

VISION

*A Premier Quality Company, Providing Quality Products
And Maintaining An Excellent Level Of Ethical
And Professional Standards.*

MISSION STATEMENT

*To become a leading manufacturer of textile products in the
International & local markets and to explore new era to
Achieve the highest level of success.*

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Salim Mr. Muhammad Sharif Mr. Muhammad Shaheen Mr. Muhammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Muhammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Company Secretary	Syed Asshraf Ali ACA, AAIM(Aus)	
Chief Financial Officer	Mr. Anwar Hussain FCA	
Audit Committee	Mr. Khurram Salim Mr. Bilal Sharif Mr. Muhammad Shakeel	Chairman Member Member
Auditors	M/s Mushtaq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road Karachi.	
Legal Advisor	Mr. Shahid Pervaiz Jamil	
Bankers	ABN Amro Bank Citi Bank N. A. Habib Bank Limited Hong Kong and Shanghi Banking Corporation Limited Standard Chartered Bank MCB Bank Limited United Bank Limited Bank of Punjab	
Share Registrar	Hameed Majeed Associates (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer Chamber, 10/2, Bilmoria Street, Off I. I. Chundrigar Road, Karachi. Tel: (021) 2635916-17 Fax: (021) 2637826 Email: khioff@umergroup.com Website: www.umergroup.com	
Liason / Correspondence Office	9th Floor, City Towers, 6-K, Main Boulevard, Gulberg II, Lahore Tel: (042) 111 130 130 Fax: (042) 5770015 Email: lhroff@umergroup.com Website: www.umergroup.com	
Mills At:	Unit I is situated at Kotri District Dadu Tel: (0221) 870013 Unit II and III is situated at Feroz Watwan, Sheikhupura, Punjab. Tel: (0496) 731728	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28th Annual General Meeting of the members of Bhanero Textile Mills Limited will be held on Wednesday 24th October 2007 at 4:30 PM., at the registered office of the company i.e. Umer Chambers, 10/2, Bilmoria Street, Off: I. I. Chundrigar Road, Karachi, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 29th December 2006.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2007 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 25% (i.e. PKR 2.5 per share) for the year ended 30th June, 2007, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2007-2008 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(by the order of the Board)

Karachi
Dated: 27th September, 2007

Syed Asshraf Ali
ACA, AAIM (Aus)
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 17th October 2007 to 24th October, 2007 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer Chambers 10/2 Bilmoria Street, Off: I. I. Chundrigar Road, Karachi by 16th October 2007 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2007.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our Share Registrar, Hameed Majeed Associates (Private) Limited.

DIRECTORS' REPORT

The directors' of your company have a pleasure to present before you annual report of the company with annual audited financial statements for the year ended 30th June 2007.

Overview

By the grace of Al-Mighty Allah your company remained among dominant in the Pakistan Textile Industries during the financial year ended 30th June 2007 and maintained the position among the market leaders both in domestic and international markets.

The financial year ended June 30, 2007 was a great milestone for the company. Your Company has made a land mark achievement by making a record sale of PKR 3.521 billion during the year ended June 30, 2007 against the last year sales of PKR 2.672 billion and registered a growth rate of 32%.

Industry Scenario

The growth in the textile exports of Pakistan is gradually declining. Textile exports in Pakistan grew from 8.92 billion USD in 2004-05 to 10.11 billion USD in 2005-06, reflecting a growth rate of 18%. As against this, in the current year, export growth has been only 5%. This growing rate is to be an issue of concern for the Pakistani government.

The exports of readymade garments grew from 1.190 billion USD to 1.254 billion USD in the period July 2006 May 2007 as compared to the same period in the 2005-2006. This amounted to a growth of 5.35%. The exports of knitwear also grew from 1.570 billion USD to 1.773 billion USD during the same period, recording a growth rate of 12.94%.

However, there was a decline in the growth rate of export in raw cotton, bed clothes as well as cotton cloth during the same period. The export growth rate of raw cotton fell by 21.73%, while that of bed clothes and cotton cloth dropped by 3.10% and 4.10% respectively.

In order to bring the Pakistan textile industry out of its current crisis, it is necessary that certain strict measures be taken to meet the challenges that the industry is facing.

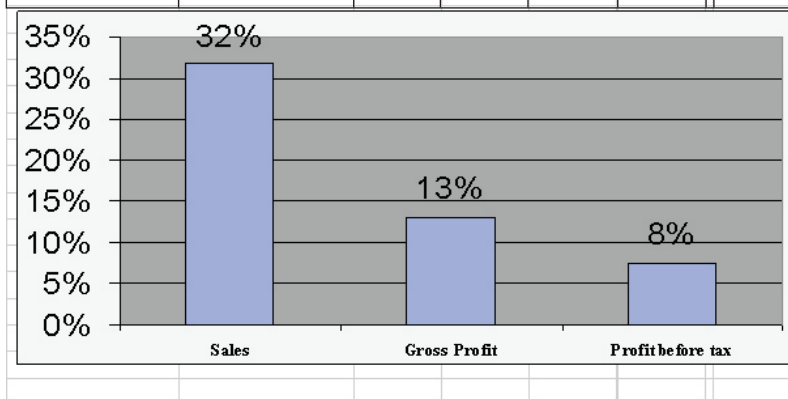
The Pakistan textile industry is facing tough competition from the Indian, Bangladeshi and Chinese textile industries. The cost of power and financing in Pakistan is much higher as compared to that in other countries.

According to the Pakistan Ministry of Textiles, an export target of 13 billion USD has been fixed for the year 2007-08. It seems impossible to achieve this target due to adverse policies of the government.

Operating Results

A comparison of the operating results of the company for the year ended June30, 2007 with the same period of last year is as under:

		2007	2006	%
Sales	Rupees in million	3,521	2,672	32%
Gross Profit	Rupees in million	477	422	13%
Profit before tax	Rupees in million	186	173	8%



During the year under review, your company achieved an overall growth of 16.19% in term of quantity whereas the net sales revenue registered a growth of 31.77% over the last year. The increase in turnover is mainly due to addition of new weaving unit comprising of 140 air jet looms which started production in last year.

The cost of production of your company increased during the year under review because of increase in cost of fuel and power, salaries and wages and other consumables due to cost push inflation.

The gross profit of your company for the year under review registered a growth of 13.03% in terms of value over last year because of volumetric growth in sales.

During the year company availed the State Bank of Pakistan Scheme of Long Term Finance for Export Oriented Project (LTF-EOP) and converted its eligible loan under LTF-EOP. Under the scheme the rate of markup is 7% per annum.

Profit Appropriation

We are glad to report that your company is maintaining the pace of regular improvement in all areas of operations and it is because we believe in steady growth. By the grace of Allah we are among those companies who have successfully managed their consistent profitability.

Your company continued to perform well and posted profit before taxation for the year ended 30th June 2007 PKR 185.608 Million (30th June 2006: PKR 173.463 Million). The allocation of profit for the year ended 30th June 2007 is summarized as under;

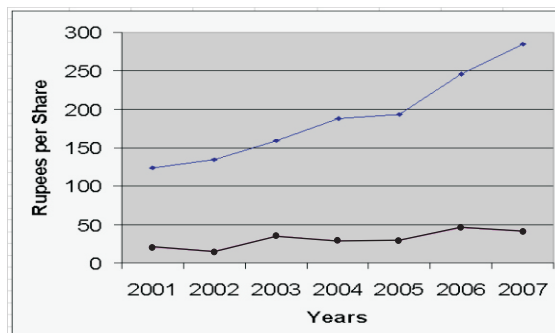
	2007 RUPEES	2006 RUPEES
Profit before taxation	185,608,841	173,463,559
Taxation	<u>(61,842,409)</u>	<u>(35,886,320)</u>
Profit after taxation	123,766,432	137,577,239
Un-appropriated profit brought forward	<u>57,169,995</u>	<u>34,592,756</u>
Profit available for appropriation	180,936,427	172,169,995
Appropriations:		
Dividend paid	(7,500,000)	(15,000,000)
Transferred to General Reserve	<u>(100,000,000)</u>	<u>(100,000,000)</u>
Un-appropriated profit carried forward	<u>73,436,427</u>	<u>57,169,995</u>
Basic and diluted earning per share	<u>41.26</u>	<u>45.86</u>

Dividend

The board of directors is pleased to recommend a final cash dividend of 25% i.e PKR 2.5 per share (June 2006: 25% i.e. PKR 2.5 per share) for the approval of shareholders at the forthcoming annual general meeting.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2007 is PKR 284.47 (30th June 2006: PKR 245.72). The Earning per Share (EPS) of your company for the year ended 30th June 2007 is PKR 41.26 (30th June 2006: PKR 45.86).



