

SIX YEARS GROWTH AT A GLANCE (2002-2007)

PARTICULARS	2002	2003	2004	2005	2006	2007
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OPERATIONAL PERFORMANCE:

Weaving

Number of Looms Installed	224	272	272	320	295	295
Number of Looms Worked	224	272	272	320	295	295
Std. Cloth Production(50ppi) into meters(000)	37,355	42,092	47,013	38,351	56,508	56,508
Actual Cloth Production(50ppi) into meters(000)	38,838	41,333	46,739	35,908	52,229	55,190

Spinning

Number of Spindles Installed	14,400	14,400	14,400	14,400	35,520	35,520
Number of Spindles worked	14,400	14,400	14,400	14,400	35,520	35,520
Installed Capacity (after conversion 20/s count) KGS(000)	4,850	4,850	4,850	3,637	11,963	11,963
Actual Yarn Production (after con. 20/s count) KGS(000)	4,203	4,124	4,056	3,055	10,525	10,448

PROFIT AND LOSS:

Net Sales Rs.(000)	2,032,159	2,236,763	2,750,398	2,061,672	3,122,414	3,400,998
Gross Profit Rs.(000)	310,963	274,281	287,787	257,915	422,566	346,405
Operating Profit Rs.(000)	220,572	219,931	208,184	204,923	343,369	279,747
Profit before Tax Rs.(000)	75,188	108,628	125,687	111,766	143,962	47,365
Profit after Tax Rs.(000)	54,171	93,222	115,790	95,977	123,529	31,918
Cash Dividend (%age)	7.50	7.50	10.00	10.00	-	-
Stock Dividend(%age)	-	-	20	10.00	25	-
Right Issue (%age)	25	-	-	-	-	-

BALANCE SHEET:

Share Capital and Reserves Rs.(000)

Shareholders Funds	428,066	521,288	621,673	697,109	795,990	827,908
Capital Reserves	41,081	41,081	41,081	41,081	41,081	41,081
	469,147	562,369	662,754	738,190	837,071	868,989

Property Plant and Equipment Rs.(000)

	1,004,221	1,162,601	1,128,996	2,036,093	1,963,229	1,906,641
Current Assets Rs.(000)	494,904	702,761	913,926	1,354,249	1,379,689	1,449,914
Current Liabilities Rs.(000)	506,583	724,741	958,330	1,478,110	1,466,364	1,777,143
Long Term Loans Rs.(000)	527,422	584,044	424,259	1,176,464	1,041,905	783,878

INVESTOR INFORMATION :

Per Share (Rs.)

Book Value	22.84	27.38	32.27	29.94	33.96	28.20
Cash Dividend	0.75	0.75	1.00	1.00	-	-
Earning Per Share	2.82	4.54	4.7	3.89	5.01	1.04
Market Value per Share	10.4	14.45	24.15	27.05	25.90	20.11

Financial Ratios

Gross Profit Ratio(%age)	15.30	12.26	10.46	12.51	13.53	10.19
Net Profit Ratio(%age)	2.66	4.15	4.21	4.66	3.96	0.94
Inventory turnover(times)	7.91	5.78	5.00	2.85	3.72	4.02
Fixed Asset turnover(times)	2.01	2.06	2.40	1.80	1.98	1.83
Total Asset turnover(times)	1.29	1.33	1.40	0.76	0.93	1.00
Price Earning Ratio	3.69	3.18	5.14	6.95	5.17	19.41
Return on Capital Employed(%age)	16.66	15.81	14.55	11.25	15.20	12.99
Debt Equity Ratio	57:43	56:44	39:61	61:39	55:45	47:53
Current Ratio	1.04	0.96	0.96	0.92	0.94	0.82
Acid Test(Quick) Ratio	0.37	0.29	0.29	0.37	0.35	0.31
Interest Cover Ratio(times)	1.52	1.98	2.52	2.20	1.72	1.20

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

41.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates; market interest rates such as State Bank of Pakistan's discount rate, Treasury Bills rate and Karachi Inter Bank Offer Rate (KIBOR), credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 41 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 428.810 million (2006: Rs. 469.240 million) financial assets which are subject to credit risk amount to Rs. 387.015 million (2006: Rs. 436.702 million). To manage exposure to credit risk, the company applies credit limits to its customers.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts.

(c) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risks exposures are primarily managed by contracting minimum and maximum of interest rates as referred to in note 5.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

41.2 Fair value of financial instruments

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

42. Number of employees

The company employed 2,280 employees as at June 30, 2007 (2006: 2,202).

43. Date of authorisation

These financial statements are authorised for issue on October 06, 2007 by the board of directors of the company.

44. Figures

In the financial statement have been rounded off to the nearest rupee, except stated otherwise.

45. Corresponding figures

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

Previous classification	Current classification	Rupees
Short term investments	Long term investment	69,999,586
Loans and advances	Mark up accrued on loan	7,088,261
Long term finances and other payables	Loans from related parties - subordinated loan	36,875,000

45.2 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

	From	To	
Fazal Cloth Mills Limited	Due from related parties	Due to related parties	486,914

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

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PATTERN OF SHAREHOLDING
As at June 30, 2007

CATEGORIES OF SHAREHOLDERS

	CDC	PHYSICAL	TOTAL	%AGE
DIRECORS OF THE COMPANY				
MR. FAWAD AHMAD MUKHTIAR	7,440,300		7,440,300	24.1482
MR. FAZAL AHMAD SHEIKH	7,901,722		7,901,722	25.6458
MR. FAISAL AHMAD MUKHTAR	7,603,321		7,603,321	24.6773
MRS. AMBREEN FAWAD	140,625		140,625	0.4564
MRS. FATIMA FAZAL	140,625		140,625	0.4564
MRS. FARAH FAISAL	112,500		112,500	0.3651
JOINT STOCK COMPANIES				
A.Z. SECURITIES (PVT) LTD.	300		300	0.0010
ARIF HABIB SECURITIES LIMITED	165,000		165,000	0.5355
BAWA SECURITIES (PVT.) LTD.		2,175	2,175	0.0071
CAPITAL VISION SECURITIES (PVT) LTD.	125		125	0.0004
DARSON SECURITIES (PRIVATE) LIMITED	52		52	0.0002
DOSSLANI'S SECURITIES (PVT) LIMITED	300		300	0.0010
EXCEL SECURITIES (PVT.) LTD.	220		220	0.0007
GENERAL INVEST. & SECURITIES (PVT) LTD.	875		875	0.0028
H M INVESTMENTS (PVT.) LTD.	540		540	0.0018
MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	16,000		16,000	0.0519
MEGA SECURITIES (PRIVATE) LIMITED	625		625	0.0020
MOOSANI SECURITIES (PVT) LTD.	2,500		2,500	0.0081
PASHA SECURITIES (PVT) LTD.	500		500	0.0016
PYRAMID INVESTMENTS (PVT.) LTD.	2,850		2,850	0.0092
Y.S. SECURITIES & SERVICES (PVT) LTD.	1,150		1,150	0.0037
S.H. BUKHARI SECURITIES (PVT) LIMITED	150		150	0.0005
INVESTMENT & MUDARBA COMPANIES				
M/S. B.F. MODARABA		9,000	9,000	0.0292
M/S PYRAMID INVESTMENT(PVT)LTD		3,900	3,900	0.0127
FIRST FIDELITY LEASING MODARABA	150		150	0.0005
NIT & ICP				
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	1,203,120		1,203,120	3.9048
IDBP (ICP UNIT)	730		730	0.0024
MUTUAL FUNDS				
CDC TRUSTEE-PAKISTAN CAPITAL MARKET FUND	300,000		300,000	0.9737
CDC TRUSTEE-PAKISTAN STOCK MARKET FUND	308,812		308,812	1.0023
CDC-TRUSTEE PAK STRATEGIC ALLOC. FUND	840,000		840,000	2.7263
OTHERS				
AMIR FINE EXPORTS (PVT) ITD	24,250		24,250	0.0787
PAKISTAN PREMIER FUND LIMITED	109,875		109,875	0.3566
INDIVIDUALS (PUBLIC)	2,781,901	1,696,744	4,478,645	14.5359
GRAND TOTAL	29,099,118	1,711,819	30,810,937	100.00

