Contents

Company Information

Chief Executive Officer	Mian Muhammad Latif
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Rizwan Latif Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif Mst. Tehmina Yasmin
Bankers/Financial Institutions *(In Alphabetic Order)*	Allied Bank Limited Atlas Bank Limited Askari Bank Limited AlBaraka Islamic Bank, B.S.C. (E.C) Bank Alfalah Limited Citibank, N.A. Faysal Bank Limited First Credit & Investment Bank Limited First Punjab Modaraba Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited National Bank of Pakistan NIB Bank Limited Orix Investment Bank (Pakistan) Limited Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Commercial Bank Limited Saudi Pak Agricultural & Investment Company (Pvt.) Ltd. Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
Company Secretary/ Chief Financial Officer	Mr. Muhammad Arshad
Audit Committee	Mr. Muhammad Farhan Latif – *Chairman* Mst. Shahnaz Latif – *Member* Mst. Tehmina Yasmin – *Member*
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants.
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Registered Office	Nishatabad, Faisalabad. Tel:041-8754472-8 Fax:041-8752400, 8752700
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	- Spinning Unit - Toba Tek Singh. - Weaving Unit - Kharianwala, District, Sheikhupura. - Weaving Unit - Shahkot, District, Nankana Sahib. - Weaving Unit - Gatti, Faisalabad. - Weaving Unit - Khurrianwala, Faisalabad. - Processing Unit & Stitching Units - Nishatabad, Faisalabad.

Vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mission Statement

- To be the business house of first choice for customers.
- To be a change leader.
- To produce innovative, relevant and cost effective products.
- Setting and maintaining high standards.
- To earn profits by achieving optimum level of production by using state of the art technologies.
- To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- To meet social and cultural obligations towards the society being a patriotic and conscientious corporate citizens.

Financial Highlights

	2007	2006	2005	2004	2003	2002
Operational performance						**(Rupees '000)**
Sales-net	8,161,233	6,957,562	5,863,108	4,750,847	3,984,978	4,315,877
Cost of sales	6,613,983	5,389,463	4,707,025	3,881,999	3,174,084	3,414,752
Gross profit	1,547,250	1,568,099	1,156,083	868,848	810,894	901,125
Operating profit	996,406	953,013	654,165	468,639	470,474	574,971
Profit before taxation	160,439	216,078	232,622	142,433	117,809	225,467
Profit after taxation	74,782	150,165	186,245	103,952	84,189	190,221
Financial position						
Property, Plant and equipment	7,168,721	5,953,381	4,732,200	3,428,960	2,534,220	2,153,208
Intangible asset	–	1,625	3,250	41,059	66,073	–
Capital work in progress	287,246	153,566	141,300	94,854	166,794	88,802
Fixed capital expenditure	7,455,967	6,108,572	4,876,750	3,564,873	2,767,087	2,242,010
Total assets	14,982,858	14,174,127	10,056,662	8,147,416	5,960,195	4,834,602
Current asset						
Store,spare parts and stocks in trade	5,093,303	4,833,445	3,636,398	3,318,558	2,429,935	1,887,616
Other current assets	2,368,341	3,104,245	1,454,078	1,202,355	731,415	675,581
Cash and cash equivalents	65,247	127,866	89,436	61,630	31,758	29,395
Total	7,526,891	8,065,555	5,179,912	4,582,543	3,193,108	2,592,592
Current liabilities						
Short term bank borrowing	5,473,669	4,971,835	3,604,661	3,150,126	2,309,919	1,870,477
Current portion of long term loans/morabaha	782,047	1,218,606	180,000	99,082	220,129	231,757
Other current liabilities	2,109,275	1,718,840	1,213,476	1,074,617	619,156	699,948
Total	8,364,991	7,909,281	4,998,137	4,223,825	3,149,204	2,802,182
Net working capital	(838,100)	156,274	181,775	258,718	43,904	(209,590)
Long term loans/Finance lease	2,550,142	2,228,194	2,310,856	2,080,504	1,268,615	706,650
Shareholder's equity	2,759,138	2,745,372	2,367,700	1,361,411	1,156,397	851,222
Profiability analysis						
Gross profit to sale (%)	18.96	22.54	19.72	18.29	20.35	20.88
Profit befor tax to sales (%)	1.97	3.11	3.97	3.00	2.96	5.22
Profit after tax to sales (%)	0.92	2.16	3.18	2.19	2.11	4.41
Return on investment (%)	0.50	1.06	1.85	1.28	1.41	3.93
Return on equity (%)	2.71	5.47	7.87	7.64	7.28	22.35
Earnings per share(Rupees)	0.01	0.67	1.25	1.04	2.28	1.03
Financial analysis						
Current ratio(time)	0.90	1.02	1.04	1.06	1.01	0.93
Debt to equity (time)	1.21	1.26	1.05	1.60	1.29	1.10
Total Debt to Total Assets	0.22	0.24	0.25	0.27	0.25	0.19
Total Debt to Fixed Assets	0.45	0.56	0.51	0.61	0.54	0.42

Notice of Annual General Meeting

Notice is hereby given that 23rd Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Wednesday the 31st October, 2007 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

1 To confirm the minutes of the last meeting.

2 To consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2007 together with Directors and Auditors Reports thereon.

3 To approve payment of Dividend at the rate of 9.25 % p.a. for the year 2007 in respect of non-voting cumulative preference shares as recommended by the Board of Directors.

4 To appoint Auditors for the next financial year 2007-2008 and to fix their remuneration. The present auditors M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants, Faisalabad are to retire. Some of the shareholders and the members of audit committee have proposed/ recommended the name of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants for appointment as auditors of the company for the year 2007-08.

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

BY ORDER OF THE BOARD

FAISALABAD
October 10, 2007

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

Notice of Annual General Meeting

NOTES:

1 The Share Transfer Books of Ordinary Shares of the Company will remain closed from October 22, 2007 to October 31, 2007 (both days inclusive).

2 Share transfer books of preference shares (non-voting) of the company will remain closed from October 22, 2007 to October 31, 2007 (both days inclusive) for entitlement of 9.25% p.a. preferred Dividend. Physical transfers/CDs Transaction IDs received in order of company's shares Department, Chenab Limited, Nishatabad, Faisalabad upto close of business i.e. upto October 20, 2007 will be considered in time for entitlement of preferred dividend. The preference shareholders are not entitled to attend the meeting.

3 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.

4 Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.

5 All other members should bring their Original National Identity Cards for identification purpose.

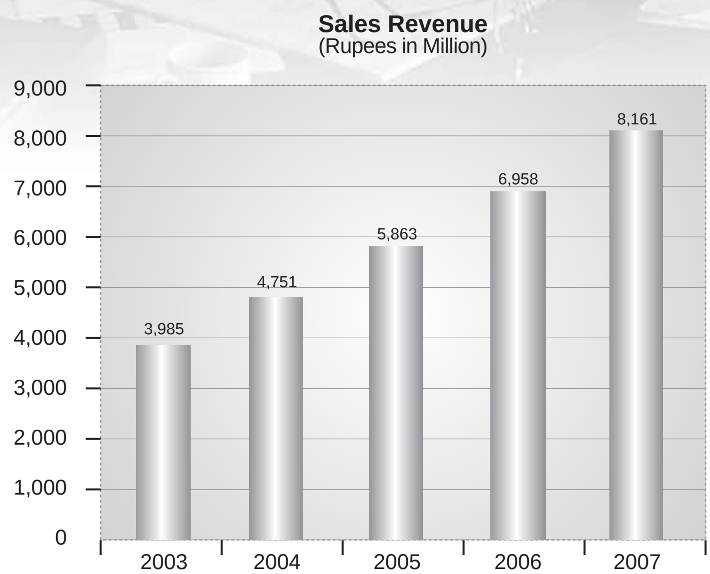
The shareholders are requested to notify the company immediately the change in their address, if any.

Directors Report to the Members

The Directors are pleased to place before you Report and Audited Accounts for the year ended June 30, 2007.

SALES REVENUE

Sales revenue of your company has been cumulatively growing over last 5 years, as depicted in the chart.



This has been possible due to careful expansion in production capacities of weaving, processing and stitching operations. This investment was necessary to cater for market demand which emerged in post quota era after 2005. With present installed capacities, your company is capable to achieve even higher sales target of Rs.10 billion. Anti dumping duty has been a stumbling block in increasing sales volumes in European markets. Despite this, your company was able to achieve an impressive sales growth.