Statement on Corporate and Financial Reporting Framework

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your Company as required by the Code. As a part of the compliance of the Code, we confirm the following:

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

Proper books of account of the company have been maintained.

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

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

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

We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.

The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.

As required by the Code of Corporate Governance, we have included the following information in this report:

- Statement of pattern of shareholding has been given separately.
- Statement of shares held by associated undertakings and related persons.
- Statement of the Board meetings held during the year and attendance by each director has been given separately.
- Key operating and financial statistics for last six years.

Information about taxes and levies is given in the notes to the financial statements.

Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has adopted comparable uncontrolled price method for pricing of transaction with related parties.

Audit Committee

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Financial statements

The financial statements of the company have been duly audited and approved without qualification by the auditors of the company, Mushtaq and Company, Chartered Accountants and their report is attached with the financial statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 28th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 28th annual general meeting until the conclusion of 29th annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2008. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Safety, Health and Environment

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

Expansion Plan

In view of the current economic scenario where the cost of financing and production is rapidly increasing and recent expansion of the company, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

Business Risks, Challenges and Future Outlook

While economy is continuously growing and performing well, inflation and social disruptions arising from political uncertainty are a concern. Rising inflation and high interest rates may have some adverse impact on the growth of the economy. However, on the other hand, expected infrastructure development is promising indicators.

The cotton situation is again not looking very favorable. Market is under pressure due to high prices of cotton affecting cost of manufacturing of yarn for all counts. This may lead to Pakistan losing its share of export to India, China & Bangladesh due to their government supportive export policies. Government has set the cotton target for the year 2007-2008 as 14.1 million bales. Due to supportive weather and the growth of BT cotton in some areas, it is expected that the production will be close to this target. But on the other hand the consumption is estimated as around 16.0 million bales. Pakistan is facing 2.0 million shortfall of cotton even if the target is achieved. International cotton market is also at high tune. The New York future has touched to 70 US cent per pound. Due to lower estimated production in USA this year and negative trend of ending world stock, it is expected the New York will remain high. We are fully cognizant of the possible shortage of cotton

with high prices and are prepared to do everything possible to mitigate the adverse impact of such an event. But your management is not hopeful to have goods results until the attitude of government is not changed for textile sector.

Acknowledgement

Your directors' record with appreciation, the efforts of the company's executives, managers, technicians and workers who have worked vigorously to meet the targets set before them. Your directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during this period.

By the Order of the Board



Mohammad Salim

Chief Executive / Director

Karachi: 27th September 2007

YEAR WISE OPERATING DATA

SPINNING UNIT	June 30			September 30		
	2007	2006	2005	2004	2003	2002
Spindles Installed	67,776	67,776	67,776	45,504	45,504	40,080
Rotors Installed	192	192	192			
Spindles Worked	67,776	67,776	67,776	45,504	45,504	40,080
Rotors Worked	192	192	192			
No. Of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count. (Kgs.)	23,200,746	23,200,746	14,489,726	15,537,833	15,319,544	13,103,594
Actual Production after conversion into 20/s Count (Kgs.)	23,916,723	25,541,642	15,281,522	14,958,487	14,528,675	12,711,407
WEAVING UNIT						
Air Jet Looms Installed	140	140	-	-	-	-
Air Jet Looms Worked	140	140				
Installed Capacity after conversion into 50 picks - sq. Meter	26,166,485	20,034,909	-	-	-	-
Actual Production after conversion into 50 picks - sq. Meter	33,878,770	24,198,242	-	-	-	-

YEAR WISE FINANCIAL DATA	June 30			September 30		
	2007	2006	2005	2004	2003	2002
	Rupees In Thousands					
Fixed Assets	1,995,219	2,127,525	1,308,145	719,949	500,829	472,431
Investments, Long Term Loans & Deposits	11,952	15,882	21,317	29,279	10,542	14,501
Current Assets	1,393,808	924,099	1,040,478	604,783	404,468	408,613
Share Holders Equity	853,436	737,170	614,593	563,677	478,143	403,163
Long Term Liabilities	793,958	1,161,703	775,114	208,436	113,436	76,056
Deferred Liabilities	162,471	109,232	80,254	45,085	82,753	81,098
Current Liabilities	1,500,363	1,083,318	893,642	536,811	241,517	335,234
Turnover (Net)	3,521,088	2,671,677	1,174,793	1,530,174	1,426,008	1,285,217
Gross Profit	476,569	422,102	207,430	138,606	221,702	201,730
Operating Profit	386,589	357,854	151,449	88,353	159,552	128,756
Financial Charges	200,980	184,390	48,703	31,250	31,808	52,355
Profit Before Taxation	185,609	173,463	102,745	56,275	136,614	72,677
Profit After Taxation	123,766	137,577	88,351	85,534	104,981	46,996
Cash Dividend	7,500	15,000	15,000	-	30,000	15,000
Transfer To Reserves	100,000	100,000	76,000	100,900	-	32,000
Profit C/F	73,436	57,170	34,593	59,678	74,995	63

**NUMBER OF MEETINGS OF BOARD OF DIRECTORS ATTENDED BY
CHIEF EXECUTIVE, DIRECTORS, CHIEF FINANCIAL OFFICER AND COMPANY
SECRETARY:**

Directors	2006			2007		
	07 th Oct	30 th Oct.	18 th Nov	26 th Feb	27 th Apr	
Mr. Mohammad Salim	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Sharif	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shaheen	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shakeel	✓	✓	✓	✓	✓	5/5
Mr. Khurram Salim	✗	✓	✓	✓	✓	4/5
Mr. Bilal Sharif	✗	✓	✓	✓	✓	4/5
Mr. Mohammad Amin	✗	✓	✓	✓	✓	4/5
Mr. Adil Shakeel	✗	✓	✓	✓	✓	4/5
Chief Financial Officer:						
Mr. Anwar Hussain	✓	✓	✓	✓	✓	5/5
Company Secretary:						
Mr. .Asif Mahmood	✓	✓	✓	✓	✓	5/5
	6/10	10/10	10/10	10/10	10/10	46/50

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE PERIOD 30th JUNE, 2007

This statement is being presented to comply with the code of corporate governance contained in listing regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the listing regulation of the Lahore Stock Exchange and Chapter XI of the listing regulation of the Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company applies the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy in the board of director occurred during the year.
6. The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP)
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.



Mohammad Salim
Chief Executive / Director

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200,
Pakistan

Branch Office:
19-B, Block-G,
Gulberg-III
Lahore.

Tel; 2638521-4 Fax:
2639843
Email: hmi@cyber.net.pk

Tel: 850834, 5865618

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the statement of compliance with the best practice contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007 prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulation No. 37 and Chapter XIII Section No. 36 of the Karachi, Lahore and Islamabad Stock Exchange (Guarantee) Limited respectively where the Company is listed.

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

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

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

KARACHI:
Dated : 27th September 2007

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200,
Pakistan

Branch Office:
19-B, Block-G,
Gulberg-III
Lahore.

Tel: 2638521-4 Fax:
2639843
Email: hmi@cyber.net.pk

Tel: 850834, 5865618

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Bhanero Textile Mills Limited** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance..

