000	68,000
2	70001		75000	142,167
2	75001		80000	156,000
1	85001		90000	90,000
5	95001		100000	500,000
2	105100		110000	217,500
2	115001		120000	235,448
2	135001		140000	277,000
1	150001		155000	154,000
1	155001		160000	157,000
2	165001		170000	339,500
1	175001		180000	180,000
1	195001		200000	200,000
1	245001		250000	250,000
1	250001		255000	252,000
1	315001		320000	317,500
1	340001		345000	343,802
1	400001		405000	403,000
1	570001		575000	572,000
1	605100		610000	605,302
1	720001		725000	723,552
1	960001		965000	962,083
1	995001		1000000	1,000,000
1	2165001		2170000	2,166,800
1	2465001		2470000	2,465,300
1	2725001		2730000	2,727,300
1	3820001		3825000	3,822,698
1	4480001		4485000	4,485,000
1	15105001		15110000	15,109,364
1	16820001		16825000	16,823,365
738				59,428,729

Categories of Shareholders as on June 30, 2007

Shareholder's category	No. of shareholders	Share held	Percentage
I. Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	1	16,823,365	28.31
Mr. Burhan Muhammad Khan	1	15,109,364	25.42
Mr. Arbab Muhammad Khan	1	2,857,300	4.81
Mr. Aftab Ahmad Khan	1	3,300	0.005
Mr. Gauhar Abdul Hai	1	20,000	0.034
Ms. Tehniyat Mussaid	1	2,465,300	4.15
Ms. Sabah Burhan	1	2,166,800	3.65
Ms. Sajida Aftab w/o Aftab Ahmad Khan	1	50,000	0.08
Total	8	39,495,429	66.46
2. Banks, Development Financial Institutions, Non-Banking Financial Institutions	7	6,966,854	11.72
3. Modaraba and Mutual Funds	3	743,500	1.25
4. General public – Local	699	7,001,831	11.78
5. General public – Foreign	3	12,000	0.02
6. Others	18	5,209,115	8.77
Total	730	19,933,300	33.54
GRAND TOTAL	738	59,428,729	100.00

ZEPHYR TEXTILES LIMITED

3rd Floor IEP Building, 97-B/D-1, Gulberg III, Lahore

PROXY FORM

I/We, _____

Of _____

being a member of **ZEPHYR TEXTILES LTD.** hereby appoint

(NAME)

of _____ another member of the Company

or failing him / her _____

(NAME)

of _____ another member of the Company

(being member of the Company) as my/our proxy to attend and vote for and on my/our behalf at the 9th Annual General Meeting of the Company to be held at its Registered Office, 3rd Floor IEP Building 97-B/D-I Gulberg III, Lahore on September 26, 2007 at 11:00 AM and at every adjournment thereof.

As witnessed given under my/our hand(s) this _____ day of _____ 2007.

1. Witness:
Signature: _____
Name: _____
Address: _____

Affix Revenue stamps of Rs. 5/-
--

Signature of Member

2. Witness:
Signature: _____
Name: _____
Address: _____

Shares held _____
Shareholders' Folio No. _____
CDC A/c # _____

NIC No.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

NOTES:

- Proxies, in order to effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national identity Cards/ Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.