

AHMAD HASSAN TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007 Rupees	Re-stated 2006 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	3	1,188,111,535	1,016,939,772
Long term investment	4	259,896	-
Long term security deposits		4,582,497	4,582,497
		1,192,953,928	1,021,522,269
CURRENT ASSETS			
Stores, spares and loose tools	5	59,867,015	38,155,698
Stock in trade	6	426,120,392	432,458,900
Trade debts	7	101,996,110	100,785,893
Loans and advances	8	41,445,750	47,802,801
Other receivables	9	12,966,371	9,598,390
Short term investment	10	16,000,104	-
Cash and bank balances	11	4,972,535	8,415,045
		663,368,277	637,216,727
		<u>1,856,322,205</u>	<u>1,658,738,996</u>
SHARE CAPITAL AND RESERVES			
Authorized capital 20,000,000 ordinary shares of Rs. 10/- each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital 14,408,248.8 (2006: 12,528,912) ordinary shares of Rs. 10/- each	12	144,082,488	125,289,120
Share deposit money		-	28,190,052
Capital reserve	13	32,746,284	23,349,600
Unappropriated profit		192,934,811	189,860,097
		369,763,583	366,688,869
NON CURRENT LIABILITIES			
Long term financing	14	335,319,501	190,397,086
Long term loans from related parties	15	90,000,000	25,000,000
Liabilities against assets subject to finance lease	16	70,195,062	107,969,382
Long term morabaha	17	130,364,866	133,333,334
Deferred liabilities	18	47,675,807	58,622,143
CURRENT LIABILITIES			
Trade and other payables	19	64,655,667	66,955,897
Interest/ markup accrued on loans	20	33,553,551	30,693,215
Short term borrowings	21	506,134,160	520,801,224
Current portion of non current liabilities	22	196,159,504	146,626,510
Provision for taxation	23	12,500,504	11,651,336
		813,003,386	776,728,182
CONTINGENCIES AND COMMITMENTS			
	24	-	-
		<u>1,856,322,205</u>	<u>1,658,738,996</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

AHMAD HASSAN TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

		2007	Re-stated
	Note	Rupees	2006
			Rupees
Sales	25	2,150,014,093	2,032,595,077
Cost of sales	26	(1,969,058,840)	(1,833,469,826)
Gross profit		180,955,253	199,125,251
Other operating income	27	876,141	2,858,266
Distribution cost	28	(28,592,626)	(31,037,642)
Administrative expenses	29	(19,121,293)	(18,480,551)
Other operating expenses	30	(703,912)	(1,672,262)
Finance cost	31	(130,705,349)	(121,619,474)
Profit before taxation		2,708,214	29,173,588
Provision for taxation	32	366,500	(35,245,546)
Profit/ (loss) for the year		3,074,714	(6,071,958)
Earnings per share	33	0.21	(0.48)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

AHMAD HASSAN TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007	Re- stated
	Rupees	2006
		Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,708,214	29,173,588
Adjustments for:		
Depreciation of operating assets	107,754,001	99,168,685
Provision for staff retirement benefits- gratuity	3,560,128	3,442,873
Gain on sale of operating assets	(101,978)	(161,236)
Write back of WWF	-	(809,816)
Balance written off	273,221	-
Finance cost	130,705,349	121,619,474
Cash flow from operating activities before working capital changes	<u>244,898,935</u>	<u>252,433,568</u>
(Increase)/ decrease in current assets		
Stores, spares and loose tools	(21,711,317)	2,628,069
Stock in trade	6,338,508	(58,378,316)
Trade debts	(1,210,217)	(4,480,897)
Loans and advances excluding tax paid	5,361,109	25,066,653
Trade deposits and short term prepayments	-	474,623
Other receivables	(4,489,725)	(249,667)
Short term investment	(16,000,000)	-
Decrease in trade and other payables excluding unclaimed dividend	<u>(2,162,855)</u>	<u>(11,509,803)</u>
Cash generated from operations	211,024,438	205,984,230
Staff retirement benefits- gratuity paid	(2,956,254)	(4,845,454)
Income taxes (paid)/ refunded	<u>(8,490,077)</u>	<u>4,088,870</u>
Net Cash from operating activities	199,578,107	205,227,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(279,913,786)	(158,609,345)
Sale proceeds of operating assets	1,090,000	812,000
Long term investment	(260,000)	-
Net cash used in investing activities	(279,083,786)	(157,797,345)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share deposit money	-	28,190,052
Long term finances obtained	249,653,000	31,137,009
Long term finances repaid	(77,513,126)	(65,325,503)
Long term loans from directors	65,000,000	-
Repayment of principal portion of finance lease	(24,938,063)	46,546,928
Long term morabaha	6,510,810	-
Short term borrowings	(14,667,064)	50,148,133
Dividend paid	(137,375)	(15,454,315)
Finance cost paid	(127,845,013)	(114,827,355)
Net cash from/ (used in) financing activities	76,063,169	(39,585,051)
Net (decrease)/ increase in cash and bank balances during the year	(3,442,510)	7,845,250
Cash and bank balances at the beginning of the year	8,415,045	569,795
Cash and bank balances at the end of the year	<u>4,972,535</u>	<u>8,415,045</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