The financial statements of the company for the year ended June 30, 2006 were audited by another firm of Chartered Accountants who had expressed unqualified opinion thereon vide their reports dated October 07, 2006

KARACHI:
Dated : 27th September 2007

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

BALANCE SHEET

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2006: 6,000,000) ordinary shares of Rs.10 each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid up capital	3	30,000,000	30,000,000
General Reserves		750,000,000	650,000,000
Unappropriated profits		<u>73,436,427</u>	<u>57,169,995</u>
		853,436,427	737,169,995
Loans from sponsors and relatives	4	100,000,000	-
NON CURRENT LIABILITIES			
Long term financing - secured	5	778,731,132	1,114,285,713
Liabilities against assets subject to finance lease	6	-	10,371,656
Long term murabaha	7	15,227,272	37,045,454
Deferred liabilities	8	162,471,086	109,232,515
CURRENT LIABILITIES			
Trade and other payables	9	179,307,792	304,413,327
Mark-up accrued on loans and other payables	10	29,421,328	28,223,127
Short term borrowings - secured	11	922,987,897	516,338,225
Current portion of long term borrowings	12	350,761,268	213,411,260
Provision for taxation		<u>17,884,713</u>	<u>20,931,706</u>
		1,500,362,998	1,083,317,645
CONTINGENCIES AND COMMITMENTS	13	-	-
		<u>3,410,228,915</u>	<u>3,091,422,978</u>

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



MUHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

AS AT JUNE 30, 2007

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	1,995,219,787	2,127,525,460
Capital work in progress	15	9,248,059	23,915,325
LONG TERM INVESTMENT	16	425,000	400,000
LONG TERM LOANS	17	9,245,316	6,187,334
LONG TERM DEPOSITS	18	2,282,551	9,295,044
CURRENT ASSETS			
Stores, spares and loose tools	19	28,412,108	24,508,294
Stock in trade	20	838,621,006	594,035,718
Trade debts	21	373,615,618	180,966,914
Loans and advances	22	48,367,146	59,935,156
Trade deposits and short term prepayments	23	27,751,923	19,195,814
Other receivables	24	5,118,025	166,573
Taxation	25	16,304,889	21,432,496
Cash and bank balances	26	55,617,487	23,858,850
		1,393,808,202	924,099,815
		<u>3,410,228,915</u>	<u>3,091,422,978</u>



MUHAMMAD SHAKEEL
DIRECTOR

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

	NOTE	Year ended June 30, 2007 Rupees	Year ended June 30, 2006 Rupees
Sales	27	3,521,088,497	2,671,677,837
Cost of goods sold	28	(3,044,519,560)	(2,249,574,997)
Gross profit		476,568,937	422,102,840
Other operating income	29	1,420,288	16,568,617
		477,989,225	438,671,457
Distribution cost	30	(28,544,545)	(27,142,283)
Administrative expenses	31	(53,086,515)	(43,935,950)
Other operating expenses	32	(9,768,886)	(9,738,741)
Finance cost	33	(200,980,438)	(184,390,924)
		(292,380,384)	(265,207,898)
Profit before tax		185,608,841	173,463,559
Provision for taxation	34		
Current year		(17,735,240)	(20,931,706)
Prior year		2,068,065	585,321
Deferred		(46,175,234)	(15,539,935)
		(61,842,409)	(35,886,320)
Profit after tax		123,766,432	137,577,239
Earnings per share - basic and diluted	35	41.26	45.86

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



MUHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR




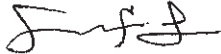
MUHAMMAD SHAKEEL
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	Year ended June 30, 2007 Rupees	Year ended June 30, 2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	185,608,841	173,463,559
Adjustments for:		
Depreciation on property, plant and equipment	203,165,705	162,951,957
Provision for employees' benefits	9,555,299	9,702,140
Provision for bad debts	6,856,318	1,232,374
Infrastructure fee	3,841,029	4,155,314
(Gain) due to change in the fair value of investments available for sale	(25,000)	(82,500)
(Gain) on disposal of property, plant and equipment	(1,047,140)	(3,126,921)
Finance cost	200,980,438	184,390,923
Operating cash flows before changes in working capital	<u>608,935,490</u>	<u>532,686,846</u>
(Increase)/decrease in current assets		
Inventories	(248,489,102)	191,000,460
Trade debts	(199,505,022)	(27,225,758)
Loans and advances	17,396,160	(9,318,350)
Trade deposits	(8,556,109)	(10,925,127)
Other receivables	(4,951,452)	6,352,263
Taxation	5,127,607	(15,313,117)
	(438,977,918)	134,570,371
Increase in trade and other payables	(125,112,210)	142,870,175
Cash generated by operations	<u>44,845,362</u>	<u>810,127,392</u>
Finance cost paid	(199,782,237)	(174,921,651)
Employees' benefits paid	(6,332,991)	(6,756,009)
Income taxes paid	(24,542,318)	(7,204,040)
Long term loans	(3,057,982)	146,084
Long term deposits	7,012,493	5,371,392
	(226,703,035)	(183,364,224)
Net cash used in operating activities	<u>(181,857,673)</u>	<u>626,763,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,930,000	5,460,000
Purchase of property, plant and equipment	(57,075,626)	(1,008,580,857)
Net cash used in investing activities	<u>(55,145,626)</u>	<u>(1,003,120,857)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of long term financing	-	600,000,000
Payment of long term financing	(162,697,438)	(20,000,000)
Payment of long term financing -murabaha	(21,818,182)	(21,818,182)
Proceeds from sponsors and relatives	100,000,000	-
Payment of liability against assets subject to finance lease	(45,878,791)	(37,992,968)
Short term bank borrowings	406,649,672	(117,212,096)
Dividend paid	(7,493,325)	(14,983,624)
Net cash from financing activities	<u>268,761,936</u>	<u>387,993,130</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	31,758,637	11,635,441
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	23,858,850	12,223,409
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>55,617,487</u></u>	<u><u>23,858,850</u></u>

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


MUHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR


MUHAMMAD SHAKEEL
DIRECTOR


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

	SHARE CAPITAL	GENERAL RESERVES	UN-APPROPRIATED PROFIT	TOTAL
	← RUPEES →			
Balance as at June 30, 2005	30,000,000	550,000,000	34,592,756	614,592,756
Profit for the year ended June 30, 2006.	-	-	137,577,239	137,577,239
Transfer to general reserves	-	100,000,000	(100,000,000)	-
Final dividend paid for the year ended June 30, 2005 at the rate of PKR 5 per share	-	-	(15,000,000)	(15,000,000)
Balance as at June 30, 2006	30,000,000	650,000,000	57,169,995	737,169,995
Profit for the year ended June 30, 2007.	-	-	123,766,432	123,766,432
Final dividend paid for the year ended June 30, 2006 at the rate of Rs. 2.5 per share	-	-	(7,500,000)	(7,500,000)
Transfer to general reserves	-	100,000,000	(100,000,000)	-
Balance as at June 30, 2007	30,000,000	750,000,000	73,436,427	853,436,427

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



MUHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MUHAMMAD SHAKEEL
DIRECTOR

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

1 STATUS AND ACTIVITIES

The Company was incorporated in Pakistan as public limited company on March 30, 1980. Its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges. The company is principally engaged in manufacturing and sale of yarn and woven fabrics.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the 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.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for financial instruments that are stated at fair value or where specifically stated.

2.3 Significant estimates

The preparation of financial statements in conformity with IAS requires management to make judgments, estimates and assumption that affect the application of policies and reported amount of assets and 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 the circumstances, results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IAS that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the ensuing paragraphs.

2.3.1 Employee retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are reviewed by the management each year.

2.3.2 Property, plant and equipment

The company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in the future years might affect the carrying amount of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

2.3.3 Taxation

The company takes into account the current income tax law and decisions taken by the appellant authorities. Instances where the company's view differ from the view take by the income tax department at the assessment stage and the company considers that its view on the items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

2.3.4 Trade debts and other receivables

The company considers recoverability of its trade debts and other receivables on regular basis and determines whether any provision is required for doubtful debts and receivables. Any change in the estimates in the future years might affect the carrying amount of respective items of trade debts and other receivables with a corresponding affect on the provision for doubtful debts and receivables.

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

2.3.5 Future estimation of export sales

Deferred tax calculation has been made based on estimate of future ratio of export and local sales.

2.3.6 Interest rate and cross currency swap

The Company has entered into various interest rates and cross currency swap over the last year. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

2.4 Employee benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Contributions are made annually to cover the obligation as determined by the management internally under the schemes on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2007 using the "Project Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligation. Actuarial gains or losses are recognised in the period in which it occurs.

Details of the scheme is given in the relevant note to the financial statements.

Compensated absences

The company accounts for these benefits in the period in which absences accrue.