FINANCIAL RESULTS

Although sales growth of the company has been satisfactory but unfortunately margins have been seriously eroded mainly due to following factors:

1) Cut throat competition from China and India, as they provide subsidies to their textile chain, and from Bangladesh which not only provides domestic subsidies to their textiles industry but also enjoys privileged market access in EU and US markets, which is a direct disadvantage to Pakistan.
2) High financial cost of term finance, which has been substantially increased.
3) Higher raw material cost which is mainly due to short supply of domestic cotton and impact of higher financial, labour and power cost of weaving sector, due to which grey fabric cost has increased.
4) Impacts of domestic inflation particularly increase in packing and transportation. Packing cost has substantially increased over last 1 year due to shortage of its raw material and higher POL and financial cost has increased transportation charges.
5) High energy cost which has substantially increased over last one year.
6) High labour cost as the government has increased minimum wages over two consecutive years. Productivity of our labour is already lowest in the region; therefore increase in its cost had placed the industry in double disadvantage.

Directors Report to the Members

Government had tried to partially compensate adverse financial impact by providing R&D facility to the value added industry, which has helped it to resuscitate in extremely difficult business situation by defraying the R&D, compliance and exhibitions participation expenses, etc. out of R&D support. However, much more is desired and more effort are needed for increasing domestic cotton production at economical prices and to control other input costs such as packing, etc by controlling rampant inflation. Due to which thin profit margins are under pressure. We expect that the government will come forwarded and share the increase in labour cost by enhancing the R&D support as a budgetary allocation. Similarly, we expect that presumptive tax rate which is linked to turnover will also be reduced in order to alleviate financial burden on exporting companies in prevailing difficult time.

However, we expect that with revaluation of Indian and Chinese currencies, coupled with China's decision to reduce export subsidies, there is a silver lining for Pakistan's textile trade in future. With this development, we expect that your company will perform well and better results will be achieved in future. Keeping in view low profitability and constraints on cash flow, your Directors have decided to skip dividend payout for the current year, except for cumulative preference shares.

The financial results for the year ended June 30, 2007 with comparative figures are as follows;

	2007 (Rupees)	2006 (Rupees)
Profit for the year (before taxation)	160,439,044	216,077,623
Provision for taxation.	(85,656,748)	(65,913,075)
Profit for the year (after taxation).	74,782,296	150,164,548
Un-appropriated profit brought forward	106,815,472	113,428,916
(Refer statement of changes in equity)		
Dividend to non-voting cumulative preference		
shareholders – 9.25% per annum.	(74,000,000)	(61,491,947)
(Refer statement of changes in equity)		
Transfer from surplus on revaluation of fixed assets	12,983,444	18,999,669
Profit available for appropriation(s)	120,581,212	221,101,186
Transfer to preference shares redemptions reserve	(114,285,714)	(114,285,714)
	6,295,498	106,815,472
EARNINGS PER SHARE		
Earnings per share - Basic	0.01	0.67

	(Rupees)
The board of directors of the company has recomended the following appropriations;	
Preference dividend at 9.25% for the year ended June 30, 2007	74,000,000
Transfer from general reserve to unappropriated profit	200,000,000

PATTERN OF SHAREHOLDING

The pattern of shareholdings as at June 30, 2007 including the information under the code of corporate governance for ordinary and non-voting cumulative preference shares are annexed.

BOARD OF DIRECTORS

There being no change in the directorship of the company, the number of directors remains the same as per the last annual general meeting of the shareholders of the company. All the retiring directors were elected for next term of three years commencing from September 18, 2007.

BOARD MEETINGS

During the year under review five board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED
1.	Mian Muhammad Latif	4
2.	Mian Muhammad Javaid Iqbal	5
3.	Mr. Muhammad Naeem	5
4.	Mr. Muhammad Faisal Latif	5
5.	Mr. Muhammad Farhan Latif	5
6.	Mr. Muhammad Rizwan Latif	2
7.	Mr. Muhammad Zeeshan Latif	5
8.	Mst. Shahnaz Latif	5
9.	Mst. Tehmina Yasmin	5

Leaves of absence were granted to the directors who could not attend the meetings.

AUDIT COMMITTEE

The audit committee of the company comprising of the following in compliance with the code of corporate governance functioned accordingly around the whole year:-

(1)	Muhammad Farhan Latif	–	Chairman	(Non Executive)
(2)	Mst. Shahnaz Latif	–	Member	(Non Executive)
(3)	Mst. Tehmina Yasmin	–	Member	(Non Executive)

CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, directors are pleased to report that:-

(i) The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the company have been maintained.

(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

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

(v) The system of internal control is sound and has been effectively implemented and monitored.

(vi) The board is satisfied that company is doing well and there is no concern as regard to going concern under the code.

(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

(viii) Key operating and financial data for the last six years is annexed.

(ix) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2007 except for those disclosed in the financial statements.

(x) No material changes 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.

AUDITORS

The present auditors M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants, Faisalabad are to retire. Some of the shareholders and the members of audit committee have proposed/recommended the name of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants for appointment as auditors of the company for the year 2007-08.

EVENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

In order to discharge long term liabilities of the company, the company in the year 2006 had decided to sell its two Air Jet Weaving Units to an associated Modaraba Company at Rs.911.103 million, who had to run these units under Islamic mode of transactions attracting six months KIBOR based profits. Necessary approvals from the shareholders and SECP had also been sought for the same.

This arrangement was in the process of completion, when State Bank of Pakistan announced a scheme whereby DF Loan availed by value added textile industry from January 01, 2003 onward were allowed to be converted in LTF-EOP Scheme attracting 7% p.a. mark up. Considering significant amount of saving in mark up, the management of the company had dropped the aforesaid idea.

This has resulted in bringing the current ratio of the company out as against prescribed limit on account of current portion of long term loans. The company is, however, seeking waiver from SBP for non-maintenance of this ratio.

BMR OF THE PROJECT

In order to maintain quality of the products by adopting modern techniques pouring in day by day and to augment production capacities by balancing the machinery right from Spinning, Weaving, Processing, Garments/ Made Ups Units, it is necessary to carry out BMR of the project on continuous basis. The management of the company estimates an amount of about Rs.100 million for this purpose each year.

FUTURE PROSPECTS

Although the Government of Pakistan has granted incentives of one sort or the other to the value added textile industry for its uplift, yet; in view of hard competition faced by it against its regional competitors in obtaining reasonable selling prices of its products, these incentives are still meagre to bring this industry out of crisis.

The Associations concerned and committee namely **"National Strategy on Textile"** are continuously recommending the Government of Pakistan to grant further incentives to it.

Directors Report to the Members

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers who enabled the company to achieve good results.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD	(MUHAMMAD NAEEM)	(MIAN MUHAMMAD JAVAID IQBAL)
October 10, 2007	Director	Director

Note:- The Chief Executive Officer being out of the country, the instant report has been presented by the Directors under the provisions of Section 241 (2) of the Companies Ordinance, 1984.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework with best practices for good corporate governance. The Company has applied the principles contained in the Code in the following manner:-

(1) The Company encourages representation of independent non-executive directors representing minority interests on its Board of Directors. However, at present, the Board includes four Executive and five Non-executive and no Director representing minority shareholder.

(2) The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

(3) All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

(4) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

(5) No vacancy occurring in the Board during the financial year ended June 30, 2007.

(6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

(7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

(8) The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

(9) The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange. Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. They are also attending seminars on business and financial matters, and the Company has arranged orientation courses for the appraisement of their duties and responsibilities.

(10) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

(11) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

(12) The financial statements of the Company were duly endorsed by a Director and CFO before approval of the Board.

(13) The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

(14) The Company has complied with all the corporate and financial reporting requirements of the Code.

(15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors.

(16) The meetings of the audit committee were held at least once a quarter prior to approval of interim and final financial results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

(17) The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function no a full time basis. The internal Audit Department reports to the Audit Committee.

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

(19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

(20) The Company has fully complied with the requirement of best practices on transfer pricing as contained in the Listing Regulation of the Stock Exchanges

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

On behalf of the Board

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Chenab Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange 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 systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Date: October 10, 2007
Faisalabad

M. YOUSUF ADIL SALEEM & CO.,
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Chenab 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 management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, 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.