PATTERN OF SHAREHOLDING
As at June 30, 2007

PERSONS HAVING MORE THAN 10% HOLDING

	CDC	PHYSICAL
MR. FAWAD AHMAD MUKHTIAR	7,440,300	24.15
MR. FAZAL AHMAD SHEIKH	7,901,722	25.65
MR. FAISAL AHMAD MUKHTAR	7,603,321	24.68

CHANGE IN THE HOLDING OF CEO, DIRECTORS & THEIR SPOUSES

	Purchase	Bonus	Total
MR. FAWAD AHMAD MUKHTIAR	19,000	1,488,060	1,507,060
MR. FAZAL AHMAD SHEIKH	42,500	1,580,344	1,622,844
MR. FAISAL AHMAD MUKHTAR	174,000	1,487,864	1,661,864
MRS. AMBREEN FAWAD		28,125	28,125
MRS. FATIMA FAZAL		28,125	28,125
MRS. FARAH FAISAL		22,500	22,500

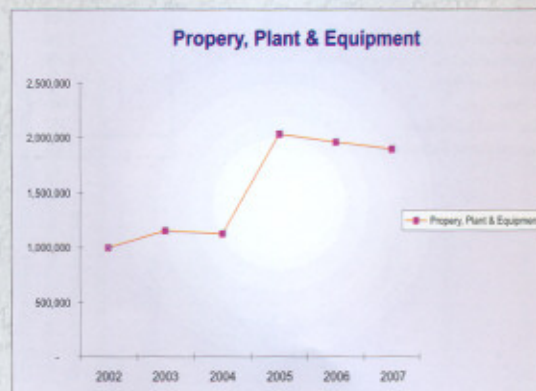
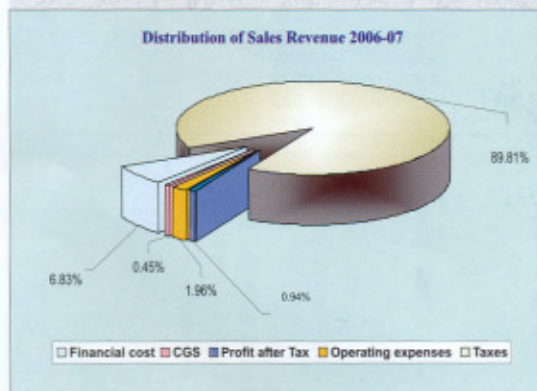
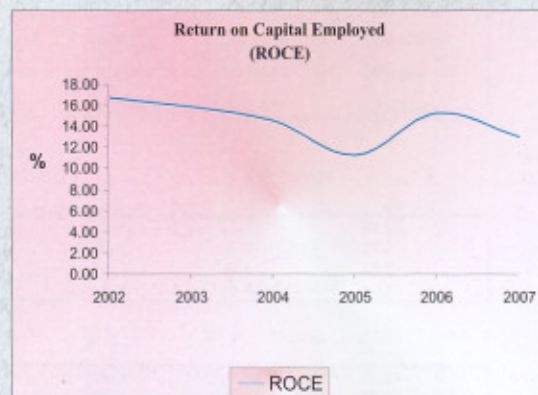
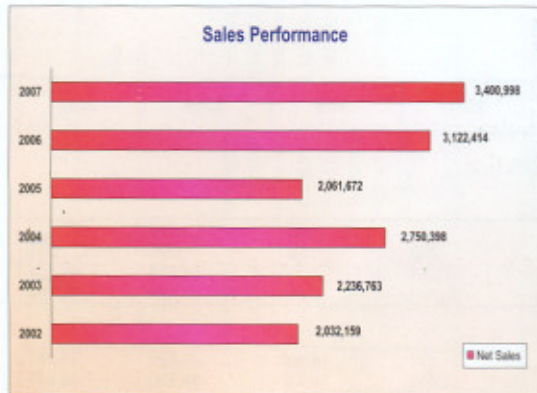
Neither CFO, nor Company Secretary along with Auditors & spouses had made any transaction in the shares of the company.

FORM 34
As at June 30, 2007

Category	PHYSICAL		CDC		TOTAL	
	HOLDERS	SHARES	HOLDERS	SHARES	HOLDERS	SHARES
001 to 100	64	2,373	46	1,717	110	4,090
101 to 500	527	102,481	196	54,197	723	156,678
501 to 1000	488	429,344	140	110,955	628	540,299
1001 to 5000	86	171,736	135	322,421	221	494,157
5001 to 10000	6	41,250	36	272,751	42	314,001
10001 to 15000	2	23,175	13	159,400	15	182,575
15001 to 20000	2	35,310	9	163,222	11	198,532
20001 to 25000	1	23,400	6	139,530	7	162,930
25001 to 30000	3	80,400	2	56,125	5	136,525
30001 to 40000	2	70,350	1	35,250	3	105,600
44901 to 51000	1	50,250	5	238,000	6	288,250
53201 to 55000	-	-	1	53,250	1	53,250
75001 to 89000	2	166,050	2	152,500	4	318,550
102001 to 113000	-	-	4	436,125	4	436,125
129001 to 150000	-	-	5	705,225	5	705,225
164001 to 186000	-	-	2	350,925	2	350,925
200001 to 201000	1	200,700	-	-	1	200,700
250001 to 250300	-	-	1	250,250	1	250,250
299001 to 310000	-	-	2	608,812	2	608,812
314001 to 315000	1	315,000	-	-	1	315,000
592601 to 610500	-	-	2	1,203,120	2	1,203,120
839901 to 840000	-	-	1	840,000	1	840,000
7440201 to 7901730	-	-	3	22,945,343	3	22,945,343
GRAND TOTAL	1,186	1,711,819	612	29,099,118	1,798	30,810,937

PARTICULARS	HOLDERS	SHARES	%AGE
DIRECTORS	6	23,339,093	75.75
NIT & ICP	2	1,203,850	3.91
INVESTMENT & MUDARBA COMPANIES	3	13,050	0.04
MUTUAL FUNDS	3	1,448,812	4.70
JOINT STOCK COMPANIES	16	193,362	0.63
OTHERS	2	134,125	0.44
INDIVIDUALS	1766	4,478,645	14.54
TOTAL	1798	30,810,937	100

FINANCIAL HIGHLIGHTS



DIRECTORS' REPORT

For the Year ended June 30, 2007

Dear Members,

We are pleased to report on Financials for the year ended June 30, 2007, in spite of strong market pressure along with historical high prices of cotton, higher inflation rates your Company earned gross profit of Rs. 346.4 M as compared to Rs. 423.0 M in the last year.

Financial Results

Though we managed to improve on production & sales in the current year due to our in house improvements in the management & team work but Governmental incentives to labor 30% increase in payroll as well as rising fuel & power prices along with electrical disturbances through out the year had given humps to production strategies which inflated cost of production. Total sales for the year under review increased to Rs. 3,400 M from Rs 3,122 M in 2005-06 (increased by 9%). Gross Profit was reduced by 18 %. Major Indicators are as under;

	2007	2006
	(Rs. in Million)	
Sales	3,400	3,122
Raw material consumed	2,336	2,026
Salaries, wages & other benefits	191	149
Fuel & power	242	217
Depreciation	198	184
Gross Profit	346	423

As far as the Auditor's qualification is concerned, we are of the view that as your company is holding only 1.59 % of total equity of the Company Concerned, it does not provide significant control over its policies and profits. So in view of prudence, your company is following its policy of valuing investment in Associated Companies at cost and booking profits/gains only after they are realized.