2.5 Standards, interpretation and amendments to published approved accounting standards

2.5.1 Amendments to published standards effective in 2006

IAS 19 (Amendment) - Employees Benefits, is mandatory for the company's accounting period beginning on or after July 01, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosures requirements. The company does not intend to adopt the alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impact the format and extent of disclosures as presented in the note 8.2 to the financial statements

2.5.2 Standards, amendments and interpretations effective in 2006 but not relevant

Other new standards, amendments and interpretation that are mandatory for accounting periods beginning on or after July 01, 2006 are considered not to be relevant or have any significant effect to the company's operations are not detailed here.

2.5.3 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet affective. The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

IAS - 1 Presentation of Financial Statements – amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS - 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS - 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS - 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS - 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS - 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

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

2.6 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land is stated at cost. Cost also includes borrowing cost wherever applicable.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off. However, major additions or extensions to production facilities, effected by capitalization out of capital work in progress, are depreciated on a pro rata-basis.

Maintenance and repairs are charged to profit and loss as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

Gain or loss on disposal of property, plant and equipment are taken to profit and loss account.

2.7 Accounting for finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets subject to finance lease recognized as assets of the Company at lower of the present value of minimum lease payments, each determined at the inception of the lease and the fair value of leased assets at the date of acquisition. These are stated at cost less accumulated depreciation.

Depreciation is charged at the rates specified in the property, plant and equipment note. The corresponding liabilities to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

2.8 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing costs as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

2.9 Foreign currency transactions

Transactions in currencies other than Pakistani rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, 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 asset is deducted from the borrowing costs eligible for capitalization.

All other borrowing cost are recognized in profit or loss in the period in which they are incurred.

2.11 Investment available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value are charged to profit and loss account. For investment in listed securities, closing quotations of stock exchange on last working day of the accounting year is used for determining fair value.

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

2.12 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 off when identified.

2.13 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 consists of cash in hand, cash in transit and balances with banks.

2.14 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in mark-up accrued on loans and other payables to the extent of amount remaining unpaid, if any.

2.15 Trade and other payables

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

2.16 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liability when obligation specified in the contract is discharged, cancelled or expired. A financial asset and financial liability is offset and the net amount reported in the balance sheet, if the company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts. Derivatives are initially recorded at cost and are re-measured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently. No derivative is designated as hedging instrument by the Company.

2.17 Stores, spares and loose tools

These are valued at lower of cost and net realisable value. Cost is determined on weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges paid there on. Items considered obsolete are carried at nil value.

2.18 Stock in trade

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

Raw material	At weighted average cost
Work in progress	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consists of direct material and labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.19 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.

Sale of goods are recognized when goods are delivered and title has passed.

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

5 LONG TERM FINANCING - secured From financial institutions		L T F - (EOP) loans	NON-LTF loans	June 2007 Rupees	June 2006 Rupees
Term Loan	5.1	-	-	-	10,000,000
Term Loan	5.2	36,876,148	163,123,852	200,000,000	250,000,000
Term Loan	5.3	274,427,806	68,429,336	342,857,142	400,000,000
Term Loan	5.4	322,235,885	72,209,535	394,445,420	400,000,000
Term Loan	5.5	98,862,826	61,137,174	160,000,000	200,000,000
		732,402,665	364,899,897	1,097,302,562	1,260,000,000
Less: current maturity					
Term Loan	5.1	-	-	-	10,000,000
Term Loan	5.2	9,219,036	40,780,964	50,000,000	50,000,000
Term Loan	5.3	91,475,936	22,809,779	114,285,715	57,142,858
Term Loan	5.4	92,067,396	22,218,319	114,285,715	28,571,429
Term Loan	5.5	24,715,706	15,284,294	40,000,000	-
		217,478,074	101,093,356	318,571,430	145,714,287
		514,924,591	263,806,541	778,731,132	1,114,285,713

	Security	Repayment	Markup up LTF	Markup up Non-LTF
5.1	First pari passu hypothecation for PKR 84.0 Million over plant and machinery of Bhanero Unit II located at Ferozewatuwan, Sheikhpura, Faisalabad Road, Shiekhupura.	Repayable in twelve equal quarterly installments, commencing from 13th January 2004.	-	Six months T-Bill cutoff rate plus 1% (2006: Six months T-Bill cutoff rate plus 1%)
5.2	First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly installments, commencing from September 16, 2006.	7%	6M KIBOR+1% (2006: 6 KIBOR + 1%)
5.3	First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by June 24, 2010..	7%	3M KIBOR+1% (2006: 3KIBOR + 1%)
5.4	First pari passu equitable mortgage charge over land and building and 1st parri passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by July 19, 2010.(Non -LTF) & by October 31, 2010. (LTF).	7%	3M KIBOR+1% (2006: 3KIBOR + 1%)
5.5	First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhpura-Faisalabad Road, sheikhpura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	7%	6M KIBOR+2.25% (2006 : 6M KIBOR + 2.25%)
5.6	The company has entered into two interest rate swap agreements with various banks for a notional amount of PKR 650.0 Million (2006: 1,050 Million), maturing upto March 16, 2011. The outstanding balance of these arrangements is PKR 571.428 Million (2006: 1,050 Million) as at the balance sheet date. Under the swap arrangements, the company would receive three and six months KIBOR rates and pay fixed rates of mark-up ranging between 10.25% to 10.90% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR 609,804 (2006: PKR 1,249,452) in contrary to the company.			
5.7	The Company has entered into a cross currency swaps against long term finances for a notional amount of PKR 299.986 million, maturing upto June 26, 2010. The outstanding balance of these arrangements is PKR 299.986 million (2006: Nil) as at the balance sheet date. Under the swap arrangement the principal payable amount of Rs. 299.986 million is swapped			

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

with USD component at PKR 60.64 per USD making the loan amount to USD 4.947 million which will be exchanged at the maturity of the respective swap agreements. Besides foreign currency component, the company would receive 3 months KIBOR rates and pay 3 months LIBOR + spread 0.65% percent as per the respective arrangements, which will be settled quarterly. As at the balance sheet date, the net fair value of these interest rates and cross currency swaps were PKR 743,271 in favour to the company. These swap arrangements have exposed the company with foreign currency risk on the USD value converted at the agreement date of the principal amount of the loans.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payment are payable in thirty six equal monthly installments. The internal rate of return ranges from 6% (2006: 6%) per annum are used as discounting factor. The lease agreement contains bargain purchase option.

Out of three lease agreement the company has satisfied one lease agreement which it had entered into with the leasing company for lease of machinery by exercising its option to purchase these assets. All the amounts payable to the leasing company were paid and there is no amount outstanding at the end of the period. Taxes, repairs, replacement and insurance costs are borne by the company.

		June 30, 2007 Rupees	June 30, 2006 Rupees
Present value of minimum lease payments		10,371,656	56,250,447
Current portion	12	<u>(10,371,656)</u>	<u>(45,878,791)</u>
		<u>-</u>	<u>10,371,656</u>

- 6.1 The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as under:

Gross minimum lease payments

Not later than one year	10,392,985	42,021,264
Later than one year but not later than five years	-	15,935,492
	10,392,985	57,956,756
Finance charges allocated to future period	21,329	1,684,980
Not later than one year	-	21,329
Later than one year but not later than five years	21,329	1,706,309
Present value of minimum lease payments	10,371,656	56,250,447
Not later than one year	10,371,656	40,336,284
Later than one year but not later than five years	-	15,914,163
	10,371,656	56,250,447
Current portion	<u>(10,371,656)</u>	<u>(45,878,791)</u>
	<u>-</u>	<u>10,371,656</u>

7 LONG-TERM MURABAHA

From commercial bank	7.1	37,045,454	58,863,636
Current portion	12	<u>(21,818,182)</u>	<u>(21,818,182)</u>
		<u>15,227,272</u>	<u>37,045,454</u>

- 7.1 The loan is secured by first pari passu charge over property, plant and equipment of Unit-II situated at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura to the extent of PKR 172 million. The loan is repayable in eleven equal installments with six months grace period. Mark up is payable in twelve semi-annual installments in arrears. Mark-up rate is 3 month KIBOR+0.5% per annum (2006: SBP's 6 month T-bills plus 2% per annum.)

8 DEFERRED LIABILITIES

Employee benefits	8.2	37,300,279	34,077,971
Deferred taxation	8.3	110,836,821	64,661,587
Infrastructure fee	8.4	14,333,986	10,492,957
		<u>162,471,086</u>	<u>109,232,515</u>

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

8.1 Valuation has been carried out internally by the management of the Company as at June 30, 2007 using the projected unit credit method assuming a discount rate of 9% (2006: 9%) per annum and expected rate of increase in salaries at 9% (2006: 9%) per annum.