Date: October 10, 2007
Faisalabad

M. YOUSUF ADIL SALEEM & Co.,
CHARTERED ACCOUNTANTS

Balance Sheet
as at June 30, 2007

	NOTE	2007 Rupees	2006 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/– each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/– each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Capital reserves	5	526,409,752	412,124,038
Revenue reserves	6	282,728,332	383,248,306
		2,759,138,084	2,745,372,344
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	1,160,874,228	1,163,023,827
NON-CURRENT LIABILITIES			
Long term financing	8	2,401,726,022	1,984,339,719
Liabilities against assets subject to finance lease	9	148,415,629	163,854,161
Long term morabaha	10	–	80,000,000
Deferred liability			
Staff retirement gratuity	11	147,712,318	128,256,028
		2,697,853,969	2,356,449,908
CURRENT LIABILITIES			
Trade and other payables	12	1,848,986,155	1,507,746,788
Interest / markup payable	13	174,842,551	167,295,691
Short term borrowings	14	5,473,669,120	4,971,835,030
Current portion of :			
Long term financing	8	622,602,201	1,153,506,200
Liabilities against assets subject to finance lease	9	79,444,898	65,099,778
Long term morabaha	10	80,000,000	–
Provision for taxation – income tax		85,446,472	43,797,194
		8,364,991,397	7,909,280,681
CONTINGENCIES AND COMMITMENTS	15	–	–
		14,982,857,678	14,174,126,760

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

(MUHAMMAD NAEEM)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

	NOTE	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	16	7,455,966,993	6,106,946,449
Intangible asset	17	–	1,624,800
		7,455,966,993	6,108,571,249
CURRENT ASSETS			
Stores, spares and loose tools	18	1,096,120,106	1,062,502,650
Stock in trade	19	3,997,183,255	3,770,941,945
Trade debts	20	1,820,814,162	1,560,103,030
Loans and advances	21	208,255,648	264,906,775
Deposits and prepayments	22	68,312,589	55,411,932
Other receivables	23	61,405,167	55,242,856
Tax refunds due from Government	24	209,553,036	293,498,566
Cash and bank balances	25	65,246,722	127,865,943
		7,526,890,685	7,190,473,697
Non-current assets classified as held for sale	26	–	875,081,814
		7,526,890,685	8,065,555,511
		14,982,857,678	14,174,126,760

M Javed Iqbal

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Profit and Loss Account
for the year ended June 30, 2007

	NOTE	2007 Rupees	2006 Rupees
Sales	27	8,161,232,830	6,957,561,846
Cost of sales	28	6,613,982,924	5,389,463,396
Gross profit		1,547,249,906	1,568,098,450
Other operating income	29	2,888,745	1,897,562
		1,550,138,651	1,569,996,012
Selling and distribution expenses	30	367,092,927	404,581,670
Administrative expenses	31	168,635,898	198,081,877
Other operating expenses	32	15,114,318	12,421,579
Finance cost	33	838,856,464	738,833,263
		1,389,699,607	1,353,918,389
Profit before taxation		160,439,044	216,077,623
Provision for taxation	34	85,656,748	65,913,075
Profit for the year		74,782,296	150,164,548
Earnings per share - Basic	39	0.01	0.67

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

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Cash Flow Statement
for the year ended June 30, 2007

	2007 Rupees	2006 Rupees
a) CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	160,439,044	216,077,623
Adjustments for:		
Depreciation / impairment loss on property, plant and equipment	308,483,968	310,457,477
Amortisation of intangible asset	1,624,800	1,624,800
Provision for staff retirement gratuity	45,592,529	36,164,511
Loss on disposal of property, plant and equipment	37,728	–
Finance cost	838,856,464	738,833,263
Balances (written back) / written off	(1,502,291)	1,021,545
Operating cash flows before working capital changes	1,353,532,242	1,304,179,219
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(33,617,456)	(415,663,346)
Stock in trade	(226,241,310)	(781,382,880)
Trade debts	(260,711,132)	(697,646,747)
Loans and advances	96,353,804	9,534,002
Deposits and prepayments	(12,900,657)	10,686,600
Other receivables	(6,162,311)	8,772,732
Tax refunds due from Government	83,945,530	(86,443,505)
	(359,333,532)	(1,952,143,144)
Increase in current liabilities		
Trade and other payables	345,376,634	409,330,814
	(13,956,898)	(1,542,812,330)
Cash generated from / (used in) operating activities	1,339,575,344	(238,633,111)
Income tax paid	(83,710,147)	(66,942,106)
Finance cost paid	(831,309,604)	(673,386,023)
Staff retirement gratuity paid	(26,136,239)	(18,312,710)
Net cash generated from / (used in) operating activities	398,419,354	(997,273,950)
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(628,999,651)	(1,386,258,667)
Proceeds from disposal of property, plant and equipment	6,577,851	710,256
Net cash used in investing activities	(622,421,800)	(1,385,548,411)

Cash Flow Statement
for the year ended June 30, 2007

	2007 Rupees	2006 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	–	150,000,000
Premium on issue of ordinary shares	–	120,000,000
Long term financing obtained	591,171,162	1,234,769,781
Long term morabaha facility obtained	–	80,000,000
Repayment of:		
Long term financing	(785,384,858)	(415,160,557)
Liabilities against assets subject to finance lease	(71,939,245)	(54,361,387)
Increase in short term bank borrowings – net	495,830,999	1,367,173,984
Dividend paid	(74,297,924)	(61,169,405)
Net cash from financing activities	155,380,134	2,421,252,416
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(68,622,312)	38,430,055
Cash and cash equivalents at the beginning of the year	127,865,943	89,435,888
Cash and cash equivalents at the end of the year (Note 35)	59,243,631	127,865,943

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
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Statement of Changes in Equity
for the year ended June 30, 2007

	Share Capital		Capital Reserves			Revenue Reserves		
	Issued, subscribed and paid up capital	Cumulative preference shares	Premium on issue of ordinary shares	Book difference of capital unde scheme of arrangement for amalgamation	Preference shares redemption reserve	General Reserve	Unappropriated Profit	Total
	Rupees							
Balance as at July 01, 2005	1,000,000,000	800,000,000	–	63,552,610	114,285,714	276,432,834	113,428,916	2,367,700,074
Share capital issued	150,000,000	–	–	–	–	–	–	150,000,000
Premium on ordinary shares issued	–	–	120,000,000	–	–	–	–	120,000,000
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	18,999,669	18,999,669
Dividend to cumulative preference shareholders at 9.25% per annum	–	–	–	–	–	–	(61,491,947)	(61,491,947)
Profit for the year	–	–	–	–	–	–	150,164,548	150,164,548
Transferred to preference shares redemption reserve	–	–	–	–	114,285,714	–	(114,285,714)	–
Balance as at June 30, 2006	1,150,000,000	800,000,000	120,000,000	63,552,610	228,571,428	276,432,834	106,815,472	2,745,372,344
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	12,983,444	12,983,444
Dividend to cumulative preference shareholders at 9.25% per annum	–	–	–	–	–	–	(74,000,000)	(74,000,000)
Profit for the year	–	–	–	–	–	–	74,782,296	74,782,296
Transferred to preference shares redemption reserve	–	–	–	–	114,285,714	–	(114,285,714)	–
Balance as at June 30, 2007	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	276,432,834	6,295,498	2,759,138,084

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

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

1. **STATUS AND ACTIVITIES**

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The cloth processing unit is located at Nishatabad, District Faisalabad and stitching units are located at Nishatabad, District Faisalabad and Shorkot Road, District Toba Tek Singh. Weaving units are located at Sheikhupura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhupura Road, Kharrianwala, District Sheikhupura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.

1.2 The Company obtained authorisation of shareholders in General Meeting held on July 31, 2006 to dispose off its two weaving units to its associate First Chenab Modaraba under a toll manufacturing arrangement. The management has decided to discontinue this arrangement in view of announcement of "scheme for long term financing for the export oriented projects" which provide financing against imported machinery on attractive terms resulting in considerable savings in mark up expense. The assets of weaving units classified as held for sale are reclassified as property, plant and equipment.

1.3 Pursuant to schemes of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibres Limited were merged with the Company with effect from April 01, 2003.

1.4 These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 Statement of compliance

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

Standards and amendments to published approved accounting standards

Amendments to published standards effective in 2006

IAS 19 (Amendment) – Employee Benefits, is mandatory for the Company's accounting periods 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 disclosure requirements. The Company does not intend to adopt the alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 11 to the financial statements.

Standards not yet effective

The following new standards and amendments to approved accounting standards are applicable in Pakistan for the accounting period beginning on or after the dates mentioned below against the respective standard or amendment. These standards are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IAS / IFRS		Effective date
IAS-1	Presentation of Financial Statements - Capital disclosures	January 01, 2007
IAS-23	Borrowing costs – Revised	Effective for qualifying assets for which commencement date of capitalisation is on or after January 01, 2009
IFRS-7	Financial Instruments: Disclosures	January 01, 2007

2.2 Basis of preparation

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

– revaluation of certain property, plant and equipment.

– recognition of employee retirement benefits at present value.

The principal accounting policies adopted are set out below:

2.3 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. 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 to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2.4 Staff retirement benefits

The Company operates a defined benefit plan – unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

Detail of the scheme is given in note 11.

2.5 Trade and other payables

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

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

2.7 Provision for taxation

Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

2.8 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.9 Property, plant and equipment

Property, plant and equipment except land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations which are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and up to the month preceding the month of disposal respectively.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate items of property, plant and equipment.

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

Gains or losses on disposal of property, plant and equipment are included in current income.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.
Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of

incremental depreciation charged on the related assets is transferred to unappropriated profit. Surplus realised on disposal of revalued asset is transferred to unappropriated profit.

Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

2.10 Intangible asset

Intangible asset is stated at cost less accumulated amortisation and impairment in value, if any. Intangible asset is amortised using the straight-line method over a period of three years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortisation is charged for the month in which that asset is disposed off.