AHMAD HASSAN TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid up capital	Capital reserve	Share deposit money	Unappropriated profit	Total
	(R u p e e s)				
Balance as at July 01, 2005 as previously reported	125,289,120	23,349,600	-	215,637,324	364,276,044
Effect of adjustment of prior years' error (Note 3.1.1)	-	-	-	(4,044,133)	(4,044,133)
Balance as at July 01, 2005 - restated	125,289,120	23,349,600	-	211,593,191	360,231,911
Share deposit money received against issue of right shares including premium @ Rs. 5 per share	-	-	28,190,052	-	28,190,052
Final cash dividend for the period ended June 30, 2005 @ Rs. 1.25 per share	-	-	-	(15,661,136)	(15,661,136)
Loss for the year- re-stated	-	-	-	(6,071,958)	(6,071,958)
Balance as at June 30, 2006 - restated	125,289,120	23,349,600	28,190,052	189,860,097	366,688,869
Balance as at July 01, 2006	125,289,120	23,349,600	28,190,052	189,860,097	366,688,869
Issuance of 1,879,336.8 ordinary shares of Rs. 10/- each fully paid in cash at premium of Rs. 5 per share	18,793,368	9,396,684	(28,190,052)	-	-
Profit for the year	-	-	-	3,074,714	3,074,714
Balance as at June 30, 2007	144,082,488	32,746,284	-	192,934,811	369,763,583

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

AHMAD HASSAN TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. STATUS AND ACTIVITIES

1.1 The Company was incorporated in Pakistan on 03 December, 1989 as a Public Limited Company under the Companies Ordinance 1984. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn and fabric. The registered office of the Company is situated in Multan. The Mill is located at District Muzaffargarh.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

Standards and interpretations that are not yet effective

The following standards and interpretations of accounting standards are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases: -

Effective from accounting period beginning on or after January 1, 2007

- IFRS 2 - Share based payment
- IFRS 3 - Business combinations
- IFRS 5 - Non-current assets held for sale and discontinued operations
- IFRS 6 - Exploration for and evaluation of mineral resources
- IFRIC 12 - Services concession arrangements

Effective from accounting period beginning on or after November 01, 2006

- IFRIC 10 - Interim financial reporting and impairment

Effective from accounting period beginning on or after March 01, 2007

- IFRIC 11 - Group and treasury share transactions

Effective from accounting period beginning on or after July 01, 2008

- IFRIC 13 Customer Loyalty Programmes

2.2 Basis of preparation

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

- modification of foreign currency translation adjustments as stated in note 2.5
- recognition of employee retirement benefits which are carried at present value.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits rebates and exemption available, if any, or minimum tax at the rate of 0.5 % of turnover, whichever is higher. However, for income under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

2.4 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for those employees who have completed specified period of service with the Company. Eligibility is determined subject to completion of a prescribed qualifying period of service. Provision is made annually to cover obligation under the plan .The cost of providing benefits is determined by using the projected unit method . The last actuarial valuation has been conducted on September 30, 2004.

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

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

Details of the scheme are given in note 18.2 to these financial statements.

2.5 Foreign currency translations

Translations in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

2.6 Property, plant and equipment

Owned

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 plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans. Borrowings costs pertaining to erection/ construction are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 3.1 Depreciation is charged on additions from the month in which an asset is acquired or capitalised and no depreciation is charged for the month in which asset is disposed. Gains/ losses on disposal of fixed assets are taken to profit and loss account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand-by, are retired.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal for each period.

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal for each period. Financial charges and depreciation on leased assets are charged to income currently.