8.2 Movement in net liability recognized in the balance sheet	June 30, 2007 Rupees	June 30, 2006 Rupees
Present value of defined benefits obligation - at the beginning of the year	34,077,971	31,131,840
Charged to profit and loss account 8.2.1	9,555,299	9,702,140
Benefits paid during the year	<u>(6,332,991)</u>	<u>(6,756,009)</u>
Present value of defined benefits obligation - at the end of the year	<u>37,300,279</u>	<u>34,077,971</u>

8.2.1 The following amounts have been charged to the profit and loss account during the current year

Current service cost	5,222,960	5,047,356
Interest cost	105,019	2,391,761
Actuarial (gains) / losses recognized during the period	<u>4,227,320</u>	<u>2,263,023</u>
Net amount chargeable to profit and loss account	<u>9,555,299</u>	<u>9,702,140</u>

8.2.2 There is no unrecognised actuarial loss / gain.

8.2.3 Historical information	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees	2003 Rupees
Present value of defined benefits obligation	37,300,279	34,077,971	31,131,840	26,528,247	28,206,802
Experience adjustments on plan liabilities	<u>4,227,320</u>	<u>2,263,023</u>	<u>1,211,831</u>	<u>(862,138)</u>	<u>68,306</u>

8.3 Deferred taxation

	June 30, 2007 Rupees	June 30, 2006 Rupees
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation on owned assets	158,972,863	63,185,779
Provision for employee benefit	(6,899,499)	(4,770,916)
Finance lease	8,139,703	7,043,337
Provision for doubtful debts	(2,320,732)	(796,613)
Unused tax losses	<u>(47,055,514)</u>	<u>-</u>
	<u>(48,136,042)</u>	<u>1,475,808</u>
	<u>110,836,821</u>	<u>64,661,587</u>

8.4 This represents levy of infrastructure fee payable to Excise and Taxation Department Government of Sindh. The Company has filed a suit in the Honourable High Court of Sindh against the levy of said fee on imports by the company. On the direction of Honourable Sindh High Court the goods of the Company are being released against furnishing of bank guarantee during the pendency of the suit. The company has provided guarantees amounting to PKR 14.6 Million (2006: PKR 10.90 Million) in this respect.

9 TRADE AND OTHER PAYABLES

Creditors		116,931,082	247,214,643
Accrued liabilities		40,638,087	35,611,321
Workers' profit participation fund	9.1	19,370,478	18,850,291
Workers Welfare Fund		-	481,665
Unclaimed dividend		235,991	229,316
Others		<u>2,132,154</u>	<u>2,026,091</u>
		<u>179,307,792</u>	<u>304,413,327</u>

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

	June 30, 2007	June 30, 2006
	Rupees	Rupees
9.1 Workers' profit participation fund		
Opening balance	18,850,291	12,921,477
Interest on funds utilized in the Company's business	9.1.1 <u>2,034,500</u>	<u>1,939,226</u>
	20,884,791	14,860,703
Paid to the fund	<u>11,283,199</u>	<u>5,267,488</u>
	9,601,592	9,593,215
Allocation for the year	<u>9,768,886</u>	<u>9,257,076</u>
	<u>19,370,478</u>	<u>18,850,291</u>

9.1.1 Interest on workers' profit participation fund has been provided @ 18.75% (2006: 37.5%) per annum.

10 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Mark-up accrued on secured:

- long-term financing	21,617,737	19,494,979
- short-term borrowings	7,790,193	8,552,935
- liabilities against assets subject to finance lease	13,398	175,213
	<u>29,421,328</u>	<u>28,223,127</u>

11 SHORT TERM BORROWINGS - SECURED

From banking companies

Short term money market loan	11.2 922,956,297	511,500,000
Over Draft	<u>31,600</u>	<u>4,838,225</u>
	<u>922,987,897</u>	<u>516,338,225</u>

11.1 The aggregate approved short term borrowing facilities amounted to PKR 2,310 million (2006: PKR 1,844 million).

11.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.25% to 1.5 % (2006: 1 to 3 month KIBOR + spreads between 0.25 to 1.5%) per annum payable quarterly. These are secured against hypothecation charge on stock and receivables.

CURRENT PORTION OF LONG TERM BORROWINGS	June 30, 2007	June 30, 2006
	Rupees	Rupees
12 Long-term financing	5 318,571,430	145,714,287
Liabilities against assets subject to finance lease	6 10,371,656	45,878,791
Long-term murabaha	7 21,818,182	21,818,182
	<u>350,761,268</u>	<u>213,411,260</u>

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has issued indemnity bonds amounting to PKR 17.99 million (2006 : PKR 24.74 million) in favour of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.

13.2 In normal course of business, commercial banks have issued guarantees on behalf of the company amounting to PKR 38.711Million (2006: PKR 25.52 Million)

	June 30, 2007	June 30, 2006
	Rupees	Rupees
13.3 Local bills discounted.	<u>72,365,227</u>	<u>49,307,637</u>

Commitments

Letter of credit	143,761,087	115,254,784
Capital work in progress	<u>7,000,000</u>	<u>9,500,000</u>
	<u>150,761,087</u>	<u>124,754,784</u>

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

14 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	COST			DEPRECIATION				Book value as at 30-06-07	Rate
	As at 01-07-06	Additions/ (Deletions)	Transfer	As at 30-06-07	As at 01-07-06	For the Year	Transfers/ (disposal)		
RUPEES									
Company owned									
Leasehold land	433,414	-	-	433,414	-	-	-	433,414	-
Freehold land	120,798,550	-	(194,778)	120,603,772	-	-	-	120,603,768	-
Building on leasehold land	88,364,671	-	1,379,126	89,743,797	44,775,293	4,419,575	-	49,194,868	10%
Building on freehold land	264,874,043	-	19,604,774	284,478,817	59,024,895	21,298,590	(194,778)	80,128,707	10%
Office premises on leasehold land	24,428,684	-	2,694,733	27,123,417	6,604,916	935,980	-	19,582,521	5%
Office premises on freehold land	64,047,549	162,378	6,216,093	70,426,020	9,303,926	2,771,200	-	12,075,126	5%
Plant and machinery	2,047,611,937	501,035	62,233,013	2,110,345,985	530,546,527	156,769,870	9,283,699	696,600,096	10%
Equipments and other assets	450,864	2,150,426	-	2,601,290	412,541	324,878	-	737,419	33%
Fast moving items	2,859,754	-	-	2,859,754	1,651,508	965,167	-	2,616,675	33%
Electric Installation	21,549,872	-	900,000	22,449,872	952,442	2,132,243	-	3,084,685	10%
Gas Line & Pipe	5,969,252	1,211,037	-	7,180,289	149,231	656,507	-	805,738	10%
Cooling towers	4,528,720	-	-	4,528,720	113,218	441,550	-	554,768	10%
Ventilation system	-	-	1,461,897	1,461,897	-	85,277	-	85,277	10%
Boiler	-	-	18,244,925	18,244,925	-	1,084,525	-	1,084,525	10%
Factory equipments	15,718,324	-	-	15,718,324	11,417,805	444,927	-	11,862,732	10%
Office equipments	16,513,253	288,760	1,958,000	18,760,013	9,786,025	690,458	-	10,476,483	10%
Computer and accessories	1,029,555	-	-	1,029,555	617,928	223,283	-	841,211	33%
Furniture and fixtures	5,560,251	53,776	309,212	5,923,239	2,889,315	273,882	-	3,163,197	10%
Vehicles	32,423,360	7,798,785	-	36,850,337	17,951,025	3,605,931	-	19,068,008	20%
		(3,371,808)	-	-	-	-	(2,488,948)	-	-
	2,717,162,053	12,166,197	115,001,773	2,840,763,437	696,196,595	197,123,843	9,283,699	899,920,411	1,940,843,022
Assets subject to finance lease	-	(3,371,808)	(194,778)	-	-	-	(2,683,726)	-	-
Plant and machinery	128,000,000	-	(55,425,072)	72,574,928	21,440,000	6,041,862	(9,283,699)	18,198,163	54,376,765
June 30, 2007	128,000,000	-	(55,425,072)	72,574,928	21,440,000	6,041,862	(9,283,699)	18,198,163	54,376,765
June 30, 2006	2,845,162,053	12,166,197	115,001,773	2,913,338,365	717,636,595	203,165,705	-	918,118,574	1,995,219,787
	-	(3,371,808)	(55,619,850)	-	-	-	(2,683,726)	-	-
June 30, 2006	1,601,997,984	46,890,105	1,202,626,370	2,845,162,053	558,703,963	162,951,957	-	717,636,593	2,127,525,460
	-	(6,352,406)	-	-	-	-	(4,019,327)	-	-

Additions includes direct capitalization and transfer from capital work in progress.