2.11 Borrowing costs

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

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

2.12 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Stores, spares and loose tools

These are valued at cost, determined on moving average method less allowance for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.14 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

2.15 Trade debts and other receivables

Trade debts 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 are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.16 Cash and cash equivalents

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

2.17 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of 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.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions.

2.18 Financial instruments

Financial assets and financial 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 liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

2.19 Offsetting of financial asset and financial liability

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

2.20 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.

Sales are recorded on dispatch of goods.

2.21 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.22 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts 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, the results of which form the basis of making judgments about carrying values 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 the estimates are revised.

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

3. Issued, Subscribed and Paid up capital

2006	2007		2007	2006
Number of Shares			Rupees	Rupees
20,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash	359,857,020	209,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation	51,447,390	51,447,390
15,000,000	–	Ordinary shares of Rs. 10/- each fully paid in cash isued during the year	–	150,000,000
115,000,000	115,000,000		1,150,000,000	1,150,000,000

4. Comulative preference shares

2006	2007		2007	2006
Number of Shares			Rupees	Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs.10/- each fully paid in cash.	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Karachi Stock Exchange (Guarantee) Limited. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

The preference shareholders will have right (put option) to get the shares redeemed in part to a maximum one third of their holding in one put exercise on yearly basis after four years from the date of issuance of cumulative preference shares.

The Company has also option (call option) to redeem 16 million cumulative preference shares after August 2008 and 64 million cumulative preference shares after September 2008 in multiples of 10% upto total value of shares respectively.

In case the Company fails to redeem cumulative preference shares upon exercise of put option by the holders for any two consecutive years, the holders will be entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or
b) 75% of book value (break up value) or
c) face value of shares

4.2 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984 and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

	Note	2007 Rupees	2006 Rupees
5. Capital reserves			
Premium on issue of ordinary shares		120,000,000	120,000,000
Book difference of capital under schemes of arrangement for amalgamation		63,552,610	63,552,610
Preference shares redemption reserve	5.1	342,857,142	228,571,428
		526,409,752	412,124,038

5.1 This represents reserve created on straight line basis over the term of seven years for redemption of cumulative preference shares as per terms of the issue.

		2007 Rupees	2006 Rupees
6.	**Revenue reserves**		
	General reserve	276,432,834	276,432,834
	Unappropriated profit	6,295,498	106,815,472
		282,728,332	383,248,306
7.	**Surplus on revaluation of Property, plant and equipment**		
	Opening balance	1,163,023,827	269,564,992
	Net surplus on revaluation during the year	10,833,845	912,458,504
	Incremental depreciation on revalued assets for the year transferred to unappropriated profit	12,983,444	18,999,669
		1,160,874,228	1,163,023,827

7.1 This represents surplus on revaluation of freehold land, building on freehold land and plant and machinery. Revaluation of freehold land on market value, building on freehold land and plant and machinery on depreciated replacement values was carried out by independent valuers M/S Inspectorates Corporation International (Private) Limited as at June 30, 1997, by M/S Bahauddin Siddiqui and Associates as at December 31, 1998 and by M/S Empire Enterprises as at June 30, 2007. Revaluation of freehold land on market value was carried out by independent valuer M/S BFA (Private) Limited as at May 19, 2006.

		Note	2007 Rupees	2006 Rupees
8.	**Long term financing**			
	Secured			
	From banking companies			
	Fixed assets finances	8.2	187,860,840	549,469,600
	Demand finances	8.2	417,532,316	691,343,933
	Term finances	8.2	485,245,409	1,152,637,517
	Long term finances	8.2	809,545,068	–
	Syndicated term finance	8.2	160,000,000	–
	From financial institution			
	Term finances	8.2	425,389,730	450,000,000
	Long term finances	8.2	152,137,774	–
	Syndicated term finance	8.2	190,000,000	97,777,783
			2,827,711,137	2,941,228,833
	Current portion of long term financing		622,602,201	1,153,506,200
			2,205,108,936	1,787,722,633
	Unsecured			
	From directors	8.3	196,617,086	196,617,086
			2,401,726,022	1,984,339,719

8.1 The aggregate unavailed long term financing facilities available to the Company are Rs. Nil (2006: Rs. 141.847 million).

8.2 During the year some finances have been converted into long term finances under the State Bank of Pakistan's scheme. The terms of repayment of all finances are as under;

Nature of loans	Balance Rupees	Number of instalments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:						
Fixed assets finances						
I	165,895,951	16	Quarterly	30-Sep-07	30-Jun-11	6 Months KIBOR + 2.25% p.a
II	21,964,889	16	Quarterly	8-Oct-07	8-Jul-11	6 Months KIBOR + 2.25% p.a
	187,860,840					
Demand finance						
I	270,238,984	20	Quarterly	31-Dec-08	30-Sep-13	3 Months KIBOR + 3.5% p.a
II	52,293,332	16	Quarterly	30-Sep-07	30-Jun-11	6 Months KIBOR + 2.25% p.a
III	95,000,000	20	Quarterly	26-Jun-07	26-Mar-12	6 Months KIBOR + 3% with a floor of 6% p.a
	417,532,316					
Term finance						
I	121,500,000	48	Monthly	1-Jul-07	1-Jun-11	3 Months KIBOR + 3.5% with a floor of 12% p.a
II	193,745,409	20	Quarterly	26-Mar-09	26-Dec-13	3 Months KIBOR + 2.28% with a floor of 10% p.a
III	170,000,000	8	Half yearly	20-Jun-07	20-Dec-10	6 Months KIBOR + 2.5% p.a
	485,245,409					
Long term finance						
I	7,500,000	8	Quarterly	8-Jan-07	8-Oct-08	SBP rate + 2% p.a
II	24,500,000	9	Quarterly	7-Feb-07	7-Feb-09	SBP rate + 2% p.a
III	117,868,744	13	Quarterly	28-Jan-07	28-Jan-10	SBP rate + 2% p.a
IV	146,120,557	20	Quarterly	30-Sep-07	30-Jun-12	SBP rate + 2% p.a
V	90,000,000	24	Quarterly	31-Dec-07	30-Sep-13	SBP rate + 2% p.a
VI	42,816,286	9	Quarterly	15-Jan-07	15-Jan-09	SBP rate + 2% p.a
VII	80,000,000	8	Half yearly	20-Jun-07	20-Dec-10	SBP rate + 2% p.a
VIII	102,516,676	14	Quarterly	1-Jan-07	28-Feb-10	SBP rate + 2% p.a
IX	198,222,805	20	Quarterly	31-Dec-06	30-Sep-11	SBP rate + 2% p.a
	809,545,068					
Syndicated term finance	160,000,000	16	Quarterly	30-Jan-08	30-Oct-11	6 Months KIBOR + 3% p.a
From financial institutions						
Term finance						
I	283,723,063	16	–	19-Jun-07	4-Dec-08	6 Months KIBOR + 2.5% to 3% p.a
II	93,750,001	60	Monthly	23-Jun-09	23-May-14	6 Months KIBOR + 3% p.a
III	47,916,666	60	Monthly	27-Jun-09	27-May-14	6 Months KIBOR + 3% p.a
	425,389,730					
Long term finance						
I	3,288,861	14	Monthly	19-Jan-07	19-Feb-08	SBP rate + 2% p.a
II	14,429,181	36	Monthly	9-Jan-07	9-Dec-09	SBP rate + 2% p.a
III	25,209,479	51	Monthly	28-Jan-07	28-Mar-11	SBP rate + 2% p.a
IV	31,347,000	9	Half yearly	31-Dec-07	31-Dec-11	SBP rate + 2% p.a
V	77,863,253	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
	152,137,774					
Syndicated term finance	190,000,000	16	Quarterly	30-Jan-08	30-Oct-11	6 Months KIBOR + 3% p.a

The loans are secured against charge over fixed assets of the Company ranking pari passu with each other and with the charges created in respect of long term morabaha (Refer Note 10.1) and short term borrowings (Refer Note 14.2). These are further secured by personal guarantee of directors of the Company.

8.3 It is interest free. The loan is subordinated to the syndicated term finance (Refere Note 8.2).

	2007 Rupees	2006 Rupees
9. Liabilities against assets subject to finance lease		
Opening balance	228,953,939	172,619,205
Obtained during the year	151,541,833	110,696,121
	380,495,772	283,315,326
Paid/adjusted during the year	(152,635,245)	(54,361,387)
	227,860,527	228,953,939
Shown under current liabilities		
Instalments due within one year	(79,444,898)	(65,099,778)
	148,415,629	163,854,161

These represents plant and machinery acquired under separate lease agreements.

The purchase option is available to the Company on payment of last instalment and surrender of deposit at the end of the lease period.

The principal plus financial charges are payable over the lease period in 54, 60 and 72 monthly, 13 quarterly and 9 half yearly instalments. The liability represents the total minimum lease payments discounted at 7% to 14.09% per annum (2006: 7.00% to 12.21% per annum) being the interest rates implicit in lease.