2.7 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.8 Stores, spares and loose tools

These are valued at cost, determined on basis of moving average cost less allowance for obsolete and slow moving items, except for items-in-transit which are valued at cost accumulated to the balance sheet date.

2.9 Stock in trade

Basis of valuation is as follows:

Raw material at ware house	At lower of weighted average cost and net releasable value.
Work in process	At manufacturing cost
Finished goods	At lower of cost and net realizable value
Waste	At net realizable value

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to such sale.

2.10 Trade debts and other receivables

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

2.11 Revenue Recognition

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

- Direct local sales are recorded when goods are delivered to customers and invoices are raised.
- Local sales through agents are booked on intimation from the agents.
- Export sales are booked on shipment basis.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Provisions

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

2.14 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value amortised cost or cost, as the case may be.

All purchases and sales of financial assets are recognized on the trade date when the Company become the party to the contractual provision.

2.15 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.16 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.18 Related party transactions

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

		2007	Re-stated 2006
	Note	Rupees	Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	1,119,102,252	993,941,984
Capital work in progress	3.2	69,009,283	22,997,788
		<u>1,188,111,535</u>	<u>1,016,939,772</u>

		2007 Rupees	2006 Rupees
3.2 Capital work in progress	Note		
Factory buildings			
Civil work		5,091,938	-
Advance payments		3,150,334	7,280
		<u>8,242,272</u>	<u>7,280</u>
Non-factory buildings			
Advance payments		8,374,513	2,189,873
Plant and machinery			
Cost and expenses		1,200,000	-
Electric fittings and installations			
Cost and expenses		35,558,373	-
Advance payments		15,634,125	20,800,635
		<u>51,192,498</u>	<u>20,800,635</u>
		<u>69,009,283</u>	<u>22,997,788</u>
4. LONG TERM INVESTMENT			
<i>Held to maturity</i>			
Term finance certificates	4.1	260,000	-
Less:			
Current portion shown under short term investment	10	(104)	-
		<u>259,896</u>	<u>-</u>
4.1	The market value of term finance certificates (TFCs) as at June 30, 2007 was Rs. 263,588 (2006: Nil).		
	The Company during the year has purchased second tranche of TFCs of Bank Al Habib Limited amounting to Rs. 260,000 on March 07, 2007 having final maturity date of February 07, 2015. These certificates carry mark up at a rate of KIBOR+1.5% per annum and are redeemable at half yearly basis starting from August 07, 2007. First fourteen certificates are redeemable at a principal amount of Rs. 52 each and the last two Rs. 129,636 each.		
5. STORES, SPARES AND LOOSE TOOLS			
Stores		19,895,150	21,016,123
Spares	5.1	39,830,744	17,078,292
Loose tools		141,121	61,283
		<u>59,867,015</u>	<u>38,155,698</u>
5.1	This includes spares in transit of Rs. 11,545,795 (2006: Rs. Nil).		
6. STOCK IN TRADE			
Raw material		199,734,838	297,688,068
Work in process		18,135,671	20,382,220
Finished goods		208,249,883	114,388,612
		<u>426,120,392</u>	<u>432,458,900</u>
7. TRADE DEBTS			
<i>Considered good</i>			
Foreign-Secured		44,054,471	28,480,173
Local-Unsecured		57,941,639	72,305,720
		<u>101,996,110</u>	<u>100,785,893</u>
8. LOANS AND ADVANCES			
Advances to employees - considered good		847,739	934,165
Advance payments - considered good		28,984,354	31,641,737
Income tax deducted at source / advance income tax/ tax paid with return of income		11,073,454	12,069,396
Letter of credit		540,203	3,157,503
		<u>41,445,750</u>	<u>47,802,801</u>
9. OTHER RECEIVABLES			
Corporate Assets Tax paid under protest	23.2	1,440,000	1,440,000
Minimum tax paid under protest	23.3	738,515	738,515
Workers' welfare fund paid under protest		-	273,221
Income tax refundable		584,548	1,433,071
Octroi refundable		-	61,868
Sales tax refundable		7,452,128	5,639,795
Derivative cross currency swap	9.1	2,750,000	-
Others		1,180	11,920
		<u>12,966,371</u>	<u>9,598,390</u>
9.1	During the year, the company entered into a derivative cross currency swap agreement to hedge for the possible adverse movement in interest rates arising on Rs. 133 million included in Rs. 160 million of long term morabaha of Faysal Bank Limited from February 02, 2007 to August 01, 2007 as referred to in note 17.		