ECONOMY REVIEW

As usual, the government remains of the view that the economy's performance is par excellence. The GDP growth continues to be in the range of 6-7 per cent. Exports keep growing - although at a slow speed. Revenue collection has exceeded the target. Home remittances and foreign investment are on the rise. The stock market is booming and country's credit rating has improved tremendously.

No doubt, there remains some concern because of higher inflation rate and ballooning trade and current account deficits. But, according to government perception, inflation has already started showing a downward trend and so far as trade/current account deficit is concerned, both the government and the State Bank of Pakistan (SBP) have expressed the view recently that the deficit can be controlled.

BALANCE SHEET

As at June 30, 2007

	Note	2007 Rupees	2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2006: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
30,000,000 (2006: 30,000,000) preference shares of Rs. 10 each		300,000,000	300,000,000
		<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid up capital	3	308,109,370	246,487,500
Reserves	4	395,081,250	395,081,250
Unappropriated profit		165,798,067	195,501,910
		<u>868,988,687</u>	<u>837,070,660</u>
NON-CURRENT LIABILITIES			
Long term finances and other payables	5	711,913,668	988,791,218
Loans from related parties - subordinated loan	6	63,375,000	36,875,000
Deferred liabilities	7	8,589,216	16,238,327
		<u>783,877,884</u>	<u>1,041,904,545</u>
CURRENT LIABILITIES			
Trade and other payables	8	128,588,478	124,134,603
Markup accrued on loans and other payables	9	56,488,753	43,259,876
Finances under mark up arrangements and other credit facilities - secured	10	1,336,646,814	1,174,824,009
Current portion of non-current liabilities - secured	11	255,419,164	123,658,813
		<u>1,777,143,209</u>	<u>1,465,877,301</u>
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		<u>3,430,009,780</u>	<u>3,344,852,506</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

BALANCE SHEET
As at June 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,906,640,987	1,963,229,490
Intangible	14	1,033,593	-
Long term investment	15	69,999,586	69,999,586
Long term deposits		2,421,340	2,421,340
		<u>1,980,095,506</u>	<u>2,035,650,416</u>
CURRENT ASSETS			
Stores, spares and loose tools	16	103,050,338	92,855,401
Stock in trade	17	772,397,644	746,643,801
Trade debts	18	157,754,493	229,707,309
Loans and advances	19	187,188,985	142,601,992
Trade deposits and prepayments	20	1,122,041	5,804,422
Mark up accrued on loan	21	7,088,261	7,088,261
Other receivables	22	8,289,791	1,612,193
Short term investments	23	125,667,584	523,546
Tax refunds due from the government	24	45,560,675	49,793,062
Cash and bank balances	25	41,794,462	32,572,103
		1,449,914,274	1,309,202,090
		<u>3,430,009,780</u>	<u>3,344,852,506</u>

PROFIT AND LOSS ACCOUNT
For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
Sales - net	26	3,400,998,361	3,122,414,478
Cost of sales	27	(3,054,593,695)	(2,699,848,853)
Gross profit		346,404,666	422,565,625
Other operating income	28	39,344,127	17,840,572
Administration expenses	29	(50,282,001)	(48,421,073)
Distribution and marketing expenses	30	(49,671,260)	(39,031,369)
Other operating expenses	31	(6,048,989)	(9,584,861)
Finance cost	32	(232,381,335)	(199,406,645)
Profit before tax		47,365,208	143,962,249
Provision for taxation	33	(15,447,181)	(20,433,058)
Profit for the year		31,918,027	123,529,191
Earnings per share	39	1.04	4.01

The annexed notes from 1 to 45 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
Cash flows from operating activities			
Cash generated from operations	37	502,632,315	591,229,401
Finance cost paid		(215,681,681)	(196,446,255)
Workers' profit participation fund paid		(20,000,000)	-
Taxes paid		(25,426,992)	(18,419,737)
Tax refunded		-	20,910,804
Employees retirement benefits paid		(4,134,257)	(9,815,654)
Net cash from operating activities		<u>237,389,385</u>	<u>387,458,559</u>
Cash flows from investing activities			
Fixed capital expenditures		(147,783,471)	(131,389,013)
Claim/ sale proceeds of operating assets		2,585,000	14,517,929
Intangible		(1,148,437)	-
Long term investment		-	(69,999,586)
Short term investments		(125,000,000)	(500,000)
Net cash used in investing activities		<u>(271,346,908)</u>	<u>(187,370,670)</u>
Cash flows from financing activities			
Repayments of term finance certificates		(42,857,145)	(42,857,142)
Proceeds from long term finances		164,971,861	-
Repayment of long term finances		(267,231,915)	(126,521,320)
Proceeds from loan from director		37,000,000	36,875,000
Repayment of loan from director		(10,500,000)	-
Dividend paid		(25,724)	(24,426,211)
Net cash used in financing activities		<u>(118,642,923)</u>	<u>(156,929,673)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(152,600,446)</u>	<u>43,158,216</u>
Cash and cash equivalents at beginning of the year		<u>(1,142,251,906)</u>	<u>(1,185,410,122)</u>
Cash and cash equivalents at end of the year	38	<u>(1,294,852,352)</u>	<u>(1,142,251,906)</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year ended June 30, 2007

	Rupees				
	Share capital	Share premium	General reserve	Unappropriated profit	Total
Balance as at July 01, 2005	246,487,500	41,081,250	354,000,000	96,621,469	738,190,219
Final dividend for the period ended June 30, 2005 @ Re. 1 per share	-	-	-	(24,648,750)	(24,648,750)
Profit for the year	-	-	-	123,529,191	123,529,191
Balance as at June 30, 2006	246,487,500	41,081,250	354,000,000	195,501,910	837,070,660
Nominal value of bonus shares issued	61,621,870	-	-	(61,621,870)	-
Profit for the year	-	-	-	31,918,027	31,918,027
Balance as at June 30, 2007	<u>308,109,370</u>	<u>41,081,250</u>	<u>354,000,000</u>	<u>165,798,067</u>	<u>868,988,687</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year ended June 30, 2007

	Rupees				
	Share capital	Share premium	General reserve	Unappropriated profit	Total
Balance as at July 01, 2005	246,487,500	41,081,250	354,000,000	96,621,469	738,190,219
Final dividend for the period ended June 30, 2005 @ Re. 1 per share	-	-	-	(24,648,750)	(24,648,750)
Profit for the year	-	-	-	123,529,191	123,529,191
Balance as at June 30, 2006	246,487,500	41,081,250	354,000,000	195,501,910	837,070,660
Nominal value of bonus shares issued	61,621,870	-	-	(61,621,870)	-
Profit for the year	-	-	-	31,918,027	31,918,027
Balance as at June 30, 2007	<u>308,109,370</u>	<u>41,081,250</u>	<u>354,000,000</u>	<u>165,798,067</u>	<u>868,988,687</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

2.16 Derivative financial instruments

These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

2.17 Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

2.18 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

All exchange differences are charged to the profit and loss account.

2.19 Borrowing cost

Mark up, interest and other charges on long term loans are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to profit and loss account.

3. Issued, subscribed and paid up capital

2007 (Number of shares)	2006	Note	2007 Rupees	2006 Rupees
17,801,875	17,801,875	Ordinary shares of Rs. 10 each fully paid in cash	178,018,750	178,018,750
13,009,062	6,846,875	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	130,090,620	68,468,750
<u>30,810,937</u>	<u>24,648,750</u>		<u>308,109,370</u>	<u>246,487,500</u>

The company has capitalized Rs. 61,621,870 by way of issue of bonus shares @ 25 shares per 100 shares each of issued, subscribed and paid up share capital.