The future minimum lease payments to which the Company is committed as at June 30, 2007 are as under:

Year ending June 30,	Rupees
2008	104,672,352
2009	73,687,794
2010	47,796,087
2011	34,865,562
2012	22,504,217
	283,526,012
Financial charges allocated to future periods	(55,665,485)
	227,860,527

Reconciliation of minimum lease payments and their present value is given below:

	2007		2006	
	Minimum lease payments	Present value of minimum lease	Minimum lease payments	Present value of minimum lease
Due within one year	104,672,352	79,444,898	88,348,103	65,099,778
Due after one year but not later than five years	178,853,660	148,415,629	187,794,612	152,084,358
Due after five years	–	–	12,559,520	11,769,803
Rupees	283,526,012	227,860,527	288,702,235	228,953,939

		Note	2007 Rupees	2006 Rupees
10.	**Long term morabaha**			
	Secured			
	From financial institution	10.1	80,000,000	80,000,000
	Less : Current portion		(80,000,000)	–
			–	80,000,000

10.1 It is repayable in lumpsum on September 22, 2007 and is subject to markup at six months KIBOR plus 3% per annum payable quarterly. It is secured against charge over fixed assets of the Company ranking pari passu with the charge created in respect of long term financing (Refer Note 8.2) and short term borrowings (Refer Note 14.2). It is further secured by personal guarantee of directors of the Company.

11. Staff retirement gratuity

11.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation, carried out as at June 30, 2006 using Projected Unit Credit Method.

		Note	2007 Rupees	2006 Rupees
11.2	**Balance sheet reconciliation as at June 30,**			
	Present value of defined benefit obligation		145,285,915	125,200,650
	Cumulative net unrecognised actuarial gain		2,426,403	3,055,378
			147,712,318	128,256,028
11.3	**Movement in net liability recognised**			
	Balance at July 01,		128,256,028	110,404,227
	Charge for the year	11.4	45,592,529	36,164,511
	Paid during the year		(26,136,239)	(18,312,710)
	Balance at June 30,		147,712,318	128,256,028
11.4	**Charge for the year**			
	Service cost		34,324,470	26,531,455
	Interest cost		11,268,059	9,633,056
			45,592,529	36,164,511

		2007	2006
11.5	**Principal actuarial assumptions**		
	Discount factor used	9% Per annum	9% Per annum
	Expected rate of increase in salaries	8% Per annum	8% Per annum
	Expected average remaining working lives of participating employees	5 years	5 years

11.6 Trend information

	2007	2006	2005	2004	2003
	Rupees				
Present value of defined benefit obligation	145,285,915	125,200,650	107,033,957	92,065,906	76,096,272
Experience adjustment on obligation	(628,975)	(314,892)	3,370,270	931,608	(931,608)

		Note	2007 Rupees	2006 Rupees
12.	**Trade and other payables**			
	Creditors		1,183,979,880	993,531,175
	Accrued liabilities		152,928,304	147,680,063
	Advance from customers		166,812	671,202
	Capital expenditure payable		4,125,814	6,462,866
	Bills payable		490,905,939	346,285,347
	Workers' profit participation fund	12.1	8,470,643	11,400,034
	Workers' welfare fund		6,605,947	–
	Unclaimed dividend		359,425	657,349
	Other		1,443,391	1,058,752
			1,848,986,155	1,507,746,788
	12.1 Workers' profit participation fund			
	Opening balance		11,400,034	12,261,192
	Interest on funds utilised in the Company's business		503,163	523,032
			11,903,197	12,784,224
	Paid to workers on behalf of the fund		(11,890,535)	(12,777,500)
	Paid to the fund		(12,662)	(6,724)
			(11,903,197)	(12,784,224)
			–	–
	Allocation for the year		8,470,643	11,400,034
			8,470,643	11,400,034
13.	**Interest / markup payable**			
	Long term financing		68,714,677	67,420,312
	Long term morabaha		3,440,437	270,466
	Short term borrowings		102,687,437	99,604,913
			174,842,551	167,295,691
14.	**Short term borrowings**			
	Secured			
	Under mark up arrangements			
	From banking companies			
	Export finances		4,342,229,212	3,810,186,730
	Morabaha finance		45,950,000	50,000,000
	Cash finances		311,671,560	442,044,465
	Finance against imported material		243,617,465	130,263,323
			4,943,468,237	4,432,494,518
	Running finance		524,197,792	539,340,512
			5,467,666,029	4,971,835,030
	Unsecured			
	Books overdrawn		6,003,091	–
			5,473,669,120	4,971,835,030

14.1 The aggregate unavailed short term borrowing facilities available to the Company is Rs. 1,498 million (2006: Rs. 1,450 million).

14.2 Short term borrowings from banking companies except cash finances are secured against first joint parri passu charge over present and future current assets of the Company. These are further secured against lien on export documents and by personal guarantee of directors of the Company. Export finances of Rs. 90 million are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.2) and long term morabaha (Refer Note 10.1). Cash finances are secured against pledge of stocks.

15. CONTINGENCIES AND COMMITMENTS

	2007 Rupees	2006 Rupees
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	118,292,500	105,543,000
Collector of Customs, for release of imported goods for re-export	1,920,000	1,920,000
Foreign customers to secure fulfillment of contractual obligations	116,721,667	102,382,000
Pakistan Telecommunication Company Limited	50,000	50,000
Demand of custom duty and surcharge not acknowledged in view of pending appeals	4,541,043	3,048,959
Post dated cheques issued in favour of Collector of Customs for release of goods imported for re-export	2,978,938	2,056,000
Commitments		
Under letters of credit for :		
Property, plant and equipment	1,377,457	97,615,292
Raw material and stores	294,666,029	166,424,553

16. Property, plant and equipment

Operating assets	16.1	7,168,721,068	5,953,380,600
Capital work in progress	16.7	287,245,925	153,565,849
		7,455,966,993	6,106,946,449

16.1 Operating assets

Description	Cost / Revaluation at July 01, 2006	Additions/ (disposals)	Transfers between leased and owned assets	Adjustment of accumula ted depreciation revaluation	Surplus / (deficit) on revaluation of assets	Transfer from non-current assets classified as held for sale	Cost / Revaluation at June 30, 2007	Accumulated depreciation at at July 01, 2006	Depreciation charge for the year	Impairment loss	Adjustment for accumulated depreciation on transfer / disposal / revalustion	Adjustment for accumulated depreciation of assets classified	Adjustment for depreciation / Impairment loss /at June 30, 2007	written down value at June 30, 2007	Rate %
Company owned															
Freehold land	1,111,072,000	169,950	–	–	108,746,972	10,975,277	1,230,964,199	–	–	–	–	–	–	1,230,964,199	–
Building on freehold land	1,560,053,469	4,689,191	–	(484,694,347)	(66,005,566)	154,933,126	1,168,975,873	398,203,758	46,967,221	4,808,740	(484,694,347)	34,714,628	–	1,168,975,873	4
Plant and machinery	3,672,341,328	436,690,833	70,000,000	(1,052,047,075)	(31,907,561)	830,378,963	3,923,214,655	714,812,414	157,975,709	33,215,159	15,766,667	130,292,072	–	3,923,214,655	–
			(2,241,833)								(1,052,062,021)				
Electric installations	155,868,140	28,082,772	–	–	–	17,640,357	201,591,269	32,600,198	6,960,818	705,614	–	3,135,021	43,401,651	158,189,618	–
Generators	202,897,202	1,007,554	–	–	–	41,173,132	245,077,888	42,978,597	16,269,778	2,833,961	–	12,833,526	74,915,862	170,162,026	10
Factory equipment	47,519,540	396,637	–	–	–	–	47,916,177	24,871,838	2,287,446	–	–	–	27,159,284	20,756,893	10
Furniture and fixture	23,382,138	13,244,586	–	–	–	443,450	37,070,174	3,454,190	2,757,546	24,990	–	193,548	6,430,274	30,639,900	10
Office equipment	72,796,808	1,878,358	–	–	–	887,720	75,562,886	24,784,023	4,922,458	70,630	–	181,416	29,958,527	45,604,359	10
Vehicles	73,416,349	9,064,475	–	–	–	–	67,256,098	32,186,813	8,674,652	–	(8,609,147)	–	32,252,318	35,003,780	20
		(15,224,726)													
Sign boards	525,248	–	–	–	–	–	525,248	374,010	15,124	–	–	–	389,134	136,114	10
	6,919,872,222	495,224,356	70,000,000	(1,536,741,422)	10,833,845	1,056,432,025	6,998,154,467	1,274,265,841	246,830,752	41,659,094	15,766,667	181,350,211	214,507,050	6,783,647,417	
		(15,224,726)	(2,241,833)								(1,545,365,515)				
Under lease															
Building	7,405,200	–	–	–	–	–	7,405,200	849,779	123,420	–	–	–	973,199	6,432,001	–
Plant and machinery	342,095,000	64,000,000	2,241,833	–	–	–	338,336,833	40,876,202	14,894,869	–	14,946	–	40,019,350	298,317,483	–
			(70,000,000)								(15,766,667)				
Generators	–	85,300,000	–	–	–	–	85,300,000	–	4,975,833	–	–	–	4,975,833	80,324,167	–
	349,500,200	149,300,000	2,241,833	–	–	–	431,042,033	41,725,981	19,994,122	–	14,946	–	45,968,382	385,073,651	
			(70,000,000)								(15,766,667)				
Rupees	7,269,372,422	644,524,356	72,241,833	(1,536,741,422)	10,833,845	1,056,432,025	7,429,196,500	1,315,991,822	266,824,874	41,659,094	15,781,613	181,350,211	260,475,432	7,168,721,068	
		(15,224,726)	(72,241,833)								(1,561,132,182)				
2006 Rupees	5,920,253,182	1,494,971,386	–	–	912,458,504	(1,056,432,025)	7,269,372,422	1,188,052,925	310,457,477	–	(1,168,369)	(181,350,211)	1,315,991,822	5,953,380,600	
		(1,878,625)													