10. SHORT TERM INVESTMENT	Note	2007 Rupees	2006 Rupees
<i>Held to maturity</i>			
Term deposit receipt	10.1	14,000,000	-
Term deposit	10.2	2,000,000	-
Current portion of long term investment		104	-
		<u>16,000,104</u>	<u>-</u>

10.1 This represents term deposit receipt of Faysal bank limited for the period of 6 months starting from January 01, 2007 and subsequent to the balance sheet date matured on July 30, 2007. This investment carries rate of return 10.75%.

10.2 This represents term deposit receipt of Bank Al Habib limited under Al Habib mahana munafa account for the period of one year starting from November 14, 2006 and will mature on November 13, 2007. This investment carries expected rate of return 10.50 % per annum.

11. CASH AND BANK BALANCES

Cash in hand	32,506	80,742
Cash at banks on current accounts	4,940,029	8,334,303
	<u>4,972,535</u>	<u>8,415,045</u>

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2007 (Number of shares)	2006 (Number of shares)			
12,528,912.0	12,528,912	Ordinary shares Rs. 10/- each fully paid in cash	125,289,120	125,289,120
1,879,336.8	-	Ordinary shares Rs. 10/- each fully paid in cash as right shares	18,793,368	-
<u>14,408,248.8</u>	<u>12,528,912</u>		<u>144,082,488</u>	<u>125,289,120</u>

12.1 The Company, during the year has issued 1,879,336.8 ordinary shares of Rs. 10 each at a premium of Rs. 5 per share as right shares to its existing shareholders, which were fully subscribed.

12.2 The Company has one class of ordinary shares which carry no right to fixed income.

13. CAPITAL RESERVES

Share premium

@ Rs. 4 per share on issue of 2,989,920 ordinary shares of Rs. 10/- each issued during the year 2001	11,959,680	11,959,680
@ Rs. 10 per share on issue of 1,138,992 ordinary shares of Rs. 10/- each issued during the year 2004	11,389,920	11,389,920
@ Rs. 5 per share on issue of 1,879,336.8 ordinary shares of Rs. 10/- each issued during the year 2007	9,396,684	-
	<u>32,746,284</u>	<u>23,349,600</u>

	2007 Rupees	2006 Rupees
15. LONG TERM LOANS FROM RELATED PARTIES- Unsecured		
<i>From directors</i>		
Mian Muhammad Javed Anwar	27,500,000	12,500,000
Mian Muhammad Parvez	27,500,000	12,500,000
Dr. Muhammad Haris	20,000,000	-
Mrs. Waheeda Parvez	15,000,000	-
	90,000,000	25,000,000

These interest free loans were obtained from the directors of the Company and management of the Company has decided to pay back the same in future when resources are available.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- Secured

	Up to one year	From one year to five years	2007	2006
	-----R u p e e s-----			Rupees
Minimum lease payments	51,590,661	80,394,112	131,984,773	187,347,498
Less: Finance cost allocated to future periods	(9,154,686)	(10,199,050)	(19,353,736)	(36,823,920)
	42,435,975	70,195,062	112,631,037	150,523,578
Less: Security deposits adjustable on expiry of lease terms	-	-	-	(12,954,478)
Present value of minimum lease payments	42,435,975	70,195,062	112,631,037	137,569,100
Less: Current portion grouped under current liabilities			(42,435,975)	(29,599,718)
			70,195,062	107,969,382

The company has entered into lease agreement with Faysal Bank Ltd. to acquire plant and machinery in the year 2003. The liabilities under the lease agreements are payable in quarterly installments by January, 2009 and are subject to finance charges at the rates of 6-M KIBOR plus 2% and during the year mark-up was charged at the rates ranging from 11.41% to 12.43%. (2006: 7% to 11.75%) per annum. The lease finance facility is secured against charge of Rs. 145 million over plant and machinery of the existing weaving unit and personal guarantee of working directors of the company. During the year, the said lease has been swapped on December 30, 2006 under LTF-EOP scheme announced by State Bank of Pakistan vide its circular ref. No. 19 of 2006 dated September 04, 2006 and the mark-up rates applied has been changed from 12.5 approximate to 6% annually, however other terms and conditions remained the same.

The company has entered into an Ijara (lease agreement) with Meezan Bank Limited for installation of grid station. The liabilities under the Ijara are payable in monthly installments by July 2011 and are subject to finance charges at the rates 6-M KIBOR plus 2% and during the year mark up was charged at the rates ranging from 11.50% to 12.50% per annum. The company intends to exercise its option to purchase the leased upon completion of lease terms. The said facility is secured against exclusive ownership of leased asset.