Transfer to owned assets includes both transfers from capital work in progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

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

		June 30, 2007 Rupees	June 30, 2006 Rupees
Cost of sales	28	198,358,080	158,986,448
Administrative expenses	31	4,807,625	3,965,509
		<u>203,165,705</u>	<u>162,951,957</u>

14.2 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
RUPEES							
Vehicles							
Honda Civic - LXD 3207	887,020	787,511	99,509	450,000	350,491	Negotiation	Mr. Ahmad Hammed 21-C-1, Faisal Town, Lahore
Suzuki Cultus - LRK 3508	565,850	327,801	238,049	275,000	36,951	Negotiation	Mr. Anjum Sohail House no. 556-B, Faisal Twon, Lahore
Suzuki Khyber - LXH 889	377,738	332,848	44,890	240,000	195,110	Negotiation	Mr. Javaid Akhter House no. P-125, Minal market, Gulberg II Lahore
Toyota Corolla - ABM - 390	650,000	381,264	268,736	470,000	201,264	Negotiation	Mr. Arif pervaiz, House no. A-344 Block 3, Gulshan-e-Iqbal Karachi.
Toyota Hiace - CK - 8861	891,200	659,524	231,676	495,000	263,324	Negotiation	Mr. Hussain House no. 1393, Sakuna Manzil, St. no. 04 Yaqoob Shara Road, Nawabad Layari, Karachi
30-Jun-2007	3,371,808	2,488,948	882,860	1,930,000	1,047,140		
30-Jun-2006	6,352,406	4,019,327	2,333,079	5,460,000	3,126,921		

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

		June 30, 2007	June 30, 2006
		Rupees	Rupees
15 CAPITAL WORK IN PROGRESS			
Building and other civil work		8,570,512	19,245,093
Machinery		677,547	4,670,232
		<u>9,248,059</u>	<u>23,915,325</u>
16 LONG TERM INVESTMENTS			
Available for sale			
50,000 ordinary shares of Rs. 10 each.	16.1	500,000	500,000
Provision for diminution in the value of investments	16.2	(75,000)	(100,000)
		<u>425,000</u>	<u>400,000</u>
16.1	The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.		
16.2	The market value of these shares was PKR 8.50 per share as at June 30, 2007 (June 2006: PKR 8.00 per share)		
17 LONG TERM LOANS - SECURED			
Un-secured but considered good			
Loan and advances to related parties	17.1	395,550	1,355,550
Other loan and advances	17.2	8,849,766	4,831,784
		<u>9,245,316</u>	<u>6,187,334</u>
17.1 Loan and advances to related parties			
Opening balance		1,355,550	2,485,500
Received during the year		(480,000)	(649,950)
		<u>875,550</u>	<u>1,835,550</u>
Current maturity		(480,000)	(480,000)
Closing balance		<u>395,550</u>	<u>1,355,550</u>
17.1.1	Loans to related parties includes loans given to employees under the terms of employment. The maximum amount outstanding at the end of any month during the year was PKR 1,355,550 (2006 : PKR. 2,485,000).		
17.2 Other loan and advances			
Loan to employees and staff		12,765,805	12,236,300
Current maturity shown under current assets		(3,916,039)	(7,404,516)
		<u>8,849,766</u>	<u>4,831,784</u>
17.2.1	These are repayable over two to five years and are given under the terms of employment.		
18 LONG TERM DEPOSITS			
Lease security		-	7,257,493
Electricity		2,078,060	1,623,060
Telephone		67,900	67,900
Others		136,591	346,591
		<u>2,282,551</u>	<u>9,295,044</u>
19 STORES, SPARES AND LOOSE TOOLS			
Stores		13,353,269	14,626,251
Spares		9,763,353	9,652,355
Loose tools		5,295,486	229,688
		<u>28,412,108</u>	<u>24,508,294</u>
20 STOCK IN TRADE			
Raw material		563,632,349	361,123,391
Raw material in transit		15,419,134	46,282,119
Work in process		36,649,985	31,547,899
Finished goods		222,341,935	154,348,388
Waste		577,603	733,921
		<u>838,621,006</u>	<u>594,035,718</u>

20.1 Finished goods of NIL (2006: PKR 8,284,598) are being carried at net realizable value.

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

		June 30, 2007	June 30, 2006
		Rupees	Rupees
21 TRADE DEBTS			
Foreign - secured against letter of credit		11,606,123	9,484,453
Local - unsecured - considered good		297,622,211	171,482,461
Local - secured - Against letter of credit		64,387,284	-
Unsecured - considered doubtful		6,978,974	5,122,656
		380,594,592	186,089,570
Provision for doubtful debts.		(6,978,974)	(5,122,656)
		373,615,618	180,966,914
22 LOANS AND ADVANCES			
Advances to :			
Suppliers - unsecured but considered good		660,242	14,177,450
Suppliers - unsecured and considered doubtful		5,000,000	-
Prepaid		10,381	-
Staff - secured		-	400,856
Current portion of loan to related party		480,000	480,000
Current portion of loan to others	17	3,916,039	7,404,516
Advance income tax		43,300,484	37,472,334
		53,367,146	59,935,156
Provision for doubtful supplier advances		(5,000,000)	-
		48,367,146	59,935,156
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		5,319,230	570,670
Deposits against infrastructure fees	23.1	14,600,000	10,900,000
Short term prepayments		104,973	894,642
Current portion of long term loans		7,257,493	5,542,507
Margin against letter of credit		470,227	1,287,995
		27,751,923	19,195,814
23.1	Effective mark up rate on these deposits range from 3% to 7% (June 30, 2006: 3% to 4%) per annum.		
24 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD			
L/C in transit		2,451,079	-
Other receivables		476,867	157,088
Shortage claim receivables - considered good		2,757,514	576,920
		5,685,460	734,008
Provision for doubtful receivables		(567,435)	(567,435)
		5,118,025	166,573
25 TAXATION			
Sales tax refundable		16,304,889	21,432,496
		16,304,889	21,432,496
26 CASH AND BANK BALANCES			
Balances with banks on:			
Current accounts		55,522,876	23,665,148
Foreign currency account - current		94,611	193,702
		55,617,487	23,858,850
27 SALES - NET			
	2007	2006	
	LOCAL	EXPORT	LOCAL
	RUPEES		EXPORT
			June 2007
			Rupees
Yarn	1,486,647,887	422,581,295	1,488,543,275
Fabric	839,658,245	755,368,923	283,055,886
Waste	42,791,619	-	516,158,410
	2,369,097,751	1,177,950,218	39,111,018
			-
			3,547,047,969
Rebate	-	1,497,405	799,214,296
Commission	(19,817,216)	(7,639,661)	1,497,405
	(15,706,938)	(5,515,543)	-
	2,349,280,535	1,171,807,962	(27,456,877)
			3,521,088,497
			2,692,900,318
			(21,222,481)
			2,671,677,837