4. Reserves

Composition of reserves is as follows:

Capital reserve				
- Share premium	4.1	41,081,250	41,081,250	
Revenue				
- General reserve		354,000,000	354,000,000	
		<u>395,081,250</u>	<u>395,081,250</u>	

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

5. Long term finances and other payables

Secured

- From banking companies

Term finance certificates		-	42,857,145
Long term loans	5.1	946,261,761	604,285,129
Long term Musharika	5.2	463,375	-
Deferred letters of credit	5.3	-	444,700,061
Other payables	5.4	20,607,696	20,607,696
		<u>967,332,832</u>	<u>1,112,450,031</u>

Less: Current portion shown under current liabilities

- Term finance certificates		-	42,857,145
- Long term loans		255,419,164	80,801,668
		<u>255,419,164</u>	<u>123,658,813</u>
		<u>711,913,668</u>	<u>988,791,218</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

2.16 Derivative financial instruments

These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

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Revenue from sales is recognised on dispatch of goods to customers.

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Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

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All exchange differences are charged to the profit and loss account.

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<u>30,810,937</u>	<u>24,648,750</u>		<u>308,109,370</u>	<u>246,487,500</u>

The company has capitalized Rs. 61,621,870 by way of issue of bonus shares @ 25 shares per 100 shares each of issued, subscribed and paid up share capital.

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Composition of reserves is as follows:

Capital reserve				
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Revenue				
- General reserve		354,000,000	354,000,000	
		<u>395,081,250</u>	<u>395,081,250</u>	

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Other payables	5.4	20,607,696	20,607,696
		<u>967,332,832</u>	<u>1,112,450,031</u>

Less: Current portion shown under current liabilities

- Term finance certificates		-	42,857,145
- Long term loans		255,419,164	80,801,668
		<u>255,419,164</u>	<u>123,658,813</u>
		<u>711,913,668</u>	<u>988,791,218</u>

5.1 Long term loans

Loan #	Lender - Nature	2007 Rupees	2006 Rupees	Rate of interest per annum	Number of installments	Interest payable
1.	United Bank Limited - Demand Finance I	83,625,000	100,350,000	3 M KIBOR + 2.25%	15 equal quarterly installments ending December 01, 2010	Quarterly
2.	United Bank Limited - Demand Finance II	-	1,967,970	-	-	-
3.	United Bank Limited - Demand Finance III	275,000,000	275,000,000	6 M KIBOR + 1.50%	10 equal half yearly installments commencing July 01, 2007	Quarterly
4.	National Bank of Pakistan - Demand Finance	39,420,669	65,706,669	3 M KIBOR + 1.75%	3 equal half yearly installments ending September 30, 2008	Semi annually
5.	National Bank of Pakistan - Demand Finance-II	315,000,000	-	3 M KIBOR + 1.75%	10 equal half yearly installments commencing July 01, 2007	Quarterly
6.	Habib Bank Limited - LTF - EOP -I	65,933,993	-	6%	3 equal half yearly installments ending July 31, 2008	Quarterly
7.	Habib Bank Limited - LTF - EOP -II	24,523,000	-	7%	8 equal half yearly installments ending January 01, 2011	Quarterly
8.	Habib Bank Limited - LTF - EOP -III	118,429,500	-	7%	8 equal half yearly installments ending January 01, 2011	Quarterly
9.	Habib Bank Limited - Fixed Asset Financing I	-	87,911,990	-	-	-
10.	Habib Bank Limited - Fixed Asset Financing II	24,329,599	73,348,500	6 M KIBOR + 1%	7 equal half yearly installments ending January 01,2011	Quarterly
		<u>946,261,761</u>	<u>604,285,129</u>			

The company has Rs. 93.583 million (2006: Rs. 173.310 million) undrawn borrowing facilities as at June 30, 2007.

Security

Loan No. 1

These are secured by a first charge on fixed assets of the Unit 3 (Spinning) of the company.

Loan No. 3

It is secured by a first pari passu charge on all fixed assets of the Unit 4 (Spinning) of the company.

Loan No. 4

This loan is secured by a pari passu charge over the assets of Unit 2 (Weaving) of the company.

Loan No. 5

This loan is secured by a first charge over the assets of Unit 4 (Spinning) of the company.

Loan No. 6, 7, 8 and 10

These are secured by a first pari passu charge on all fixed assets of Unit 2 (Weaving) and Unit 4 (Spinning) of the company.

5.2 The company during the year has obtained long term musharika from Meezan Bank Limited carrying markup rate of 6 M KIBOR+2.50% per annum and is repayable in 8 half yearly installments. This finance is secured against specific and exclusive charge over the fixed assets of weaving unit -1.

5.3 Deferred letters of credit has been matured during the year and converted into Demand finance-II of National Bank of Pakistan (loan no. 5).

5.4 This represents the mark up payable by December 2010, under the repayment terms relating to loan no. 1 in note 5.1.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
6. Loans from related parties - subordinated loan			
- unsecured			
Fazal Ahmed Sheikh		26,375,000	36,875,000
Faisal Ahmed Mukhtar		37,000,000	-
		<u>63,375,000</u>	<u>36,875,000</u>
This represents interest free subordinated loans obtained from the directors of the company.			
7. Deferred liabilities			
Deferred taxation	7.1	7,221,000	15,500,000
Employees retirement benefits - gratuity	7.2	1,368,216	738,327
		<u>8,589,216</u>	<u>16,238,327</u>
7.1 Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		47,988,000	60,000,000
Unused tax losses		(40,767,000)	(44,500,000)
		<u>7,221,000</u>	<u>15,500,000</u>
7.2 Employees retirement benefits-gratuity			
Present value of defined benefit obligation		2,909,747	5,350,043
Unrecognised actuarial gain/ (loss)		497,041	(942,286)
Unrecognised part of transitional liability		(2,038,572)	(3,669,430)
Liability as at June 30		<u>1,368,216</u>	<u>738,327</u>
Liability as at July 01		738,327	5,400,700
Charge to profit and loss account		4,764,146	5,153,281
Payments made during the year		(4,134,257)	(9,815,654)
Liability as at June 30		<u>1,368,216</u>	<u>738,327</u>
8. Trade and other payables			
Trade creditors		68,449,414	47,942,940
Accrued liabilities		36,068,951	34,215,796
Advances from customers		6,208,938	7,566,296
Due to related parties	8.1	4,609,796	5,900,899
Workers' profit participation fund	8.2	8,559,714	23,171,731
Workers' welfare fund	31	966,637	-
Unclaimed dividend		3,596,998	3,622,722
Others		128,030	1,714,219
		<u>128,588,478</u>	<u>124,134,603</u>
8.1 Due to related parties			
Fatima Sugar Mills Limited		1,231,812	1,269,624
Reliance Cotton (Private) Limited		1,501,357	1,628,858
Reliance Commodities (Private) Limited		1,412,674	1,181,842
Fazal Cloth Mills Limited		463,953	1,820,575
		<u>4,609,796</u>	<u>5,900,899</u>
These relate to normal business of the company and are interest free.			
8.2 Workers' profit participation fund			
Balance as at July 01		23,171,731	13,910,828
Interest on funds utilized in the company's business	32	2,488,980	1,599,745
		<u>25,660,711</u>	<u>15,510,573</u>
Less: Payments made during the year		(20,000,000)	-
		<u>5,660,711</u>	<u>15,510,573</u>
Allocation for the year	31	2,899,003	7,661,158
Balance as at June 30		<u>8,559,714</u>	<u>23,171,731</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
6. Loans from related parties - subordinated loan			
- <i>unsecured</i>			
Fazal Ahmed Sheikh		26,375,000	36,875,000
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Unused tax losses		(40,767,000)	(44,500,000)
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7.2 Employees retirement benefits-gratuity			
Present value of defined benefit obligation		2,909,747	5,350,043
Unrecognised actuarial gain/ (loss)		497,041	(942,286)
Unrecognised part of transitional liability		(2,038,572)	(3,669,430)
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Workers' welfare fund	31	966,637	-
Unclaimed dividend		3,596,998	3,622,722
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		<u>128,588,478</u>	<u>124,134,603</u>
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		<u>5,660,711</u>	<u>15,510,573</u>
Allocation for the year	31	2,899,003	7,661,158
Balance as at June 30		<u>8,559,714</u>	<u>23,171,731</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
9. Mark up accrued on loans and other payables			
Term finance certificates - secured		-	4,703,546
Long term finances - secured		26,746,649	15,399,018
Finances under mark-up arrangements and other credit facilities - secured		29,742,104	23,157,312
		56,488,753	43,259,876