During the year, company has entered into a lease agreement with Askari Leasing Ltd for purchase of two vehicles, the liabilities under the lease agreement are payable in monthly installments by February 2009 and are subject to finance charges at the rates 12.75% per annum.

17. LONG TERM MORABAHA

Opening balance	160,000,000	160,000,000
Obtained during the year	37,917,115	-
	197,917,115	160,000,000
Paid during the year	(31,406,305)	-
	166,510,810	160,000,000
Current portion grouped under current liabilities	(36,145,944)	(26,666,666)
	130,364,866	133,333,334

This facility is from Faysal Bank Limited to import textile spinning machinery. The liability under the agreement is payable in half yearly installments by February, 2012 subject to finance charge of 6 month KIBOR+2% per annum. The loan is secured against 1st pari passu charge over the fixed assets of Rs. 215 million including land, building, plant and machinery and personal guarantees of working directors of the company.

During the year, company has entered into a Morabaha facility with Faysal Bank Limited under LTF-EOP scheme of State Bank of Pakistan for imported machinery for weaving unit and are payable in half yearly installments by December 2010 and is subject to finance charges at the rate of 7% per annum i.e. SBP Rate + 2%. The said loan has been secured against first pari passu charge over plant and machinery of the company to the extent of Rs. 51 million and personal guarantees of the working directors of the company.

18. DEFERRED LIABILITIES	Note	2007 Rupees	2006 Rupees
Deferred taxation	18.1	41,559,000	53,109,210
Provision for gratuity	18.2	6,116,807	5,512,933
		<u>47,675,807</u>	<u>58,622,143</u>
18.1 Deferred taxation			
The deferred taxation liability comprises of temporary differences arising due to:			
Credit balance arising in respect of			
- accelerated tax depreciation allowances		86,348,144	73,629,842
- lease finances		(4,414,284)	968,118
Debit balances arising in respect of:			
- staff retirement benefits-gratuity		(1,113,498)	(970,577)
- carry forward losses		(60,540,429)	(20,518,173)
Deferred tax asset not recognized		21,279,067	-
		<u>41,559,000</u>	<u>53,109,210</u>
18.2 Actuarial valuation was conducted on September 30, 2004 on the basis of the projected unit credit method by an independent actuary. Charge for the year has been calculated on the basis of actuarial assumptions as were for the preceding year. The projected unit credit method is based on the following significant assumptions.			
- Discount rate		8%	8%
- Expected rate of increase in salary		7%	7%
- Average expected remaining life time of employees		7 Years	7 Years
The amount recognized in the balance sheet is determined as follows:			
Present value of defined benefit obligation		7,158,931	6,618,437
Unrecognized actuarial losses		(1,042,124)	(1,105,504)
		<u>6,116,807</u>	<u>5,512,933</u>
Movement in the liability recognized in the balance sheet is as follows:			
Liability as at July 01		5,512,933	6,915,514
Amount recognized during the year		3,560,128	3,442,873
		9,073,061	10,358,387
Benefit paid during the year		(2,956,254)	(4,845,454)
		<u>6,116,807</u>	<u>5,512,933</u>
Expense recognized in the profit and loss account is as follows:			
Current service cost		2,967,273	2,747,475
Interest cost		529,475	645,660
Actuarial loss recognized		63,380	49,738
		<u>3,560,128</u>	<u>3,442,873</u>
The Company's policy with regard to actuarial gain/ losses is to follow minimum recommended approach under IAS-19 (Employee Benefits).			
19. TRADE AND OTHER PAYABLES			
Creditors		27,545,503	19,338,179
Accrued liabilities		31,573,479	34,493,463
Unclaimed dividend		2,451,857	2,589,232
Advance payments		1,649,164	8,518,452
Excise duty on bank borrowings		-	21,800
Tax deducted at source		1,210,119	471,709
Workers' profit participation fund	19.1	170,275	1,523,062
Workers' welfare fund		55,270	-
		<u>64,655,667</u>	<u>66,955,897</u>
19.1 Workers' profit participation fund			
Opening balance		1,523,062	3,170,032
Interest on amount utilized in company's business		91,751	168,993
		1,614,813	3,339,025
Less:			
Amount paid to the fund		1,594,101	3,339,025
Deposit in government treasury		712	-
		1,594,813	3,339,025
Allocation for the year		150,275	1,523,062
		<u>170,275</u>	<u>1,523,062</u>