16.2 It includes Rs. 94,096,050/- (2006: Rs. 55,379,251/-) being the borrowing cost capitalised during the year at 10.74% per annum (2006: 11.36% per annum).

	Note	2007 Rupees	2006 Rupees
16.3 Depreciation / impairment loss for the year has been allocated as under:			
Cost of goods manufactured	28.1	292,018,568	296,324,468
Administrative expenses	31	16,465,400	14,133,009
		308,483,968	310,457,477

16.4 Had there been no revaluation, related figures of freehold land, building on freehold land and plant and machinery at June 30, 2007 would have been as follows:

Description	Cost	Accumulated depreciation	Written down value
Freehold land	85,303,463	–	85,303,463
Building on freehold land	1,515,668,365	361,905,986	1,153,762,379
Plant and machinery	4,767,186,417	843,971,760	3,923,214,657
Rupees	6,368,158,245	1,205,877,746	5,162,280,499
2006 Rupees	4,862,562,737	795,135,939	4,067,426,798

16.5 Previously, depreciation on building on freehold land was charged at the rate of 10% per annum. Managment has decided to revise the depreciation rate at 4% per annum after reconsidering useful life of building on freehold land.

The above mentioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS-8 "Accounting Policies, Changes in accounting estimates and Errors". Accordingly the effect of change in accounting estimate has been recognised prospectively in the profit and loss account of the current year. Had there been no change in this accounting estimate, the profit for the year would have been lower by Rs.70.39 million.

16.6 **Detail of disposal of property, plant and equipment**

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
Vehicles					
(Sold under Company policy)	1,195,000	730,002	464,998	464,998	Muhammad Adrees Akhtar Butt (Employee)
	1,312,200	454,896	857,304	857,304	Ch. Muhammad Abdul Hafeez (Employee)
	600,000	69,000	531,000	531,000	Muhammad Nawaz Akhtar (Employee)
	633,000	325,109	307,891	307,891	Tariq Saeed (Employee)
	399,000	274,793	124,207	124,207	Tariq Aziz (Employee)
	1,284,080	898,377	385,703	385,703	Muhammad Yahya Khan (Employee)
	1,033,200	117,670	915,530	915,530	Nazir Ahmad Chishti (Employee)
	1,315,811	949,321	366,490	366,490	Mian Saleem Khalid (Employee)
	842,195	717,467	124,728	124,728	Muhammad Raheem (Employee)
(Sold by negotiation)	2,050,000	1,645,171	404,829	550,000	Atas Paper (Pvt) Limited 16 Km, Lahore Sheikhopura Road, Lahore.
	1,511,580	691,009	820,571	500,000	Atas Paper (Pvt) Limited 16 Km, Lahore Sheikhopura Road, Lahore.
(Insurance claim)	1,679,380	868,108	811,272	800,000	Adamjee Insurance Company Limited, Lahore.
	1,369,280	868,224	501,056	650,000	Adamjee Insurance Company Limited, Lahore.
Rupees	15,224,726	8,609,147	6,615,579	6,577,851	
2006 Rupees	1,878,625	1,168,369	710,256	710,256	

		2007 Rupees	2006 Rupees
16.7	**Capital work in progress**		
	Civil work	264,256,563	82,707,661
	Plant and machinery	–	53,451,875
	Factory equipment	22,989,362	17,406,313
		287,245,925	153,565,849

17. Intangible asset

Description	Cost			Amortisation			Written down value at June 30, 2007
	at July 01, 2006	additions	at June 30, 2007	accumulated at July 01, 2006	for the year	accumulated at June 30, 2007	
Computer software	8,124,000	–	8,124,000	6,499,200	1,624,800	8,124,000	–
Rupees	8,124,000	–	8,124,000	6,499,200	1,624,800	8,124,000	–
2006 Rupees	8,124,000	–	8,124,000	4,874,400	1,624,800	6,499,200	1,624,800

		2007 Rupees	2006 Rupees
18.	**Stores, spares and loose tools**		
	Stores		
	In hand	1,055,754,695	1,013,710,392
	In transit	23,369,083	19,318,648
		1,079,123,778	1,033,029,040
	Spares		
	In hand	16,537,963	26,726,338
	In transit	–	1,998,893
		16,537,963	28,725,231
	Loose tools	458,365	748,379
		1,096,120,106	1,062,502,650

18.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

		2007 Rupees	2006 Rupees
19.	**Stock in trade**		
	Raw material	651,342,047	895,431,078
	Work in process	2,396,465,262	2,244,915,213
	Finished goods	917,776,403	607,782,587
	Waste	31,599,543	22,813,067
		3,997,183,255	3,770,941,945

19.1 Stock in trade amounting to Rs. 440.784 million (2006: Rs. 558.075 million) was pledged as security with the banks.

		Note	2007 Rupees	2006 Rupees
20.	**Trade debts**			
	Considered good			
	Secured			
	Foreign		325,556,484	220,147,565
	Unsecured	20.1		
	Foreign		1,020,483,718	1,074,758,113
	Local		474,773,960	265,197,352
			1,820,814,162	1,560,103,030
	20.1 These include following balances due from associated undertakings:			
	Foreign			
	C.G.I Limited, United Arab Emirates		133,869,851	31,321,676
	Chenab, USA		341,391,117	26,074,279
	Interfab PTY Limited		5,564,828	29,058,785
	Local			
	Chen One Stores Limited		359,007,113	253,001,955
	Abdullah Enterprises		11,268,886	–
			851,101,795	339,456,695
21.	**Loans and advances**			
	Considered good			
	Loans to employees			
	Executives – related parties		6,382,610	6,803,285
	Others		4,139,365	4,832,237
	Advances			
	Suppliers / contractors		91,527,854	170,751,007
	Income tax		95,478,476	55,775,799
	Letters of credit fee, margin and expenses		10,727,343	26,744,447
			208,255,648	264,906,775
22.	**Deposits and prepayments**			
	Deposits			
	Security deposits		25,567,174	18,057,732
	Guarantee margin		39,497,261	33,722,693
	Prepayments		3,248,154	3,631,507
			68,312,589	55,411,932
23.	**Other receivables**			
	Related party			
	Chen One Stores Limited		160,000	18,050
	Others			
	Export rebate		57,834,389	52,014,676
	Other		3,410,778	3,210,130
			61,405,167	55,242,856
24.	**Tax refunds due from Government**			
	Sales tax		202,840,793	286,786,323
	Income tax		6,712,243	6,712,243
			209,553,036	293,498,566

	Note	2007 Rupees	2006 Rupees
25. Cash and bank balances			
Cash in hand		12,669,762	10,378,827
Cash at banks			
In current accounts		52,576,960	117,487,116
		65,246,722	127,865,943
26. Non-current assets classified as held for sale			
Cost	16.1	1,056,432,025	1,056,432,025
Accumulated depreciation	16.1	181,350,211	181,350,211
Written down value		875,081,814	875,081,814
Transferred to operating assets	16.1	875,081,814	–
		–	875,081,814

26.1 The management has decided to discontinue the arrangement to sell assets of weaving units of the Company for Rs. 911.103 million to its associate First Chenab Modaraba under a toll manufacturing arrangement (Refer Note 1.2). The assets of weaving units classified as held for sale are reclassified as property, plant and equipment.