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

	June 30, 2007	June 30, 2006
	Rupees	Rupees
28 COST OF GOODS SOLD		
Raw material	28.1 2,121,472,700	1,510,672,876
Packing material	33,747,645	30,218,945
Stores, spares and loose tools	95,512,389	96,175,080
Salaries, wages and benefits	28.2 172,049,536	143,255,853
Processing charges	1,294,940	6,924,305
Fees and Subscription	8,800	9,268
Fuel, power and water	287,433,868	304,032,466
Electric duty	1,981,696	408,611
Insurance	8,845,610	5,717,126
Vehicle running and maintenance	2,731,063	2,565,750
Rent, rate and taxes	424,223	251,016
Repair and maintenance	3,871,698	6,458,776
Communication	546,953	643,117
Traveling and conveyance	606,652	624,879
Depreciation	14.1 198,358,080	158,986,448
Other	3,461,527	3,754,474
	<u>2,932,347,380</u>	<u>2,270,698,990</u>
Work in process		
Opening stock	31,547,899	17,182,139
Transfer from trial run production	-	18,176,613
Closing stock	(36,649,985)	(31,547,899)
	<u>(5,102,086)</u>	<u>3,810,853</u>
Cost of goods manufactured	<u>2,927,245,294</u>	<u>2,274,509,843</u>
Finished stocks		
Opening stock	155,082,309	56,719,361
Transfer from trial run production	-	18,971,036
Yarn purchased for export	185,111,495	54,457,066
Closing stock	(222,919,538)	(155,082,309)
	<u>117,274,266</u>	<u>(24,934,846)</u>
	<u>3,044,519,560</u>	<u>2,249,574,997</u>
28.1 Raw material consumed		
Opening stock	361,123,391	711,517,263
Transfer from trial run production	-	13,808,435
Purchases - net	<u>2,352,685,837</u>	<u>1,263,266,693</u>
	<u>2,713,809,228</u>	<u>1,988,592,391</u>
Cost of raw material sold	(28,704,179)	(116,796,124)
Closing stock	<u>(563,632,349)</u>	<u>(361,123,391)</u>
	<u>2,121,472,700</u>	<u>1,510,672,876</u>
28.2 Salaries, wages and benefits includes employees benefits amounting to Rs. 8,486,171 (June 30, 2006: PKR 6,764,609).		
29 OTHER OPERATING INCOME		
Income from financial assets		
Interest income	2,081	1,684,859
Fair value adjustment of investment	25,000	82,500
	<u>27,081</u>	<u>1,767,359</u>
Income from assets other than financial assets		
Gain on disposal of property, plant and equipment	1,047,140	3,126,921
Gain on sale of cotton	29.1 346,067	11,674,337
	<u>1,393,207</u>	<u>14,801,258</u>
	<u>1,420,288</u>	<u>16,568,617</u>
29.1 Gain on sale of cotton		
Sales	14,997,615	125,406,004
Cost of raw cotton sold	(14,651,548)	(113,104,574)
Commission on sales	-	(627,093)
	<u>346,067</u>	<u>11,674,337</u>

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

		June 30, 2007	June 30, 2006
		Rupees	Rupees
30 DISTRIBUTION COST			
Export			
Freight on export sales		13,847,371	13,164,173
Export development surcharge		1,957,545	1,517,050
Others		3,871,944	1,340,941
		<u>19,676,860</u>	<u>16,022,164</u>
Local			
Freight on local sales		8,196,178	8,231,242
Others		671,507	2,888,877
		<u>8,867,685</u>	<u>11,120,119</u>
		<u>28,544,545</u>	<u>27,142,283</u>
31 ADMINISTRATIVE EXPENSES			
Directors' remuneration	37	1,920,000	1,920,000
Staff salaries and benefits	31.1	21,635,735	20,630,717
Computer Expenses		314,022	100,000
Traveling, conveyance and entertainment		3,235,952	3,106,673
Printing and stationery		1,290,602	1,244,956
Communication		2,400,459	2,795,426
Vehicles running and maintenance		3,631,548	4,008,972
Legal and professional		731,725	658,000
Auditors' remuneration	31.2	340,000	310,000
Fee and subscription		1,146,513	882,096
Repair and maintenance		1,067,724	877,825
Depreciation	14.1	4,807,625	3,965,509
Rent, rates and utilities		1,765,491	1,425,426
Donation	31.3	944,240	245,000
Doubtful Debts		6,856,318	1,232,374
Others		998,561	532,976
		<u>53,086,515</u>	<u>43,935,950</u>
31.1 Salaries, wages and benefits includes employees benefits amounting to Rs. 1,069,128 (June 30, 2006 2,937,531).			
31.2 Auditors' remuneration			
Annual statutory audit		225,000	195,000
Half yearly review		80,000	80,000
Out of pocket expenses		35,000	35,000
		<u>340,000</u>	<u>310,000</u>
31.3 No director or his spouse had any interest in the donee			
32 OTHER OPERATING EXPENSES			
Workers' profit participation fund	9.1	9,768,886	9,257,076
Workers welfare fund	32.1	-	481,665
		<u>9,768,886</u>	<u>9,738,741</u>
32.1 The provision for Workers Welfare Fund has been recognised as provided under section 4(1) of Workers Welfare Fund Ordinance 1971.			
33 FINANCE COST			
Mark-up on:			
- long-term financing		109,859,978	91,205,259
- long-term murabaha		4,396,401	5,159,582
- short-term borrowings		75,613,729	80,689,232
- liabilities against assets subject to finance lease		1,347,953	3,700,671
- workers' profit participation fund		2,034,500	1,939,226
Bank charges and commission		5,097,247	3,243,572
		<u>198,349,808</u>	<u>185,937,542</u>
borrowing cost	33.1	-	(16,542,866)
derivatives financial instrument	5.6 & 5.7	2,630,630	14,996,248
		<u>200,980,438</u>	<u>184,390,924</u>

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

33.1 Borrowing costs included in the cost of qualifying assets during the last year arose on the general borrowing pool and are calculated by applying average borrowing rate of the Company as capitalization rate of nil (2006:3.70%) to expenditure on such assets.

34 PROVISION FOR TAXATION	June 30, 2007 Rupees	June 30, 2006 Rupees
Current		
- for the year	34.1 17,735,240	20,931,706
- for prior years	(2,068,065)	(585,321)
	15,667,175	20,346,385
Deferred	8.3 46,175,234	15,539,935
	61,842,409	35,886,320

34.1 Provision for the current year has been made at normal rates of Income Tax Ordinance 2001. The income tax assessment of the company has been finalized up to the tax year 2005. The income tax assessment of the tax year 2006 is under process

34.2 Numerical reconciliation between the average tax rate and the applicable tax rate

Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
income assessed under final tax regime	-	13.08
income assessed under minimum tax liability	26.46	-
adjustment of unused tax losses	(8.45)	-
adjustment of the prior years	(1.11)	(0.34)
income chargeable to tax at special rate	-	2.52
deferred tax	(24.88)	(28.64)
inadmissible expenses	5.78	0.14
others	0.10	(1.09)
	(2.10)	(14.33)
Effective tax rate	32.90	20.67

35 EARNINGS PER SHARE - BASIC AND DILUTED	41.26	45.86
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There is no dilutive effective on the basic earning per shares of the company which is based on:

Earnings

Earnings for the purpose of basic earnings per share (net profit after tax for the year)	123,766,432	137,577,239
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000	3,000,000
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Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

Basic earnings per share	41.26	45.86
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No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

36 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, The Board of Directors in their meeting held on 27th September 2007 has proposed to pay cash dividend of @ 25% i.e. PKR 2.5 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting.

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

37 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	CHIEF EXECUTIVE OFFICER		DIRECTOR		TOTAL	
	Year ended June 30,2007	Year ended June 30,2006	Year ended June 30,2007	Year ended June 30,2006	Year ended June 30,2007	Year ended June 30,2006
	R U P E E S					
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
Allowances	297,931	297,931	297,931	297,931	595,862	595,862
	960,000	960,000	960,000	960,000	1,920,000	1,920,000
Number of persons	1	1	1	1	2	2

37.1 In addition the Chief Executive, and all director are provided with free use of Company maintained cars and telephone for business use.

	2007							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	SUB Total		
Financial assets								
Trade debts	-	-	-	373,615,618	-	373,615,618	373,615,618	
Loans and advances	-	-	-	670,623	-	670,623	670,623	
Trade deposits	14,600,000	-	14,600,000	13,151,923	-	13,151,923	27,751,923	3 to 7
Other receivables	-	-	-	5,118,025	-	5,118,025	5,118,025	
Bank balances	-	-	-	-	55,617,487	55,617,487	55,617,487	
Long-term loans	-	-	-	4,396,039	9,245,316	13,641,355	13,641,355	
Long-term deposits	-	-	-	-	2,282,551	2,282,551	2,282,551	
Long term investments	-	-	-	-	425,000	425,000	425,000	
	14,600,000	-	14,600,000	396,952,228	67,570,354	464,522,582	479,122,582	
Financial liabilities								
Long-term financing	340,389,612	793,958,404	1,134,348,016	-	-	-	1,134,348,016	7 and KIBOR + 1
Trade and other payables	-	-	-	159,701,323	-	159,701,323	159,701,323	
Mark-up accrued on loans	-	-	-	29,407,930	-	29,407,930	29,407,930	KIBOR + .25 to 1.5
Short-term borrowings	922,987,897	-	922,987,897	-	-	-	922,987,897	
	1,263,377,509	793,958,404	2,057,335,913	189,109,253	-	189,109,253	2,246,445,166	
On balance sheet gap	(1,248,777,509)	(793,958,404)	(2,042,735,913)	207,842,975	67,570,354	275,413,329	(1,767,322,584)	
Contingencies and commitments								
Guarantees							38,710,700	
Letters of credit							143,761,087	
Civil work							7,000,000	
Indemnity Bond							17,990,000	
Bill Discount							72,365,227	

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

2006

Financial assets	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	SUB Total		
Trade debts	-	-	-	-	180,966,914	180,966,914	180,966,914	
Loans and advances	-	-	-	-	14,578,306	14,578,306	14,578,306	
Trade deposits	10,900,000	-	10,900,000	-	8,295,814	8,295,814	19,195,814	3 to 4
Other receivables	-	-	-	-	166,573	166,573	166,573	
Bank balances	-	-	-	-	23,858,850	23,858,850	23,858,850	
Long-term loans	-	-	-	6,187,334	14,071,850	14,071,850	14,071,850	
Long-term deposits	-	-	-	2,037,551	2,037,551	2,037,551	2,037,551	
Long term investments	-	-	-	400,000	400,000	400,000	400,000	
	-	-	-	8,624,885	255,275,858	255,275,858	255,275,858	
Financial liabilities								
Long-term financing	167,532,469	1,151,331,167	1,318,863,636		-	1,318,863,636	1,318,863,636	KIBOR + 1
Trade and other payables			-		284,852,055	284,852,055	284,852,055	
Mark-up accrued on loans			-		28,047,914	28,047,914	28,047,914	
Short-term borrowings	516,338,225		516,338,225		-	516,338,225	516,338,225	KIBOR + .25 to 1.5
	683,870,694	1,151,331,167	1,835,201,861		-	312,899,969	2,148,101,830	
On balance sheet gap	(672,970,694)	(1,151,331,167)	(1,824,301,861)	(77,148,996)	8,624,885	(68,524,111)	(1,892,825,972)	
Contingencies and commitments								
Guarantees							25,500,000	
Letters of credit							115,254,784	
Civil work							9,500,000	
Indemnity Bond							24,740,000	
Bill Discount							49,307,637	

38.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

38.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 479,122,582 (June 30, 2006: PKR 255,275,858), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 393,045,621 (June 30, 2006: PKR 209,783,643) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

38.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

38.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2007, the total foreign currency risk exposure was PKR 4,735,457 (June 30, 2006: PKR 9,484,453) in respect of foreign trade debts.

38.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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

39 TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Transaction with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 17.1 and 37 are as follow

	June 30, 2007	June 30, 2006
	Rupees	Rupees
Purchase of goods	302,282,745	97,721,697
Purchase of machinery	-	5,295,406
Sales of yarn/cotton/fabric	321,228,817	554,722,458
Services received	998,250	-
Services rendered	10,828,564	9,212,400
Electricity purchased	97,851,153	216,030,193

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	June 2007	Jun 2006
Spinning		
Number of spindles installed	67,776	67,776
Number of rotors installed	192	192
Number of looms installed	140	140
Number of spindles worked	67,776	67,776
Number of rotors worked	192	192
Number of looms worked	140	140
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,200,746	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	23,916,723	25,541,642
Installed capacity of fabric after conversion into 50 picks - Square meters	26,166,485	20,034,909
Actual production of fabric after conversion into 50 picks - square meters	33,878,770	24,198,242

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindles speed and twist etc. It would also vary accordingly to pattern of production adopted in a particular year.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 27th September 2007

42 RECLASSIFICATION

- 42.1** In previous year provision for taxation amounting to PKR 20,931,706 was adjusted against the advance tax shown in note 22. In current year provision for taxation has been shown separately
- 42.2** Cash flow statement of previous year has been regrouped by disclosing the provision of Infrastructure fee amounting to PKR 4,155,314 as a adjustments in operating cash flow before working capital changes. Previously it was adjusted against the purchases of property, plant and equipment.
- 42.3** In previous year mark up on long term loan includes the amount of PKR 14,996,248 on account of loss on interest rate swapping which has been now shown separately under derivatives financial instruments for the purpose of proper comparison with current year.



MUHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MUHAMMAD SHAKEEL
DIRECTOR

PATTERN OF SHAREHOLDING AS AT 30-06-2007

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
101	1 - 100	10,100
30	101 - 500	9,100
12	501 - 1000	10,400
13	1001 - 5000	29,800
3	10001 - 15000	35,400
1	15001 - 20000	17,700
2	20001 - 25000	43,984
1	25001 - 30000	29,872
1	40001 - 45000	42,780
4	50001 - 55000	204,938
3	60001 - 65000	181,600
3	70001 - 75000	216,400
2	80001 - 85000	165,600
2	155001 - 160000	317,900
1	165001 - 170000	165,142
1	170001 - 175000	170,400
1	250001 - 255000	250,176
1	265001 - 270000	267,825
1	335001 - 340000	334,283
1	495001 - 500000	496,600
184		3,000,000

**CATEGORYWISE SUMMARY OF SHAREHOLDERS
AS AT 30-06-2007**

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Individuals	179	2,414,500	80.48
2 Investment Companies	-	-	-
3 Insurance Companies	1	70,500	2.35
4 Joint Stock Companies	4	515,000	17.17
5 Financial Institutions	-	-	-
6 Modaraba Companies	-	-	-
7 Foreign Investors	-	-	-
8 Co-Operative Society	-	-	-
9 Charitable Institutions	-	-	-
10 Others	-	-	-
TOTAL	184	3,000,000	100.00

The above two statements include 88 shareholders holding 633,500 shares through the Central Depository Company of Pakistan Limited (CDC)

**PATTERN OF SHAREHOLDINGS
AS AT 30-06-2007**

S.No.	Shareholders Category	Percentage	No. of Shares
1	Associated companies undertaking and related parties	-	-
2	NIT / ICP	-	-
3	CEO, Directors and their spouse and minor children		
	Mr. Muhammad Salim		21,929
	Mr. Muhammad Sharif		14,000
	Mr. Muhammad Shaheen		42,780
	Mr. Muhammad Shakeel		22,055
	Mr. Khurram Salim		60,500
	Mr. Bilal Sharif		60,500
	Mr. Muhammad Amin		159,500
	Mr. Adil Shakeel		267,825
	Mrs. Yasmeen Begum		29,872
	Mrs. Anjum Begum		165,142
	Mrs. Seema Begum		53,292
	Mrs. Nazli Begum		50,482
	Mrs. Amna Khurram		73,400
	Mrs. Samia Bilal		334,283
	Mrs. Fatima Amin		170,400
	Master Abdullah Bilal		11,000
4	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds		
	State Life Insurance Corporation of Pakistan		70,500
5	Details of Trading in the Shares by the Directors, CEO, CFO, Company Secretary and their spouse and minor children		-
6	Shareholders Holding Ten Percent or more Voting Interest		
	Mrs. Saima Bilal	11.14%	334,283
	Admiral (Private) Limited	16.55%	496,600

PROXY FORM

I/We _____
of _____
being a member of BHANERO TEXTILE MILLS LIMITED and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 28th Annual General Meeting of the Company to be held on

Wednesday October 24, 2007 at 4:30 p.m. at Umer Chambers, 10/2, Bilmoria Street, Off.
WITNESS
I.I. Chundrigar Road, Karachi and/or at any adjournment thereof.

Signature _____

Name _____

Address _____

CNIC/Passport # _____

Signed this _____ day of _____ 2007

Affix Rs. 5/- Revenue Stamp

(Signature should agree with the
specimen signature registered
with the Company)

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to
t h e
Company Secretary, Bhanero Textile Mills Limited, Umer Chambers, 10/2, Bilmoria Street, Off
I.I. Chundrigar Road, Karachi so as to reach not less than 48 hours before the time scheduled for
h o l d i n g
the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the proxy form should also be submitted.