20. INTEREST/ MARKUP ACCRUED ON LOANS	2007	2006
	Rupees	Rupees
Long term financing	15,397,004	8,182,061
Long term morabaha	6,823,014	7,395,507
Lease finance charges	575,209	3,863,363
Short term borrowings	10,758,324	11,252,284
	33,553,551	30,693,215

21. SHORT TERM BORROWINGS

From banking companies

Secured	506,134,160	520,801,224
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Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs 1,490 million (2006: Rs. 1,375 million) and U.S\$ 10 million (2006: US\$ 3.50 million) of which facilities aggregating Rs. 970 million (2006: 854 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 9.25% to 10.50% (2006: 6.75% to 10.25%) calculated on daily product basis. The aggregate facilities are secured against pledge, hypothecation of stock in trade, on book debts, lien on export bills, lien on title documents and personal guarantees of all the working directors of the company.

Facilities available for opening letters of credit and guarantee aggregate Rs. 650 million (2006: Rs. 487 million) and are secured against shipping documents and personal guarantees of all the working directors of the company.

22. CURRENT PORTION OF NON CURRENT LIABILITIES

Long term financing	117,577,585	90,360,126
Liabilities against assets subject to finance lease	42,435,975	29,599,718
Long term morabaha	36,145,944	26,666,666
	196,159,504	146,626,510

23. PROVISION FOR TAXATION - NET

Opening balance	11,651,336	27,140,889
Add: Provision made during the year	12,500,504	11,651,336
	24,151,840	38,792,225
Payments/ adjustments against completed assessments	(11,651,336)	(27,140,889)
	12,500,504	11,651,336

23.1 Income tax assessments of the Company have been completed up to the Tax Year 2006.

23.2 Provision for Corporate Assets Tax levied vide the Finance Act, 1991 amounting to Rs. 1.440 million including Additional Tax of Rs. 0.440 million has not been made in the books of account as the Company has challenged the validity of these levies through a writ petition filed with the Lahore High Court, Multan Bench, Multan. However, demanded Corporate Asset Tax has been paid under protest and grouped under other receivables. (note 9)

23.3 The Company, in view of the Supreme Court of Pakistan's Judgment dated June 04, 1997, was not liable to pay Minimum Tax under section 80- D of the Repealed Income Tax Ordinance, 1979 up to September 30, 1999. Accordingly, Minimum Tax paid up to September 30, 1999 has been accounted for as refundable from the income tax department (Note 9).

24. CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 Excise and Taxation Department Karachi has imposed excise duty of Rs. 3.9 million on account of machinery imported by the company. The company has not accepted it and filed a suit in Sindh High Court Karachi against said levy. The Honorable High Court issued order " Till the next date, the respondent may not recover impugned levy upon the Appellants furnishing bank guarantee for the amount demanded" The decision of the court is still pending. The management of the company is very confident that decision will be made in their favor.

Refer to the above, bank guarantee amounting to Rs. 3.9 million has been given by Bank Al-Habib Limited on behalf of the company in favor of the Director Excise and Taxation Karachi .

24.2 Refer contents of note 23.2 and 23.3.

24.3 Foreign bills discounted outstanding as at June 30, 2007 aggregated Rs. 56.137 million (2006: Rs. Nil)

Commitments

24.4 Commitments for letters of credit outstanding at the year end were as follows:

	(Rupees in million)	
Capital expenditure	143	170
Revenue expenditure	156	-
	299	170

25. SALES - Net	Note	2007 Rupees	2006 Rupees
Local:			
- Own manufactured goods			
Yarn		724,691,085	643,398,258
Fabric		313,696,118	377,226,099
Waste		61,208,900	58,680,413
		<u>1,099,596,103</u>	<u>1,079,304,770</u>
- Trading goods			
Yarn		2,219,480	1,991,600
		<u>1,101,815,583</u>	<u>1,081,296,370</u>
Export:			
- Own manufactured goods			
Yarn		364,341,136	383,638,626
Fabric		701,202,923	589,675,621
		<u>1,065,544,059</u>	<u>973,314,247</u>
- Trading goods			
Fabric		2,335,799	-
		<u>1,067,879,858</u>	<u>973,314,247</u>
		<u>2,169,695,441</u>	<u>2,054,610,617</u>
Less:			
Commission		19,681,348	22,015,540
		<u>2,150,014,093</u>	<u>2,032,595,077</u>

25.1 Export sales include indirect export sales amounting to Rs. 148,648,665 (Masood Fabrics Limited Rs. 49,765,872 Roomi Fabrics Limited Rs. 36,251,376 Nakshbandi Industries Limited Rs. 62,631,417 (2006: Rs. 169,751,494) under Standard Purchase Order.