	Note	2007 Rupees	2006 Rupees
27. Sales			
Export			
Fabrics/made ups/garments	27.1	7,624,684,876	6,447,699,478
Add: Export rebate		64,375,518	67,214,301
		7,689,060,394	6,514,913,779
Less:			
Commission		155,619,985	105,721,774
Discount		85,914,427	63,756,678
		241,534,412	169,478,452
		7,447,525,982	6,345,435,327
Indirect export		91,797,968	105,907,130
Waste – Local	27.2	621,908,880	506,219,389
		713,706,848	612,126,519
		8,161,232,830	6,957,561,846

27.1 It includes exchange gain amounting to Rs.1,001,624/– (2006: Rs. 3,953,481/–).

27.2 It represents sale of left over / waste material out of goods manufactured for export.

	Note	2007 Rupees	2006 Rupees
28. Cost of sales			
Cost of goods manufactured	28.1	6,932,763,216	5,466,526,533
Finished goods			
Opening stock		630,595,654	553,532,517
Closing stock		(949,375,946)	(630,595,654)
		(318,780,292)	(77,063,137)
		6,613,982,924	5,389,463,396

28.1 Cost of goods manufactured

	Note	2007 Rupees	2006 Rupees
Raw material consumed	28.1.1	4,248,913,391	3,491,866,992
Salaries, wages and benefits		561,137,017	443,580,760
Staff retirement benefits		31,228,239	27,522,958
Stores and spares		280,538,332	241,772,638
Dyes and chemicals		545,113,913	454,349,752
Packing material		455,573,414	236,762,820
Repairs and maintenance		12,689,181	19,616,416
Fuel and power		520,599,205	441,302,027
Insurance		19,786,761	19,226,094
Research and development support	28.1.2	822,560	196,820
Depreciation / impairment loss	16.3	292,018,568	296,324,468
Other		115,892,684	132,553,486
		7,084,313,265	5,805,075,231
Work in process			
Opening stock		2,244,915,213	1,906,366,515
Closing stock		(2,396,465,262)	(2,244,915,213)
		(151,550,049)	(338,548,698)
		6,932,763,216	5,466,526,533

28.1.1 Raw material consumed

	2007 Rupees	2006 Rupees
Opening stock	895,431,078	529,660,033
Purchases including purchase expenses	4,004,824,360	3,857,638,037
	4,900,255,438	4,387,298,070
Closing stock	(651,342,047)	(895,431,078)
	4,248,913,391	3,491,866,992

28.1.2 Research and development support

	2007 Rupees	2006 Rupees
Research and development support		
Received	214,157,837	8,695,751
Receivable	17,447,486	2,693,424
Less: To be utilised on receipt	(17,447,486)	(2,693,424)
	–	–
Available for utilisation	214,157,837	8,695,751
Utilisation:		
Product development	90,222,919	4,261,655
Skill development and training	22,121,464	1,741,039
Up-gradation of information technology	10,233,320	2,889,877
Professional consultancy	6,641,069	–
Environment improvement	14,977,636	–
Market research	42,057,197	–
Technical up-gradation of production lines	25,904,444	–
Production efficiencies	1,122,719	–
Participation in exhibitions	1,699,629	–
	214,980,397	8,892,571
	822,560	196,820

			2007 Rupees	2006 Rupees
29.	**Other operating income**			
	Scrap sale		1,386,454	1,897,562
	Balances written back		1,502,291	–
			2,888,745	1,897,562
30.	**Selling and distribution expenses**			
	Advertisement and publicity		2,266,120	3,260,013
	Carriage and freight		171,178,502	216,151,599
	Export clearing and forwarding		166,175,165	157,897,979
	Export development surcharge		18,851,434	15,778,506
	Other		8,621,706	11,493,573
			367,092,927	404,581,670
31.	**Administrative expenses**			
	Directors' remuneration		6,000,000	6,000,000
	Salaries and benefits		62,187,350	75,530,380
	Staff retirement benefits		8,884,033	8,641,553
	Electricity		2,271,801	1,834,421
	Postage, telephone and telex		6,323,401	8,449,879
	Vehicles running and maintenance		16,967,458	17,400,341
	Travelling and conveyance		18,616,467	24,133,520
	Printing and stationery		8,267,659	6,891,821
	Entertainment		6,709,179	5,932,530
	Fees and subscriptions		1,747,096	9,969,120
	Legal and professional		569,630	2,783,011
	Rent, rates and taxes		1,948,051	3,725,921
	Auditor's remuneration	31.1	1,025,000	864,500
	Repairs and maintenance		1,607,174	2,246,204
	Depreciation / impairment loss	16.3	16,465,400	14,133,009
	Amortisation	17	1,624,800	1,624,800
	Insurance		4,418,181	4,581,186
	Other		3,003,218	3,339,681
			168,635,898	198,081,877
	31.1 Auditor's remuneration			
	Audit fee		400,000	400,000
	Tax services		55,000	98,000
	Sundry services		530,000	326,500
	Out of pocket expenses		40,000	40,000
			1,025,000	864,500
32.	**Other operating expenses**			
	Workers' profit participation fund		8,470,643	11,400,034
	Balances written off		–	1,021,545
	Loss on disposal of property, plant and equipment		37,728	–
	Workers' welfare fund		6,605,947	–
			15,114,318	12,421,579

		Note	2007 Rupees	2006 Rupees
33.	**Finance cost**			
	Interest / mark up on:			
	Long term financing		248,602,673	234,708,722
	Liabilities against assets subject to finance lease		25,994,333	15,880,582
	Long term morabaha		10,553,687	2,758,751
	Short term bank borrowings		502,662,699	413,968,922
	Workers' profit participation fund		503,163	523,032
	Bank charges and commission		50,539,909	70,993,254
			838,856,464	738,833,263
34.	**Provision for taxation**			
	Current			
	For the year	34.1	85,446,472	66,084,688
	For prior years'		210,276	(171,613)
	Deferred	34.2	–	–
			85,656,748	65,913,075

34.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

34.2 There are no temporary differences as the total income of the Company is chargeable to tax under final tax regime, hence no provision is made for deferred taxation.

		Note	2007 Rupees	2006 Rupees
35.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	25	65,246,722	127,865,943
	Books overdrawn	14	(6,003,091)	–
			59,243,631	127,865,943

36. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	June 30, 2007 Rupees			June 30, 2006 Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	1,600,000	2,400,000	15,447,501	1,600,000	2,400,000	12,072,060
House rent allowance	480,000	720,000	5,164,330	720,000	1,080,000	4,225,224
Special allowance	–	–	–	80,000	120,000	–
Medical allowance	160,000	240,000	1,544,758	–	–	1,207,200
Utility allowance	160,000	240,000	1,014,698	–	–	603,600
Rupees	2,400,000	3,600,000	23,171,287	2,400,000	3,600,000	18,108,084
Number of persons	1	3	21	1	3	18

The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value of the benefit is Rs. 1,971,375/- (2006: Rs.2,410,103/-). The Directors have waived off their meeting fee. One Director is also entitled to unfurnished accommodation.

37. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors and key management personnel. Amounts due from and to related parties are shown under relevant notes to the financial statements. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in note 36. Other significant transactions with related parties are as under:

Relationship	Nature of trnsaction	2007 Rupees	2006 Rupees
Associated undertakings	Sale of goods	1,242,915,569	1,972,507,161
	Purchase of machinery	–	2,154,164
	Organisational expenses recovered	218,150	326,069
	Organisational expenses paid	–	83,426
	Advances received	–	20,000,000
	Advances paid	–	20,000,000
Other related parties	Dividend paid	649,766	493,939
Key management personnel	Sale of vehicles	3,113,729	508,093

38. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2007	2006	2007	2006
Fabrics	Mtrs	9,000,000	5,550,000	7,382,391	4,460,000
Made ups	Mtrs	59,000,000	55,500,000	50,700,710	44,309,480
Garments	Mtrs	3,500,000	3,000,000	2,775,433	2,357,034

Reasons for shortfall

- Temporary closure for maintenance.
- Installed capacity of fabrics has increased towards the end of the year.
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple / multi-function articles, small and large size articles, special articles and the pattern of articles adopted.

39. Earnings per share - Basic

		2007 Rupees	2006 Rupees
Profit for the year after taxation		74,782,296	150,164,548
Less: Dividend on cumulative preference shares at 9.25%		74,000,000	74,000,000
Profit attributable to ordinary shareholders	Rupees	782,296	76,164,548
Weighted average number of ordinary shares outstanding during the year		115,000,000	113,356,164
Earnings per share - Basic	Rupees	0.01	0.67

39.1 There is no dilutive effect on the basic earnings per share of the Company.

40. FINANCIAL INSTRUMENTS

40.1 Interest / markup rate risk management

Interest / markup rate risk arise from the possibility that changes in interest / markup rates will affect the value of financial instruments.

	Effective interest rate %	Interest / markup bearing: maturity upto one year	Interest / markup bearing: maturity after one year but within five years	Interest / markup bearing: maturity after five years	sub total	Non interest / markup bearing: maturity upto one year	Non interest / markup bearing: maturity after one year but within five	Non interest / markup bearing: maturity after five years	sub total	2007 Total	2006 Total
		Rupees									
Financial assets:											
Trade debts		–	–	–	–	1,820,814,162	–	–	1,820,814,162	1,820,814,162	1,560,103,030
Loans and advances		–	–	–	–	10,521,975	–	–	10,521,975	10,521,975	11,635,522
Deposits		–	–	–	–	65,064,435	–	–	65,064,435	65,064,435	51,780,425
Other receivables		–	–	–	–	3,570,778	–	–	3,570,778	3,570,778	3,228,180
Cash and bank balances		–	–	–	–	65,246,722	–	–	65,246,722	65,246,722	127,865,943
Non-current assets classified as held for sale		–	–	–	–	–	–	–	–	–	875,081,814
		–	–	–	–	1,965,218,072	–	–	1,965,218,072	1,965,218,072	2,629,694,914
Financial liabilities:											
Long term financing	6 to 13.62	622,602,201	2,142,500,218	62,608,718	2,827,711,137	–	–	196,617,086	196,617,086	3,024,328,223	3,137,845,919
Liabilities against assets subject to finance lease	7 to 14.09	79,444,898	148,415,629	–	227,860,527	–	–	–	–	227,860,527	228,953,939
Long term morabaha	13.38	80,000,000	–	–	80,000,000	–	–	–	–	80,000,000	80,000,000
Trade and other payables		–	–	–	–	1,833,742,753	–	–	1,833,742,753	1,833,742,753	1,495,675,552
Interest/markup payable		–	–	–	–	174,842,551	–	–	174,842,551	174,842,551	167,295,691
Short term bank borrowings	4.50 to 14.41	5,473,669,120	–	–	5,473,669,120	–	–	–	–	5,473,669,120	4,971,835,030
		6,255,716,219	2,290,915,847	62,608,718	8,609,240,784	2,008,585,304	–	196,617,086	2,205,202,390	10,814,443,174	10,081,606,131
Off balance sheet items											
Outstanding letters of credit		–	–	–	–	296,043,486	–	–	–	296,043,486	264,039,845
Bank guarantees		–	–	–	–	116,721,667	120,262,500	–	–	236,984,167	209,895,000
Post dated cheques issued		–	–	–	–	2,978,938	–	–	–	2,978,938	2,056,000
		–	–	–	–	415,744,091	120,262,500	–	–	536,006,591	475,990,845
On balance sheet gap		(6,255,716,219)	(2,290,915,847)	(62,608,718)	(8,609,240,784)	(43,367,232)	–	(196,617,086)	(239,984,318)	(8,849,225,102)	(7,451,911,217)
Off balance sheet gap		–	–	–	–	(415,744,091)	(120,262,500)	–	–	(536,006,591)	(475,990,845)

40.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs 1.965 billion (2006: Rs 2.630 billion) , the financial assets which are subject to credit risk are Rs.1.509 billion (2006: Rs 1.355 billion). The management monitors and limits the Company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of provisions for doubtful receivables. The Company is not exposed to significant concentration of credit risk.

40.3 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to sales and purchase transactions in foreign currencies. Foreign currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure. The Company is exposed to foreign exchange risk in respect of foreign trade debts.

40.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. 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.

40.5 Fair values of financial assets and liabilities

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 the financial assets and liabilities reported in the financial statements approximate their fair values.

41. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on October 10, 2007 proposed dividend at the rate of 9.25% amounting to Rs. 74,000,000/- (2006: Rs. 74,000,000/-) on cumulative preference shares and has recommended transfer of an amount of Rs. 200,000,000/- from general reserve to unappropriated profit.

42. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on October 10, 2007 by the Board of Directors of the Company.

Notes to the Financial Statements
for the year ended June 30, 2007

43. GENERAL

43.1 Nomenclature of the following accounts have been changed:

Previous nomenclature	Current nomenclature
Long term loans	Long term financing
Short term bank borrowings	Short term borrowings
Sale of waste material	Scrap sale

43.2 Figures have been rounded off to the nearest Rupee.

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD JAVAID IQBAL)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Notes

Form "34"

Pattern of Holding of Ordinary Shares
held by shares holders as at June 30, 2007

Share Holders	From	To	Total Shares
30	1	100	2,807
638	101	500	309,557
491	501	1,000	487,966
728	1,001	5,000	2,220,463
198	5,001	10,000	1,686,698
58	10,001	15,000	751,500
40	15,001	20,000	766,000
22	20,001	25,000	534,000
20	25,001	30,000	572,500
6	30,001	35,000	200,500
9	35,001	40,000	357,000
4	40,001	45,000	170,500
12	45,001	50,000	591,500
3	50,001	55,000	159,500
3	55,001	60,000	176,500
4	60,001	65,000	254,500
1	65,001	70,000	70,000
4	70,001	75,000	296,000
1	75,001	80,000	77,000
2	80,001	85,000	167,000
4	95,001	100,000	399,000
3	100,001	125,000	340,500
3	125,001	150,000	428,500
5	175,001	200,000	978,000
1	200,001	225,000	200,500
1	275,001	300,000	285,338
1	325,001	350,000	337,000
1	375,001	400,000	385,500
1	400,001	425,000	404,000
2	425,001	450,000	868,500
1	500,001	525,000	523,000
1	675,001	700,000	693,500
1	775,001	800,000	800,000
1	900,001	925,000	906,500
3	975,001	1,000,000	3,000,000
1	1,100,001	1,125,000	1,110,000
1	1,150,001	1,175,000	1,161,000
1	1,275,001	1,300,000	1,296,542
1	1,475,001	1,500,000	1,500,000
1	2,100,001	2,125,000	2,113,483
1	2,125,001	2,150,000	2,131,019
1	2,500,001	2,525,000	2,518,285

Form “34”

Pattern of Holding of Ordinary Shares
held by shares holders as at June 30, 2007

Share Holders	From	To	Total Shares
1	2,675,001	2,700,000	2,693,626
1	2,800,001	2,825,000	2,813,545
1	3,425,001	3,450,000	3,444,961
1	6,000,001	6,500,000	6,181,000
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
2319			115,000,000

Note: The Slabs not applicable, have not been shown.

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Rizwan Latif	Director	1	3,444,961	3.00
Mr.Muhammad Zeeshan Latif	Director	1	2,693,626	2.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst.Tehmina Yasmin	Director	1	2,518,285	2.19
Mst.Parveen Akthar	Spouse	1	285,338	0.25
Mr Umair Javaid	Son	1	2,240,019	1.95
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund & etc.				
Financial Institutions		8	8,818,790	7.67
Insurance Companies		3	329,500	0.29
Investment Companies		5	303,000	0.26
Joint Stock Companies		61	1,382,198	1.20
Modarabas		1	20,000	0.02
Mutual Fund		7	4,620,000	4.02
Individuals		2220	17,820,028	15.50
Others		3	75,500	0.07
		2319	115,000,000	100.00

Form "34"

Pattern of Holding of Preference Shares
held by shares holders as at June 30, 2007

Share Holders	From	To	Total Shares
9	1	100	711
542	101	500	268,887
15	501	1,000	14,520
14	1,001	5,000	44,000
3	5,001	10,000	29,000
1	15,001	20,000	17,500
1	55,001	60,000	60,000
2	95,001	100,000	191,000
1	175,001	200,000	190,500
1	275,001	300,000	285,500
1	375,001	400,000	400,000
1	475,001	500,000	476,500
1	775,001	800,000	779,000
1	800,001	825,000	812,000
2	975,001	1,000,000	2,000,000
2	1,475,001	1,500,000	3,000,000
1	1,800,001	1,825,000	1,820,000
1	2,475,001	2,500,000	2,500,000
1	3,975,001	4,000,000	4,000,000
1	4,750,001	4,775,000	4,763,000
1	4,975,001	5,000,000	5,000,000
4	9,500,001	10,000,000	39,990,882
1	13,000,001	13,500,000	13,357,000
607			80,000,000

Note: The Slabs not applicable, have not been shown.

Categories of Shareholders	Number	Share held	Percentage
Son of Director	1	780,500	0.98
Financial Institutions	12	73,610,882	92.01
Insurance Companies	1	95,500	0.12
Investment Companies	1	1,820,000	2.28
Joint Stock Companies	3	2,000	0.00
Mutual Fund	1	476,500	0.60
Individuals	587	2,402,618	3.00
Others	1	812,000	1.02
	607	**80,000,000**	**100.00**

Form of Proxy

I/We ______________________________ of ______________________ being a Member of Chenab Limited (the "Company") holding ________________ shares, hereby appoint ________________ of _______________, who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on October 31, 2007 and at any adjournment thereof.

Signed this ___________________ day of __________________ 2007.

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs 5/-

WITNESSES:

1. Signature ______________________

   Name _____________________

   CNIC _____________________

   Address ______________________

____

The Signature should agree with the specimen signature registered with the Company.

2. Signature ______________________

   Name _____________________

   CNIC _____________________

   Address ______________________

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not a member of the Company (except that a corporation may appoint a person who is not a member).
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).