10. Finances under mark up arrangements and other credit facilities - secured

Short term running finances	10.1	325,087,559	142,908,139
Export finances	10.2	1,011,559,255	1,031,915,870
		1,336,646,814	1,174,824,009

10.1 Short term running finances are available from a consortium of commercial banks under mark up arrangements amount to Rs. 3,710 million (2006: Rs. 2,960 million). The rates of mark up range from Re. 0.2798 to Re. 0.2941 per Rs. 1,000 per diem or part thereof on the balance outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year, or earlier demand, additional mark up is to be computed at the rate of Re. 0.1781 per Rs. 1,000 per diem or part thereof on the balances unpaid.

10.2 The company has obtained export finance facilities from commercial banks aggregating to Rs. 2,322 million (2006: Rs. 2,795 million) being the sub limit of the finance mentioned in note 10.1. The rates of mark up range from Re. 0.1657 to Re. 0.1707 per Rs 1,000 per diem or part thereof on the outstanding balance.

Of the aggregate facility of Rs. 630 million (2006: Rs. 1,170 million) for opening letter of credits and Rs. 115 million (2006: Rs. 115 million) for guarantees being the sub limit of finances mentioned in note 10.1, the amount utilised at June 30, 2007 was Rs. 142.64 million (2006: Rs. 238.247 million) and Rs. 52.143 million (2006: Rs. 48.3 million) respectively.

The aggregate facilities are secured by a hypothecation charge on all present and future current assets of the company including stock in trade, trade debts and lien on export bills.

11. Current portion of non-current liabilities - secured

Term finance certificates	5	-	42,857,145
Long term finances	5	255,419,164	80,801,668
		255,419,164	123,658,813

12. Contingencies and commitments

12.1 Contingencies

- (i) The company has provided bank guarantees in favour of Sui Northern Gas Pipe Line Limited amounting to Rs. 52.143 million (2006: Rs. 48.3 million) on account of payment of dues against gas sales etc.
- (ii) Guarantee given as at June 30, 2007 on behalf of the company by the Meezan Bank Limited is outstanding for Rs. 500 million (2006: Nil) to fulfill the company's commitment to subscribe the equity of Fatima Fertilizer Company Limited for which the company has deposited 25% margin (i.e. Rs. 125 million)
- (iii) The Company is contingently liable for Rs. 1.4 million Iqra surcharge on account of non-compliance of the provisions of SRO. 1140(1) 97 in respect of 1,320 bales of raw cotton imported in the year 2001. However, all the contingencies previously attached to the particular case have already been decided in favour of the company. The management is confident, since Alternate Dispute Resolution Committee recommendations and subsequent decisions by CBR were in favour of the company, that the liability on account of Iqra surcharge on account of exportation of goods so manufactured from imported cotton, will be positively waived off.
- (iv) The Assistant Commissioner Audit (Taxation Officer), while rectifying the assessment for the tax year 2005 U/S 221(1) of Income Tax Ordinance 2001, has issued demand of Rs. 1.695 million, against which the company has filed an appeal to Commissioner Income Tax (Appeal). The management is confident that the ultimate decision in respect of the order will be in the company's favour and therefore the management has not made any provision in these financial statements in respect of the said amount.
- (v) Foreign bills discounted outstanding as at June 30, 2007 aggregated Rs. 246.846 million (2006: Rs. 116.005 million).

12.2 Commitments

	2007	2006
	Rupees in million	
Capital expenditures	5.72	6.82
Letters of credit other than capital expenditures	134.92	73.17
	140.64	79.99

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
9. Mark up accrued on loans and other payables			
Term finance certificates - secured		-	4,703,546
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Finances under mark-up arrangements and other credit facilities - secured		<u>29,742,104</u>	<u>23,157,312</u>
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		<u>255,419,164</u>	<u>123,658,813</u>

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- (ii) Guarantee given as at June 30, 2007 on behalf of the company by the Meezan Bank Limited is outstanding for Rs. 500 million (2006: Nil) to fulfill the company's commitment to subscribe the equity of Fatima Fertilizer Company Limited for which the company has deposited 25% margin (i.e. Rs. 125 million)
- (iii) The Company is contingently liable for Rs. 1.4 million Iqra surcharge on account of non-compliance of the provisions of SRO. 1140(1) 97 in respect of 1,320 bales of raw cotton imported in the year 2001. However, all the contingencies previously attached to the particular case have already been decided in favour of the company. The management is confident, since Alternate Dispute Resolution Committee recommendations and subsequent decisions by CBR were in favour of the company, that the liability on account of Iqra surcharge on account of exportation of goods so manufactured from imported cotton, will be positively waived off.
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12.2 Commitments

	2007	2006
	Rupees in million	
Capital expenditures	5.72	6.82
Letters of credit other than capital expenditures	134.92	73.17
	<u>140.64</u>	<u>79.99</u>

NOTES TO THE FINANCIAL ACCOUNTS

For the Year ended June 30, 2007

13. Property, plant and equipment

	Note	2007 Rupees	2006 Rupees
Operating assets	13.1	1,817,889,055	1,908,305,889
Capital work in progress	13.4	88,751,932	54,923,601
		<u>1,906,640,987</u>	<u>1,963,229,490</u>

13.1 Operating assets

Particulars	Cost			Depreciation			Book value as at June 30, 2007	
	As at June 30, 2006	Additions during the year	Deletions during the year	As at June 30, 2007	Rate %	For the year		Deletions during the year
Freehold land	31,775,233	1,057,260	-	32,832,493	-	-	-	32,832,493
Buildings	296,146,590	6,750,158	-	302,896,748	10	19,885,265	-	100,309,870
Plant and machinery	2,308,051,206	83,156,026	-	2,391,207,232	10	171,066,762	-	893,615,923
Electric installations	58,511,436	8,581,377	(3,945,062)	63,127,751	10	4,119,304	(2,294,974)	22,608,036
Factory equipment	12,230,985	1,925,040	-	14,156,025	10	2,037,843	-	5,167,344
Office equipment	10,991,511	1,039,687	-	12,031,198	10	417,456	-	3,183,525
Electric appliances	5,458,128	2,352,794	-	7,811,922	10	797,129	-	2,574,574
Furniture and fixtures	7,066,692	1,900,401	-	8,967,093	10	496,364	-	2,655,813
Vehicles	23,510,892	6,230,600	(142,190)	29,599,302	20	2,909,584	(131,808)	14,973,678
2007	2,753,743,673	112,973,343	(4,087,252)	2,862,629,764		201,729,707	(2,426,782)	1,044,740,709
2006	1,937,940,341	862,122,494	(46,319,162)	2,753,743,673		188,289,400	(32,803,512)	1,908,305,889

13.2 The depreciation charge for the year has been allocated as follows:

	Note	2007 Rupees	2006 Rupees
Cost of sales	27	197,526,630	184,334,675
Administration expenses	29	4,203,077	3,954,725
		<u>201,729,707</u>	<u>188,289,400</u>

13.3 Disposal schedule of operating assets

Particulars	Cost	Accumulated depreciation	Book value (R u p e e s)	Claim/ Sales proceeds	Gain/ (loss)	Mode of disposal	Claim from/ Sold to
Mccb Panel	273,795	89,168	184,627	166,565	(18,062)	Insurance Claim	EFU General Insurance Limited
Switch Board	495,000	365,683	129,317	301,136	171,819	Insurance Claim	EFU General Insurance Limited
Circuit Board	828,614	269,859	558,755	504,092	(54,663)	Insurance Claim	EFU General Insurance Limited
L. T Switch	518,702	396,743	121,959	315,555	193,596	Insurance Claim	EFU General Insurance Limited
Wire	1,828,951	1,173,521	655,430	1,112,652	457,222	Insurance Claim	EFU General Insurance Limited
	<u>3,945,062</u>	<u>2,294,974</u>	<u>1,650,088</u>	<u>2,400,000</u>	<u>749,912</u>		
Vehicles							
Suzuki Khyber MNT-568	142,190	131,808	10,382	185,000	174,618	Negotiations	Ifrikhar Mehmood
2007	4,087,252	2,426,782	1,660,470	2,585,000	924,530		
2006	46,319,162	32,803,512	13,515,650	14,517,929	1,002,279		

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	2007 Rupees	2006 Rupees
13.4 Capital work in progress		
Civil works and buildings	86,347,072	51,794,048
Plant and machinery	16,845	-
Factory equipment	1,910	-
Office equipment	7,500	-
Electric appliances	227,053	-
Furniture and fixtures	57,308	-
Electric Installation	774,044	-
Advances	1,320,200	3,129,553
	88,751,932	54,923,601
14. Intangible		
<u>License fee</u>		
Cost	1,148,437	-
Less: Amortization during the year	29 (114,844)	-
	1,033,593	-
The license fee has been paid for the right to use Oracle Financials.		
15. Long term investment		
<u>Investment in associate - at cost</u>		
Pak Arab Fertilizers Limited	69,999,586	69,999,586
15.1 This represents 1,178,431 (2006: 1,178,431) fully paid ordinary shares of Rs. 10 each. The company shareholding is 1.59% (2006: 1.59%). The valuation of investment in associate has been made at cost. Had the investment been valued using equity method as required by the IAS-28 "Investments in associates", the value of investment would have been increased by Rs. 42.734 million (2006: Rs. 21.176 million) and profit for the year would have increased by Rs. 21.558 million (2006: Rs. 21.176 million) with restated effect of Rs. 21.176 million in unappropriated profit.		
15.2 Break up value on the basis of unaudited financial statements for the year ended June 30, 2007 Rs. 95.14 (2006 (audited): Rs. 78.58).		
16. Stores, spares and loose tools		
Stores [including in transit Rs. Nil (2006: Rs. 0.432 million)]	73,270,122	42,181,818
Spares	29,880,444	50,684,142
Loose tools	129,794	219,463
	103,280,360	93,085,423
Provision for obsolete items	(230,022)	(230,022)
	103,050,338	92,855,401
16.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
16.2 Included in stores are chemicals valuing Rs. 590,640 (2006: Rs. Nil) held with third party.		
17. Stock in trade		
Raw materials [including in transit Rs. 2.034 million (2006: Rs. 8.702 million)]	379,750,441	429,562,639
Work in process	43,792,449	45,621,521
Finished goods	335,588,292	267,987,641
Waste	13,266,462	3,472,000
	772,397,644	746,643,801
17.1 No raw materials of yarn is held with third party (2006: 318 bags of yarn valuing Rs. 1.810 million)		
17.2 Raw materials and finished goods amounting to Rs. 706.9 million (2006: Rs. 753.851 million) are pledged with lenders as security against finances obtained under mark up arrangements as referred to in note 10.		
18. Trade debts		
Considered good		
Export - secured	100,704,496	165,704,731
Local - unsecured	57,049,997	64,002,578
Considered doubtful	690,748	690,748
	158,445,241	230,398,057
Provision for doubtful debts	(690,748)	(690,748)
	157,754,493	229,707,309

NOTES TO THE FINANCIAL ACCOUNTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
19. Loans and advances			
Advances - considered good			
- To employees	19.1	16,160,994	7,965,874
- To suppliers		30,317,662	18,689,847
Advances for issue of shares - related party	19.2	125,061,590	100,000,000
Advisory fee against TFCs		-	1,500,000
Due from related parties	19.3	1,926,681	531,881
Letters of credit - margins, deposits, opening charges, etc.		13,722,058	13,914,390
		<u>187,188,985</u>	<u>142,601,992</u>
19.1 Included in advances to employees are amounts due from executives Rs. 1.298 million (2006: Rs. 0.045 million).			
19.2 This includes mark up of Rs. 18.209 million (2006: nil) charged @ 10.50% on advance against issue of shares to Fatima Fertilizer Company Limited.			
19.3 Due from related parties			
Fatima Fertilizer Company Limited		243,434	22,832
Gadoon Packing Limited		444,550	294,550
Reliance Fabrics Limited		19,997	19,997
Pak Arab Fertilizers Limited		517,325	194,502
Multan Cloth Finishing Factory		701,375	-
		<u>1,926,681</u>	<u>531,881</u>
These relate to normal business of the company and are interest free.			
20. Trade deposits and prepayments			
Security deposits		145,940	917,530
Prepayments		976,101	4,886,892
		<u>1,122,041</u>	<u>5,804,422</u>
21. Mark up accrued on loan			
Mark up accrued on short term loan		7,088,261	7,088,261
This represents mark up accrued on short term loan given to Pak Arab Fertilizers Limited.			
22. Other receivables			
Profit on short term investment	22.1	6,589,041	-
Others		1,700,750	1,612,193
		<u>8,289,791</u>	<u>1,612,193</u>
22.1 This represents profit accrued on Certificate of Islamic Investment in Meezan Bank Limited @ 9.25% p.a.			
23. Short term investments			
<u>Held to maturity</u>			
Certificate of Islamic Investment	23.1	125,000,000	-
<u>Held for trading - quoted (At fair value)</u>			
Pakistan Stock Market Fund	23.2	667,584	523,546
		<u>125,667,584</u>	<u>523,546</u>
23.1 This represents Certificate of Islamic Investment in Meezan Bank Limited and are given as 25% margin on SBLC of Rs. 500 million in Meezan Bank Limited (note 12.1(ii)) and will mature on December 07, 2007.			
23.2 This represents 6,211.24 (2006: 4,580.852) units invested in Pakistan Stock Market Fund (Mutual Fund), managed by Arif Habib Investment Management Limited.			
24. Tax refunds due from the government			
Export rebate		5,432,706	5,688,107
Income tax		17,910,554	16,209,743
Sales tax		22,217,415	27,895,212
		<u>45,560,675</u>	<u>49,793,062</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
25. Cash and bank balances			
Balances at banks			
<i>on current accounts:</i>			
- Pak rupee		4,287,152	19,757,756
- Foreign currency - US \$ 52,603.49 (2006: US \$ 19,183.92)		<u>3,177,250</u>	<u>1,153,913</u>
		7,464,402	20,911,669
<i>on saving accounts</i>	25.1	34,090,434	11,100,450
Cash in hand		<u>239,626</u>	<u>559,984</u>
		<u><u>41,794,462</u></u>	<u><u>32,572,103</u></u>

25.1 Effective mark up rate in respect of saving accounts ranges from 4.75% to 8.5% (2006: 4 % to 4.4%) per annum.

26. Sales - net			
Export		2,330,771,261	1,782,964,284
Local		1,032,844,012	1,302,651,773
Waste		<u>81,260,511</u>	<u>64,963,595</u>
		3,444,875,784	3,150,579,652
Less: Commission		<u>44,925,712</u>	<u>31,645,656</u>
		3,399,950,072	3,118,933,996
Add: Doubling income		<u>709,920</u>	<u>1,318,700</u>
Export rebate		<u>338,369</u>	<u>2,161,782</u>
		<u>1,048,289</u>	<u>3,480,482</u>
		<u><u>3,400,998,361</u></u>	<u><u>3,122,414,478</u></u>

27. Cost of sales			
Raw material consumed		2,335,965,730	2,026,393,592
Stores and spares consumed		109,202,832	104,582,112
Packing material consumed		31,077,851	25,446,600
Salaries, wages and other benefits	27.1	191,027,839	149,019,436
Fuel and power		242,692,014	217,261,497
Insurance		6,787,490	9,688,170
Repairs and maintenance		5,094,066	7,204,224
Depreciation on operating assets	13.2	197,526,630	184,334,675
Utilities		134,623	935,362
Other expenses		<u>10,650,661</u>	<u>10,335,580</u>
		3,130,159,736	2,735,201,248
Opening work in process		<u>45,621,521</u>	<u>49,433,264</u>
Closing work in process		<u>(43,792,449)</u>	<u>(45,621,521)</u>
		1,829,072	3,811,743
Cost of goods manufactured		3,131,988,808	2,739,012,991
Opening stock		<u>267,987,641</u>	<u>228,682,390</u>
- Finished goods		<u>3,472,000</u>	<u>3,613,113</u>
- Waste		271,459,641	232,295,503
Closing stock		<u>(335,588,292)</u>	<u>(267,987,641)</u>
- Finished goods		<u>(13,266,462)</u>	<u>(3,472,000)</u>
- Waste		<u>(348,854,754)</u>	<u>(271,459,641)</u>
		<u><u>3,054,593,695</u></u>	<u><u>2,699,848,853</u></u>

27.1 Salaries, wages and other benefits include the following in respect of employees retirement benefits - gratuity:

Current service cost	1,555,037	2,226,247
Interest cost for the year	2,399,818	801,204
Actuarial loss recognized	510,131	1,833
Transitional liability	<u>77,669</u>	<u>1,402,538</u>
	<u>4,542,655</u>	<u>4,431,822</u>

NOTES TO THE FINANCIAL ACCOUNTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
28. Other operating income			
Exchange gain		-	7,996,524
Gain on sale of operating assets		924,530	1,485,461
Mark up on investment in associate		18,279,657	7,088,261
Profit on short term investment		6,589,041	-
Bad debts written back		-	1,006,829
Gain on forward rate agreement		8,795,410	-
Others		4,755,489	263,497
		<u>39,344,127</u>	<u>17,840,572</u>
29. Administration expenses			
Salaries, wages and other benefits	29.1	21,317,753	17,385,156
Printing and stationery		748,903	600,568
Motor vehicle running		2,607,954	2,450,417
Traveling and conveyance		9,950,898	12,255,288
Rent, rates and taxes		1,696,787	1,103,000
Telephone and postage		3,443,290	3,474,200
Fee, subscription and periodicals		1,696,770	870,330
Utilities		874,316	947,995
Insurance		251,289	396,018
Repairs and maintenance		893,484	1,198,780
Entertainment		698,048	844,114
Advertisement		231,180	211,720
Depreciation on operating assets	13.2	4,203,077	3,954,725
Amortization of intangible	14	114,844	-
Professional services	29.2	1,135,737	1,227,124
Other expenses		417,671	1,501,638
		<u>50,282,001</u>	<u>48,421,073</u>
29.1 Salaries, wages and other benefits include the following in respect of employees retirement benefits - gratuity:			
Current service cost		75,821	362,412
Interest cost for the year		117,010	130,429
Actuarial loss recognized		24,873	298
Transitional liability		3,787	228,320
		<u>221,491</u>	<u>721,459</u>
29.2 Professional services			
The charges for professional services include the following in respect of auditors' services for:			
<i>M. Yousuf Adil Saleem & Co.</i>			
Statutory audit		200,000	200,000
Half yearly review		150,000	150,000
Certification		50,000	50,000
		<u>400,000</u>	<u>400,000</u>
30. Distribution and marketing expenses			
Ocean freight and shipping		18,254,545	16,330,113
Local freight		14,077,343	11,037,055
Export development surcharge		5,910,052	4,419,823
Forwarding and clearing expenses		5,736,187	4,615,225
Marketing expenses		465,435	799,983
Other expenses		5,227,698	1,829,170
		<u>49,671,260</u>	<u>39,031,369</u>
31. Other operating expenses			
Term finance expenses		-	25,000
Workers' profit participation fund	8.2	2,899,003	7,661,158
Workers' welfare fund	8	966,637	-
Donations	31.1	2,183,349	1,898,703
		<u>6,048,989</u>	<u>9,584,861</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
31.1 Donations			
Names of donees in which a director or his spouse has an interest:			
Farrukh Mukhtar Girls High school (Mian Faisal, Director is the Trustee)		787,277	675,713
Farrukh Mukhtar Hospital, Multan (Mian Faisal, Director is the Trustee)		494,315	365,500
Mian Mukhtar Trust, Multan (Mian Faisal, Director is the Trustee)		-	72,000
32. Finance cost			
Interest and mark up on			
- Term finance certificates		4,260,232	8,406,580
- Long term finances		88,873,329	68,332,918
- Finances under mark up arrangements and other credit facilities		105,358,529	87,670,569
- Workers' profit participation fund	8.2	2,488,980	1,599,745
Exchange loss		981,797	6,151,133
Bank charges and commission		30,418,468	27,245,700
		<u>232,381,335</u>	<u>199,406,645</u>
33. Provision for taxation			
For the year			
- Current	33.1	23,457,400	17,871,406
- Deferred		(8,279,000)	2,500,000
		<u>15,178,400</u>	<u>20,371,406</u>
Prior years			
- Current		268,781	61,652
		<u>15,447,181</u>	<u>20,433,058</u>

33.1 The provision for current period taxation represents the tax liability under section 169 of the Income Tax Ordinance, 2001.

For purposes of current taxation, the total tax losses available for carry forward as at June 30, 2007 are estimated approximately at Rs. 116.575 million (2006: Rs. 127.486 million).

33.2 Relationship between tax expenses and accounting profit

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	%	%
Applicable tax rate	35.00%	35.00%
Tax effect under presumptive tax regime and others	(10.50%)	2.16%
Income not chargeable to tax	7.71%	(23.20%)
Effect of change in prior year's tax	0.40%	0.04%
	<u>(2.39%)</u>	<u>(21.00%)</u>
Average effective tax rate charged to profit and loss account	<u>32.61%</u>	<u>14.00%</u>

34. Remuneration of Director and Executives

34.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the director and executives of the company is as follows:

	Director		Executives	
	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Managerial remuneration	1,200,000	1,200,000	6,286,632	5,007,000
House rent allowance	-	-	1,410,000	227,000
Utility allowance	-	-	2,350,200	1,146,818
Reimbursement of medical expenses	-	-	-	4,000
Leave encashment	-	-	398,893	345,833
Bonus	-	-	771,039	165,000
	<u>1,200,000</u>	<u>1,200,000</u>	<u>11,216,764</u>	<u>6,895,651</u>
Number of persons.	1	1	8	5

The company also provides the Chief Executive Officer, some of the directors and executives with free use of company maintained cars and residential phones.

34.2 Remuneration to other directors

No meeting fee has been charged in the financial statements for the year to 6 directors (2006: 6 directors).

NOTES TO THE FINANCIAL ACCOUNTS

For the Year ended June 30, 2007

35. Transactions with related parties

The related parties comprise associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 34. Other significant transactions with related parties are as follows:

Description	2007 Rupees	2006 Rupees
Purchase of goods and services	52,605,182	60,668,861
Sale of goods and services	67,560	3,016,225
Sale of operating assets	-	1,346,258
Purchase of operating assets	774,865	-
Mark up charged	18,279,657	7,088,261

All transactions with related parties have been carried out on commercial terms and conditions.

36. Capacity and production

	2007	2006
Unit 1 (Weaving)		
Number of looms installed	91	91
Capacity after conversion into 50 picks - Meters	15,175,486	15,175,486
Actual production of fabric after conversion into 50 picks - Meters	13,341,741	13,204,632
Unit 2 (Weaving)		
Number of looms installed	204	204
Capacity after conversion into 50 picks - Meters	41,332,426	41,332,426
Actual production of fabric after conversion into 50 picks - Meters	41,848,757	39,024,001
Under utilisation of available weaving capacity is due to:		
- Change of articles required		
- Width loss due to specification of the cloth		
- Due to normal maintenance		
Unit 3 (Spinning)		
Number of spindles installed	14,400	14,400
Capacity after conversion into 20 count - Kgs	4,849,904	4,849,904
Actual production of yarn after conversion into 20 count - Kgs	3,940,423	3,963,791
Unit 4 (Spinning)		
Number of spindles installed	21,120	21,120
Capacity after conversion into 20 count - Kgs	7,113,193	7,113,193
Actual production of yarn after conversion into 20 count - Kgs	6,508,019	6,570,167
Under utilisation of available spinning capacity is due to:		
- Processing mix of coarser and finer counts		
- Electricity shut downs		

NOTES TO THE FINANCIAL STATEMENTS
For the Year ended June 30, 2007

37. Cash generated from operations	Note	2007 Rupees	2006 Rupees
Profit before tax		47,365,208	143,962,249
Adjustments for:			
Depreciation on operating assets		201,729,707	188,289,400
Amortization of intangible		114,844	-
Employees retirement benefits accrued		4,764,146	5,153,281
Gain on disposal of operating assets		(924,530)	(1,485,461)
Donation of operating assets		-	483,182
Exchange gain		-	(1,845,391)
Exchange loss		981,797	-
Bad debts written back		-	(1,006,829)
Workers' profit participation fund		2,899,003	7,661,158
Interest on workers' profit participation fund		2,488,980	1,599,745
Finance cost (excluding interest on workers' profit participation fund and exchange loss)		228,910,558	191,655,767
Gain on re-measurement of short term investment at fair value		(144,038)	(23,546)
Profit before working capital changes		<u>488,185,675</u>	<u>534,443,555</u>
Effect on cash flow due to working capital changes			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		(10,194,937)	(12,542,718)
- Stock in trade		(25,753,843)	(39,916,901)
- Trade debts		71,952,816	(24,160,023)
- Loans and advances		(44,586,993)	143,228,201
- Trade deposits and prepayments		4,682,381	(1,911,177)
- Tax refunds due from government (excluding income tax)		5,933,198	(9,701,260)
- Mark up accrued on loan		-	(7,088,261)
- Other receivables		(6,677,598)	1,409,733
Increase in current liabilities			
- Trade and other payables (excluding unclaimed dividend and workers' profit participation fund)		19,091,616	7,468,252
		<u>14,446,640</u>	<u>56,785,846</u>
Cash generated from operations		<u>502,632,315</u>	<u>591,229,401</u>

38. Cash and cash equivalents

Cash and bank balances	25	41,794,462	32,572,103
Finances under mark up arrangements and other credit facilities	10	(1,336,646,814)	(1,174,824,009)
Cash and cash equivalent		<u>(1,294,852,352)</u>	<u>(1,142,251,906)</u>

39. Earnings per share

39.1 Basic earnings per share

Net profit for the year/ period	Rupees	31,918,027	123,529,191
Weighted average number of ordinary shares	Number	30,810,937	30,810,937
Basic earnings per share	Rupees	<u>1.04</u>	<u>4.01</u>

39.2 The number of the ordinary shares outstanding as at June 30, 2006 has been increased to reflect the bonus share issued during the year.

39.3 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

40. Rate of exchange

Liabilities in foreign currency have been translated into Rupees at US \$ 1.650 (2006: US \$ 1.657), JPY 203.252 (2006: JPY 195.427), CHF 2.0157 (2006: CHF 2.1538) and Euro 1.2186 equal to Rs. 100. Assets in foreign currency have been translated into Rupees at US \$ 1.6556 (2006: US \$ 1.6625) equal to Rs. 100.

41. Financial assets and liabilities

Rupees

	Interest/ mark up bearing			Non interest/ mark up bearing			Total 2007	Total 2006	Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total			Total 2007	Total 2006
Financial assets										
Long term investment	-	-	-	-	69,999,586	69,999,586	69,999,586	69,999,586	69,999,586	69,999,586
Long term deposits	-	-	-	-	2,421,340	2,421,340	2,421,340	2,421,340	2,421,340	2,421,340
Trade debts	-	-	-	157,754,493	-	157,754,493	157,754,493	229,707,309	157,754,493	229,707,309
Loans and advances	-	-	-	15,648,739	-	15,648,739	15,648,739	131,487,320	15,648,739	131,487,320
Trade deposits and prepayments	-	-	-	145,940	-	145,940	145,940	917,530	145,940	917,530
Mark up accrued on loan	-	-	-	7,088,261	-	7,088,261	7,088,261	-	7,088,261	-
Other receivables	-	-	-	8,289,791	-	8,289,791	8,289,791	1,612,193	8,289,791	1,612,193
Short term investment	125,000,000	-	125,000,000	667,584	-	667,584	125,667,584	523,546	125,667,584	523,546
Cash and bank balances	34,090,434	-	34,090,434	7,704,028	-	7,704,028	41,794,462	32,572,103	-	34,171
	159,090,434	-	159,090,434	197,298,836	72,420,926	269,719,762	428,810,196	469,240,927	387,015,734	436,702,995
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	159,090,434	-	159,090,434	197,298,836	72,420,926	269,719,762	428,810,196	469,240,927	387,015,734	436,702,995
Financial liabilities										
Long term finances and other payables - secured	255,419,164	711,913,668	967,332,832	-	-	-	967,332,832	1,128,402,051	-	-
Loans from related parties - subordinated loan	-	-	-	-	63,375,000	63,375,000	63,375,000	37,000,000	-	-
Finances under mark up arrangements - secured	1,336,646,814	-	1,336,646,814	-	-	-	1,336,646,814	1,193,844,369	-	-
Trade and other payables	-	-	-	122,379,540	-	122,379,540	122,379,540	92,864,391	-	-
Markup accrued on loans and other payables	-	-	-	56,488,753	-	56,488,753	56,488,753	35,147,562	-	-
	1,592,065,978	711,913,668	2,303,979,646	178,868,293	63,375,000	242,243,293	2,546,222,939	2,487,258,373	-	-
Off balance sheet										
Contracts for capital expenditure	-	-	-	5,720,000	-	5,720,000	5,720,000	6,818,000	-	-
Guarantees	-	-	-	552,143,000	-	552,143,000	552,143,000	48,300,000	-	-
Letters of credit other than for capital expenditure	-	-	-	134,920,000	-	134,920,000	134,920,000	73,170,000	-	-
	-	-	-	692,783,000	-	692,783,000	692,783,000	128,288,000	-	-
Total	1,592,065,978	711,913,668	2,303,979,646	871,651,293	63,375,000	935,026,293	3,239,005,939	2,615,546,373	-	-
On balance sheet gap	(1,432,975,544)	(711,913,668)	(2,144,889,212)	18,430,543	9,045,926	27,476,469	(2,117,412,743)	(2,018,017,446)	-	-
Off balance sheet gap	-	-	-	(692,783,000)	-	(692,783,000)	(692,783,000)	(128,288,000)	-	-

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