26. COST OF SALES			Re-stated
Raw materials consumed	26.1	1,532,054,215	1,373,336,022
Salaries, wages and benefits	26.2	107,695,997	100,129,950
Stores consumed		39,236,942	34,222,097
Packing materials consumed		24,530,208	21,192,895
Chemicals consumed		22,278,761	16,291,799
Processing charges		18,428,151	3,507,257
Power and fuel		194,846,655	181,376,536
Repair and maintenance		4,532,350	3,335,516
Insurance		4,658,410	4,689,490
Depreciation	3.1.2	105,374,499	97,705,300
Others		2,360,598	2,618,579
		<u>2,055,996,786</u>	<u>1,838,405,441</u>
Adjustment of work in process			
Opening stock		20,382,220	16,077,132
Closing stock		(18,135,671)	(20,382,220)
		<u>2,246,549</u>	<u>(4,305,088)</u>
Cost of goods manufactured		2,058,243,335	1,834,100,353
Adjustment of finished goods			
Opening stock		114,388,612	111,799,352
Closing stock		(205,761,817)	(114,388,612)
		<u>(91,373,205)</u>	<u>(2,589,260)</u>
Cost of goods sold - Own manufactured		<u>1,966,870,130</u>	<u>1,831,511,093</u>
Cost of goods sold - Trading goods			
Purchases		4,676,776	1,958,733
Closing stock		(2,488,066)	-
		<u>2,188,710</u>	<u>1,958,733</u>
		<u>1,969,058,840</u>	<u>1,833,469,826</u>
26.1 Raw material consumed			
Opening stock		297,688,068	246,204,100
Purchases including direct expenses		1,434,100,985	1,424,819,990
		<u>1,731,789,053</u>	<u>1,671,024,090</u>
Less:			
Closing stock		(199,734,838)	(297,688,068)
		<u>1,532,054,215</u>	<u>1,373,336,022</u>

26.2 These include Rs. 3,227,792 (2006: Rs. 3,124,965) in respect of staff retirement benefits - gratuity.

	Note	2007 Rupees	2006 Rupees
27. OTHER OPERATING INCOME			
Export rebate on packing materials		570,234	1,542,734
Gain on sales of operating assets		101,978	161,236
Exchange fluctuation gain		-	344,480
Write back of WWF provision		-	809,816
Profit on bank deposits		153,728	-
Others		50,201	-
		876,141	2,858,266
28. DISTRIBUTION COST			
Export development surcharge		1,758,458	2,020,741
Export expenses		4,235,690	4,134,231
Freight, forwarding and others		22,598,478	24,882,670
		28,592,626	31,037,642
29. ADMINISTRATIVE EXPENSES			
Directors' meeting fee		6,000	3,000
Staff salaries and benefits	29.1	7,567,556	6,356,242
Vehicles running and maintenance		1,893,272	1,476,372
Utilities		414,233	361,571
Traveling and conveyance		1,672,648	2,643,397
Printing and stationery		294,416	419,705
Insurance		438,651	239,307
Communication		2,114,320	2,172,976
Rent, rates and taxes		6,567	671,567
Repair and maintenance		273,903	386,508
Entertainment		875,788	801,894
Fees and subscription		406,786	506,734
Advertisement		38,575	82,250
Depreciation	3.1.2	2,379,502	1,463,385
Auditor's remuneration			
- statutory audit fee		175,000	150,000
- half yearly review		50,000	50,000
- Certification charges		10,000	-
		235,000	200,000
Legal and professional (other than Auditors' remuneration)		214,555	399,920
Others		289,521	295,723
		19,121,293	18,480,551
29.1	These include Rs. 332,336 (2006: Rs. 317,908) in respect of staff retirement benefits- gratuity.		
30. OTHER OPERATING EXPENSES			
Charity and donation (without directors' interest)		81,100	149,200
Workers' profit participation fund		150,275	1,523,062
Workers' welfare fund		55,270	-
Balance written off		273,221	-
Others		144,046	-
		703,912	1,672,262
31. FINANCE COST			
Mark-up on:			
long term finances		41,431,699	32,472,144
long term morabaha		15,676,603	17,282,893
lease finance charges		8,550,697	13,722,306
short term borrowings		58,433,656	51,430,683
Interest on workers' profit participation fund		91,751	168,993
Bank charges		6,520,943	6,542,455
		130,705,349	121,619,474

	2007	2006
	Rupees	Rupees
32. PROVISION FOR TAXATION		
Current	12,500,504	11,651,336
Prior year	<u>(1,316,794)</u>	<u>-</u>
	11,183,710	11,651,336
Deferred tax	<u>(11,550,210)</u>	<u>23,594,210</u>
	<u>(366,500)</u>	<u>35,245,546</u>

32.1 Relationship between tax expense and accounting profit.

Accounting profit before tax	<u>2,708,214</u>	<u>29,173,588</u>
Tax at the applicable rate of 35%	947,875	10,210,756
Adjustments of prior year tax	(1,316,794)	-
Deferred tax	(11,550,210)	23,594,210
Tax effect of profit subject to presumptive taxation	<u>11,552,629</u>	<u>1,440,580</u>
	<u>(366,500)</u>	<u>35,245,546</u>

33. EARNINGS PER SHARE

Profit/ (loss) attributable to ordinary shareholders	<u>3,074,714</u>	<u>(6,071,958)</u>
	No. of shares	
Weighted average of number of ordinary shares	<u>14,408,248.8</u>	<u>12,528,912</u>
Earning per share-basic	<u>0.21</u>	<u>(0.48)</u>

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

34. RELATED PARTY TRANSACTIONS

The related parties comprised of an associated company, directors and key personnel.

34.1 The company, during the year, purchased goods aggregating Rs. 384,354,252 (2006: Rs. 369,644,771).

34.2 Maximum aggregate amount due to the associated company (Ahmad Cotton Industries (Private) Limited) at any month-end during the year was Rs. 13,524,297 (2006: Rs. 112,641,178).

34.3 The company, during the year, received interest free loan from directors aggregating Rs. 65,000,000 (2006: Nil).

34.4 No interest was charged on the associated Company's balances during the year as these arose due to normal trade dealings.

34.5 Remuneration and benefits to key management personnel under the term of their employment as disclosed in note 36.

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Particulars	Working Directors	
	2007 Rupees	2006 Rupees
Managerial remuneration	1,530,000	1,080,000
No. of persons	2	2

36.1 Meeting fee amounting to Rs. 6,000 (2006: Rs. 3,000) was paid to three (2006: three) non- working directors. The chief executive officer and the working directors are also provided with the Company maintained cars. The chief executive officer and some of the directors are also provided with telephone at their residences.

37. CAPACITY AND PRODUCTION

Yarn	2007	2006
Number of spindles installed	38,400	33,120
Number of spindles worked	38,400	33,120
Number of shifts worked	1,095	1,091
Installed capacity after conversion into 20's count (1095 shifts)	Kgs 12,468,761	11,780,573
Actual production of yarn after conversion into 20's count	Kgs 12,210,004	10,855,388
Fabric		
Number of looms installed	112	112
Number of looms worked	112	112
Installed capacity after conversion into 60 picks	Sq. mtrs 36,446,228	39,836,230
Actual production of fabric after conversion into 60 picks	Sq. mtrs 34,265,411	37,755,413

The company during the year has installed 5,280 spindles making a total installed capacity of 38,400 spindles which started trial production from October 01, 2006 and commercial production has started from March 31, 2007 in the year.

It is difficult to describe precisely the production capacity in Spinning/ Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year.

38. DATE OF AUTHORIZATION

These financial statements were authorized for issue on by Board of Directors of the Company.

39. GENERAL

Figures

- in the financial statements have been rounded-off to the nearest rupee except stated otherwise.

40. RECLASSIFICATION

40.1 Following reclassification/ rearrangements have been made in the financial statements to give better presentation

Previous classification	Current classification	Rupees
Advance payments- considered good	Letter of credits	3,157,503
Advance payments- considered good	Capital work in progress	6,997,788
Advance payments- considered good	Capital work in progress	16,000,000
Trade debts	Advance payment- considered good	11,114,600
Store consumed	Others - Cost of sales	904,222
Raw material consumed	Processing charges	3,337,830
Others - Cost of sales	Processing charges	169,427
Others- Administrative expenses	Legal and professional charges	399,920

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER