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Company Profile

Kohinoor Mills Limited's vision is to achieve and then remain as the most progressive and profitable textile organization in Pakistan. Incorporated in 1987 as a small weaving mill, today Kohinoor Mills broadly undertakes five major businesses, weaving, processing, stitching, knitting and power generation. It has, and continues to develop, a portfolio of businesses that are major players within their respective industries. Bringing together outstanding knowledge of customer needs with leading edge technology platforms your company undertakes to provide superior products to its customers.

With an annual turnover of over Rs 7.6 billion, today Kohinoor Mills Limited employs over 4,500 employees. It aims to create superior value for Kohinoor's customers and stakeholders without compromising its commitment to safety, environment and health for the communities in which it operates. Its products range from greige fabric to processed fabric and stitched home furnishing articles. It is also producing world class athletics socks exporting mainly to USA.

Company Information

Board of Directors

Mr. Aamir Fayyaz Sheikh	Chief Executive /Chairman
Mr. Asad Fayyaz Sheikh	
Mr. Ali Fayyaz Sheikh	
Mr. Rashid Ahmed	
Mr. Gul Nawaz	NIT Nominee
Mr. Salman Akram Raja	
Syed Mohsin Raza Naqvi	

Audit Committee

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

Chief Financial Officer
Syed Mohsin Raza Naqvi

Head of Internal Audit
Mr. Hamid-ur-Rehman

Company Secretary
Mr. Muhammad Imran

Auditors
M/s. Riaz Ahmad & Company
Chartered Accountants

Bankers
ABN AMRO Bank N.V
Al-Baraka Islamic Bank B.S.C. (E.C)
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
PICIC Commercial Bank Limited
Saudi Pak Commercial Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

Registered Office, Mills & Shares Department
8th K.M. Manga Raiwind Road,
District Kasur.
Cell: (92-333) 4998801-10
Tel: (92-42) 5391941-45
Fax: (92-42) 5391946
E-mail: info@kohinoormills.com

MISSION STATEMENT

The Kohinoor Mills Limited (Formerly Kohinoor Weaving Mills Limited.) stated mission is to become and then remain as the most progressive and profitable company in Pakistan in terms of industry standards and stakeholders' interest.

The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading edge technology, industry's best practices, human resources and innovative products and services and sold these to its customers, suppliers and stakeholders.

STATEMENT OF ETHICS AND BUSINESS PRACTICES
For the Year ended June 30, 2007.

This Statement has been formulated to ensure that directors and employees of the Company operate within acceptable standards of conduct and sound business principles which strive for development and growth. The Company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society on the following guidelines:-

Code of Conduct

- The Company strongly believes in fair, transparent, ethical and high professional standards of conduct in all areas of business activities.

- The Company has adapted democratic leadership style and believes that candor leads to effective teamwork.

- The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity, and respect for people.

Shareholders' Interest

- The Company believes in maximizing shareholders value by providing consistent growth and fair return on their investment.

Operations

- The Company shall formulate and monitor its objectives, strategies and overall business plan of the organization.

- The Company shall be continuously involved in the research and development of new products while improving quality of existing products using highest level of quality control measures at every stage of its operations. Creativity and innovation must prevail at all levels of hierarchy to achieve organizational excellence.

Relations with Customers

- The Company considers it imperative to maintain cordial relationship with the customers as integral to its growth and development of business and is committed to provide high quality products and services that conform to highest international standards.

Abidance of Law

- It is Company's prime object to comply with all applicable laws and regulations and to co-operate with all governmental and regulatory bodies.

Corporate Reporting and Internal Controls

- The Company maintains effective, transparent and secure financial reporting and internal control systems so as to ensure reliable performance measurement and compliance with local regulations and international accounting standards as applicable.

- The Company strictly adheres to the principles of good corporate governance and is committed to high standards of corporate governance.

- The Company regularly updates and upgrades manufacturing and reporting systems so as to keep abreast with technological advancements and achieve economies of production.

Integrity and Confidentiality

- The Company believes in uprightness and expects it to be a fundamental responsibility of employees to act in Company's best interest while holding confidential information and neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.

- Inside information about the Company, its customers, vendors, employees shall not be used for their own gain or for that of others directly or indirectly.

Relations with Employees

- The Company is an equal opportunity employer at all levels with respect to issues such as color, race, gender, age, ethnicity and religious beliefs and its promotional policies are free of any discrimination.

- The Company ensures that employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and good citizens.

- The Company believes in continuous development and training of its employees.

- The Company has set high standards of performance and recognizes employee's contribution towards its growth and rewards them based on their performance. The Company believes development, growth and recognition result in motivated employees.

- All employees of the Company are part of Kohinoor family and the families of all members are also part and parcel of Kohinoor family. The Company believes that the sense of belonging to Kohinoor fulfils an essential need of its employees and the organization and as such will always be nurtured.

Environment and Social Responsibility

- Protecting the environment in which we live is an important element. The Company uses all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but also for the well being of all people who live in and around any of the production and manufacturing facilities. The Company will always employ such technology as may be beneficial in maintaining a healthy and hygienic working environment.

- It also believes in community development without political affiliations with any person or group of persons and contributes part of its resources for a better environment with an unprejudiced approach.

NOTICE OF 20TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th Annual General Meeting of the members of ***M/s Kohinoor Mills Limited (formerly Kohinoor Weaving Mills Limited)*** will be held at its Registered Office, namely, 8th Kilometer, Manga Raiwind Road, Distt. Kasur, on **Saturday**, ***20th*** day of ***October, 2007*** at ***11:00 a.m.*** to transact the following corporate business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the 19th Annual General Meeting held on October 28, 2006.
2. To receive, consider and approve the Annual Audited Accounts of the Company for the year ended June 30, 2007, together with Directors' and Auditors' Reports thereon.
3. To appoint the auditors for the year ending June 30, 2008 and fix their remuneration as recommended by the Audit Committee and Board of Directors. The present auditors M/s Riaz Ahmad & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To approve the payment of final cash dividend @ Rs. 1.25 per share of Rs. 10 each, i.e., 12.5%, for the year ended June 30, 2007, as recommended by the Directors.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass the following resolution as Special Resolution, with or without modification, to make alteration in the Memorandum and Articles of Association of the Company:-

   "Resolved That the consent and approval of the members of the Company be and is hereby accorded to make the alteration in the Memorandum and Articles of Association of the Company, as per attached draft".

   "Further Resolved That the Company Secretary be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as required by law in this behalf".

6. To consider and approve an additional equity investment in an associated/subsidiary company pursuant to the requirements of Section 208 of the Companies Ordinance, 1984 and if thought fit, to pass, with or without modification, the following Special Resolution:-

   "Resolved That the consent and approval of the members of the Company be and is hereby accorded for further equity investment of Rs. 100 Million divided into 10,000,000 ordinary shares of Rs. 10/- each of M/s **Q** **M**art **C**orporation (Private) **L**imited, an associated/subsidiary company and to increase equity investment to Rs. 300 Million from Rs. 200 Million, already approved by the shareholders in previous Annual General Meeting of the Company".

   "Further Resolved That the Chief Executive of the Company be and is hereby authorized to take any or all necessary actions to make investments as aforesaid and to delegate and appoint any other Director and / or Officer of the Company, on his behalf".

"Further Resolved That the Company Secretary be and is hereby authorized to complete all the corporate and legal formalities in this regard".

7. To transact such other business which may be placed before the meeting with the permission of the Chairman.

By Order of the Board

Place: *Kasur.*
Dated: *September 28, 2007.*

(MUHAMMAD IMRAN)
Company Secretary

NOTES:

1. The shares transfer books of the Company will remain closed from October 12, 2007 to October 20, 2007 (both days inclusive). Transfer received in order at the Company's Registered Office situated at 8th K.M. Manga Raiwind Road, Distt. Kasur, up to the close of business hours on October 11, 2007, will be considered in time.

2. A member entitled to attend and vote at the general meeting may appoint another member as a proxy to attend and vote instead of him. No person shall be appointed as a proxy who is not a member of the Company except that a corporate member may appoint a proxy who is not a member. The proxy forms duly completed and signed by the member appointing a proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time of general meeting.

3. Change of address, if any, should be notified immediately to the Company's Registered Office.

4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Circular No. 1, dated January 26, 2000, issued by Securities and Exchange Commission of Pakistan.

Attending of Meeting:

i. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC regulations, shall authenticate his/her identity by showing his/her original CNIC or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

Appointing of Proxies:

i. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC regulations, shall submit the proxy form as per above requirements.

ii. The proxy form shall be witnessed by the two persons whose name, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement under Section 160 (1) (b) of the Companies Ordinance, 1984 read with SRO 865 (I) / 2000, dated December 06, 2000, pertaining to Special Business:

This Statement sets out the material facts pertaining to the Special Business to be transacted at the 20th Annual General Meeting of the Company to be held on October 20, 2007.

Agenda No. 5 – Alteration in Memorandum and Articles of Association of the Company:

The Board of Directors has considered to broaden the existing business activities of the Company and to include some business which may conveniently and advantageously be combined with the existing business and to enlarge its operations by diversification in local and foreign markets. In order to achieve the said objectives, the Directors of the Company have recommended to alter the Object Clause III of Memorandum of Association of the Company by adding, deleting, amending, re-arranging and re-numbering the sub-clauses in the existing Object Clause III of Memorandum of Association of the Company, in accordance with the requirements of the Companies Ordinance, 1984, and subject to the approval of the Securities & Exchange Commission of Pakistan.

The Board of Directors has also recommended to alter the Articles of Association of the Company to incorporate the recent amendments made by the Finance Act, 2007 in the company laws, in accordance with the requirements of the Companies Ordinance, 1984.

The Directors of the Company commended this special resolution for approval of shareholders and have no interest in this special business except and to the extent of their respective shareholding. The proposed alteration will not affect any one's interest unfavorably in the Company.

A draft copy of proposed amendments to the Memorandum and Articles of Association of the Company is annexed hereto.

Agenda No. 6 – Additional Equity Investment in Associated/Subsidiary Company:

M/s **Q M**art **C**orporation (Private) **L**imited ('**Q M**art') was incorporated as private limited company under the Companies Ordinance, 1984, on July 18, 2005. The main activity of **Q M**art is to carry on the business as a mass merchandising company and to acquire by purchase or otherwise land or buildings and to construct, develop and expand shopping centers and trade premises.

The basic concept of **Q M**art is to set up a chain of retail stores all over Pakistan starting from Punjab and to become 'family store' providing comprehensive retailing experience under one roof. The **Q M**art in its first phase of operations has planned to construct and develop ten stores with famous brands at different cities of Punjab. Two stores have already commenced commercial operations while another four to six are expected to commence operations by the year ending June 30, 2008. In order to meet the growth requirements of **Q M**art, the Board of Directors of the Company unanimously resolved, that the growing business activities of **Q M**art will not only provide a diversity in the operations of your company but will also provide a strategic marketing advantage where **Q Mart** will act as a platform for the domestic sales of your Company's products throughout Pakistan. Through this resolution the directors of the company hereby place before the shareholders at the annual general meeting for approval by special resolution, the proposed additional equity investment of Rs. 100 Million divided into 10,000,000 ordinary shares at par value of Rs. 10/- each of **Q M**art, pursuant to the requirements of Section 208 of the Companies Ordinance, 1984.

The Company has so far made initial equity investment of Rs. 197,929,450 divided into 19,792,945 ordinary shares in the paid up capital of **Q M**art. By way of additional equity investment, the total investment of the Company will increase to Rs. 300 Million from present investment of Rs. 200 Million, already approved by the shareholders in Annual General Meeting of the Company dated October 28, 2006.

While this is expected to be a long-term investment and may be disinvested as and when deemed fit in the interest and benefit of the Company, it is expected that proposed additional investment will yield considerable returns in the years ahead. The dividend income from said equity investment, in the long run, would augment the cash flow of the Company resulting in a better profit distribution to the valued shareholders of the Company.

The Company is fully authorized by its Memorandum of Association to make such investment(s). The investment(s) would be made at such time(s), as the Chief Executive may think appropriate on behalf of the Company, as and when required.

The copies of Memorandum and Articles of Association, Statement under Section 160(1)(b) of the Companies Ordinance, 1984, annual accounts of the Company and investee company including financial projections of investee company and other related information of the Company, may be inspected during the business hours on any working day at the respective Registered Offices of both the companies from the date of publication of this notice till the conclusion of the 20th Annual General Meeting of the Company.

The terms & conditions and material facts about the proposed equity investment, required by SRO No. 865(I) 2000 dated December 06, 2000, are annotated as follows:-

Sr. No.	DESCRIPTION	Information required under SRO
i.	Name of the investee company or associated company.	Q Mart Corporation (Private) Limited ("the Q Mart")
ii.	Nature, amount and extent of investment.	Further Equity Investment of Rs.100 million divided into 10,000,000 ordinary shares of Rs.10/-each, making total equity investment of Rs.300 million.
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies.	Not Applicable (un-quoted company)
iv.	Break-up value of shares intended to be purchased on the basis of last published financial statements.	Rs. 7.73 per share. (As per un-audited accounts for theyear ended June 30, 2007).
v.	Price at which shares will be purchased.	Face value of Rs.10/- each.
vi.	Earning Per Share (EPS) of investee company in last three years.	? Rs. (0.32) per share for the period ended June 30, 2006. (As per audited accounts) ? Rs. (1.94) per share for the year ended June 30, 2007. (As per un-audited accounts)
vii.	Source of funds from where shares will be purchased.	Available cash resources, future internal cash generation from the operations of the Company and debt raising, if required.
viii.	Period of which investment will be made.	Long-term equity investment for foreseeable future
ix.	Purpose of investment.	Since the **Q M**art is in expansion phase and intends to open additional stores and consequently requires more funds, therefore, further equity investment is needed.
x.	Benefits likely to accrue to the Company and the shareholders from the proposed investment.	To diversify the existing textile based manufacturing business into retail business which has a potential to generate significant cash flows for the Company through dividend payout. Manufacturing industry is prone to threats of cheap imports from other low cost countries where as retail business is immune to such threats of cheap imports since they will offer all required local as well as imported products for sale to general customers on cash basis. Marketing of the Company's products at local level at large scale through **Q M**art chain through out Pakistan thus reducing dependence on exports which is facing tough competition across the globe.
xi.	Interest of directors and their relatives in the investee company.	The directors of the Company and their relatives have no interest in **Q M**art except the directors of **Q M**art are also directors of the Company and they have no interest in this special business except to the extent of their shareholding in the investee company.

DIRECTORS' REPORT

The Directors of the company present the audited financial statements for the year ended June 30, 2007. These accounts are presented in accordance with the requirements of Companies Ordinance 1984.

TEXTILE INDUSTRY OUTLOOK

Textile Industry which presently accounts for nearly 60% of Pakistan's exports is passing through difficult times as the prices offered for exports by our competitors are not feasible for Pakistani manufacturers due to escalating high cost of doing business in Pakistan.

Despite increase in our export earnings over the years, the unit price of Pakistan's exports has declined sharply. This has resulted in low margin in highly competitive environment.

The deteriorating law and order situation and the security perception along with evolving political situation of the country is deterring potential and existing customers from visiting Pakistan. Geo-political situation, increasing labor costs, higher utility charges and escalating financial costs compared to our competitors have resulted in diversion of export orders to the competition in India, China and Bangladesh.

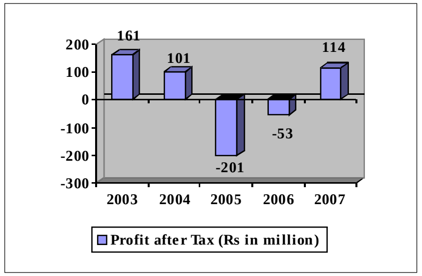
The industry certainly needs to gear up and reposition itself to withstand competitive forces emerging in the post quota regime by increasing productivity, efficiency and its marketing skills, but government also needs to provide textile industry level playing fields against global competition.

Research, innovations and development in technical textiles, yarn quality, clothing products, process performance, fabric finishing, coloration technology and diversified marketing coupled with brand acquisitions will bring advancement in textile sector.

Textile and Clothing manufacturers who will be able to produce high value goods and are up to date with latest trends and fashions and who manage to carve a niche for themselves in the cut throat competitive world will be able to survive this difficult period.

OPERATING AND FINANCIAL RESULTS

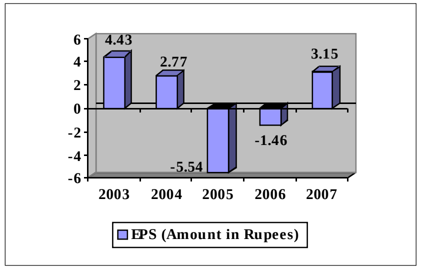
After incurring losses during the preceding two years, your company has managed to turn around by earning after tax profit of Rs 114 million as compared to loss of



Rs 53 million incurred during the corresponding period of last year. Since 2005, textile industry in general and your company in particular have been passing through very difficult circumstances and keeping in view the changing market scenarios across the globe, difficult time is not over yet.

EARNINGS PER SHARE

During the year ended June 30, 2007, earnings per share of the company concluded at Rs 3.15 per share as compared to Rs (1.46) per share during the year ended June 30, 2006.

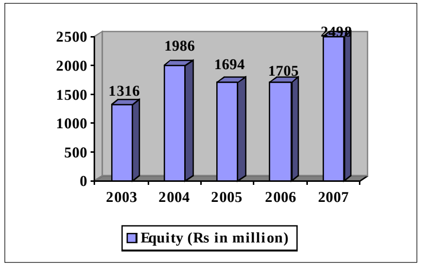


CASH DIVIDEND

The Board of Directors of the Company has recommended cash dividend of Rs. 1.25 per share (2006: 10 percent Bonus shares) for the financial year ended June 30, 2007 for consideration and approval by the shareholders in the 20th Annual General Meeting.

SHAREHOLDERS' EQUITY

While the company recorded a profit of Rs 114 million during the year, it also marked its investment in Security



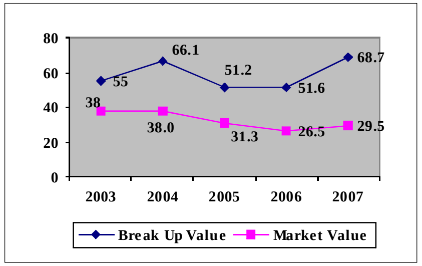
General Insurance Company Limited (SGI) to fair value under the provisions of International Accounting Standard (IAS) 39 raising the equity to its present levels.

ISSUE OF RIGHT SHARES

During the first quarter of the year ending June 30, 2008 your company has successfully subscribed and issued 14.5 million right shares. With this issue, equity of your company increased by Rs 291 million.

SHARE BREAK UP VS MARKET PRICE

The breakup value of the share of your Company as at June 30, 2007 was Rs 68.7 per share as compared to its

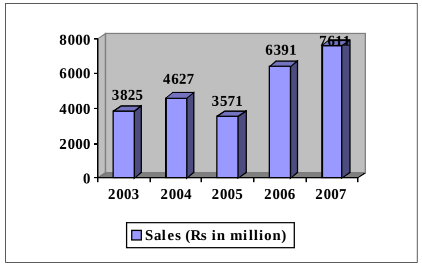


market value of Rs 29.5 per share traded as of June 29, 2007.

A brief overview of the operations of your company for the year ended June 30, 2007 is discussed below:

SALES

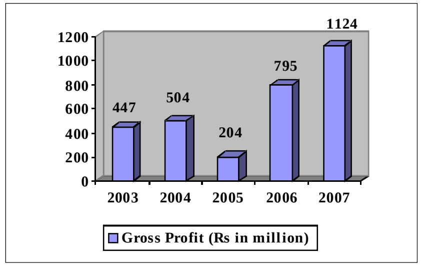
During the year ended June 30, 2007, your company recorded sales of Rs 7,611 million compared to Rs 6,391 million during the corresponding period of last year



signifying a net growth of 19% . The growth in sales was mainly witnessed due to improved capacity utilizations in Hosiery, Dyeing and Home Textiles Divisions.

GROSS PROFIT

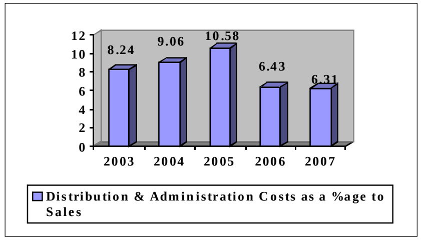
Gross Profit for the year ended June 30, 2007 was posted at Rs 1,124 million as compared to Rs 795 million during the year ended June 30, 2006.



Improvement of around 41% in gross margin from last year was noticed due to better capacity utilization in different divisions of the company.

DISTRIBUTION AND ADMINISTRATION COSTS

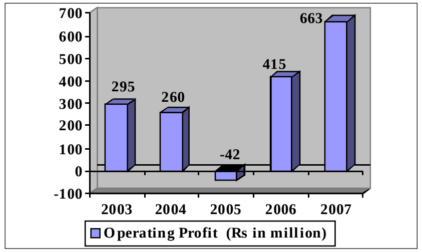
Increase in distribution and administrative costs was in absolute terms only which remained at 6.31% of sales



value as compared to 6.43% of net sales during the corresponding period of last year.

OPERATING PROFIT

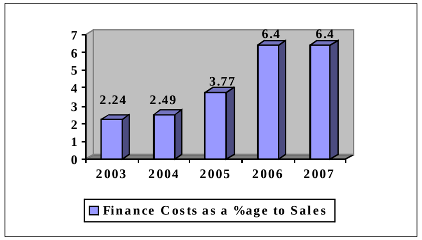
Profit from operations increased to Rs 663.4 million during the year ended June 30, 2007 as compared to Rs 414.7 million during the year ended June 30, 2006. Improvement of 60% in operating profits was a result of detailed strategy your company has formed to combat with the challenges it is facing in the present



circumstances, some aspects of which are discussed later in this report.

FINANCE COSTS

Increasing interest rates has always been a cause of concern for the industry in general and for your company in particular. Your company continued to monitor its working capital requirements on a regular basis and despite increase in its sales by around 19%,



the overall bank borrowings including long term and short term borrowings of the company reduced from Rs 5,085 million to Rs 4,992 million during the year ended June 30, 2007.

WEAVING DIVISION

Due to rapid global changes in the textile industry, weaving sector in Pakistan remained one of the most effected segments facing declining margins both locally and internationally. Results of weaving division were no different than the general industry situation of weaving sector in Pakistan. Greige prices continued to decline and global and local competition continued to create pressure on the operations eroding profitability of the division. Unstable cotton prices have further created negative pressure on the yarn prices putting more pressure on the profitability of this division.

Your company has drawn up a plan to deal with this situation in weaving division. This includes but not limited to diversification in marketing, higher capacity utilization of dobby and jacquard resources and expansion in the vertical chain of apparel fabric as a result of which old looms will be replaced with new high speed 96 looms. LC for the procurement of new looms has already been established and it is expected that new looms will commence production in the last quarter of the current financial year. With the addition of these new looms, production capacity of apparel fabric will increase to around 2.2 million meters per month providing complete vertical integration to its in house processing unit which is consuming over 2.4 million meters per month. This will create synergy amongst various divisions within the Company and will help weaving division come out of present difficult position.

DYEING DIVISION

During the year ended June 30, 2007, this division performed better and showed improvement in its operations. Sales for the year ended June 30, 2007 increased by around 40% from the previous year.

New washing range which was imported during the year was successfully commissioned enhancing your company's capacity in bleaching and PFD production. During the year ended June 30, 2007 actual production increased to 27.5 million meters as compared to 25.6 million meters during the preceding year. In this division, your company is committed to continue the acceleration in revenues and capacity utilization it has achieved during the last two years and has drawn detailed marketing plans to maintain the current momentum. It is expected that this division will show further improvement in its operations during the year ending June 30, 2008.

HOSIERY DIVISION

During the year ended June 30, 2007, hosiery division of your company showed significant improvement. Sales increased by around 54%. Production in this division increased to 7.8 million dozens during the year ended June 30, 2007 as compared to 5.7 million dozens in the preceding year.

In order to diversify and broaden its operations, your company will be pursuing marketing in EU countries and Australia providing further room to increase its capacity utilization to optimum levels.

Management of your company is confident that the escalating trend in revenues and capacity utilization is likely to continue in future and results of this division will show further improvement during the year ending June 30, 2008.

GENERTEK DIVISION

During the year ended June 30, 2007, three newly imported gas fired engines with an aggregate capacity of 5.9 mega watt were commissioned providing your company less expensive electricity for its requirements.

After converting 100% power production capacity to gas based generation system, the management of the company is confident that this division will show good results in the ensuing year.

Your company is actively negotiating with WAPDA and LESCO to sell its surplus HFO based excess capacity to them. Pricing formula and basic frame work has been finalized while formal contracts with LESCO will be signed shortly. It is expected that the power supply will commence during the second quarter of the ensuing financial year.

HOME TEX DIVISION

Despite difficult market conditions for home textile industry, this division performed well during the year ended June 30, 2007.

Sales for the year ended June 30, 2007 showed significant improvement and recorded a growth of 31% from sales during the year ended June 30, 2006.

Though capacity utilization improved by 28% from last year, overall utilization during the year ended June 30, 2007 remained at less than 70%.

Optimization of capacity utilization is one of the matters of concern this division is facing.

Stiff competition from India and China is creating tough market situation for the division to market its products based on which the positive trend we have seen in this division during last year is not likely to continue in future.

Despite restraining conditions, this division is committed in its focus on high quality home furnishing products for mid to up market fashion bedding and specialized bedding for hospitality industry.

In order to diversify its stitching operations, marketing for institutional work wear and a line of bottom wear apparel such as chinos and other casual trousers is also being considered to be made operational. We hope that this diversification will not only dampen the recessionary trend home textiles industry is facing but it would also launch the division in a new market niche where we have a major advantage of being completely vertical in our operation.

INVESTMENT IN Q MART CORPORATION (PVT) LTD

During the first quarter of financial year ending June 30, 2008, your company has made an initial equity investment of Rs 197.9 million in its associated company, namely , M/s Q Mart Corporation (Pvt) Limited, consequently it has become the subsidiary of your Company. The basic concept of Q Mart is to set up a chain of retail stores all over Pakistan starting from Punjab and to become "family stores" providing comprehensive retailing experience under one roof.

Q Mart in the first phase of operations has planned to construct and develop ten stores with famous brands at different cities of Punjab. Two stores have already commenced commercial operations and another four to six are expected to commence operations by June 30, 2008. In order to meet the growth requirements of Q Mart, the directors of your company have recommended further equity investment of Rs 100 million. The additional investment will provide your Company not only a diversity of operations but also a strategic marketing advantage where Q Mart will act as a platform for domestic sales of your company's products throughout Pakistan.

INFORMATION TECHNOLOGY

Your company is making continuous efforts to have efficient IT systems supporting timely and effective decisions. It has provided its employees, the most modern facilities to achieve optimum efficiency levels. Most of manufacturing equipment and machinery used in the operations are equipped with technologically advanced software providing on line real time information for most of the production processes.
The company's intranet acts a useful resource base providing in depth information on the company's policies and procedures along with other information for beneficial use to the employees of the Company.

HUMAN RESOURCE AND TRAINING

With a human capital of over 4,500 employees, the Company believes that employees are the vital ingredient in shaping Company's future where each individual contributes directly to the success of the organization.

Your company's HR team is a group of highly skilled and experienced professionals. They work very closely with business teams to design efficient people solutions that will affectively meet the business goals.

Your company places a premium on respect for individuals, equal opportunities, advancement based on merit, effective communication, and the development of high performance culture. The company takes pride in continuous improvement at all levels and strive to ensure that opportunity for growth and varied career experiences are provided to all employees.

Your company is an equal opportunity employer and this is practiced in all aspects of the company's business activities including recruitment and employment.

Combined with state of the art technology and HR Information Systems the result is a high performance environment within which individuals can achieve their professional and personal dreams.

TRAINING & DEVELOPMENT

Your company believes in human resource development through training and development and places due emphasis on training in all spheres of its production process. The company made efforts during the year with more focused and cost effective training programs for the major technical categories such as weavers, technologists, knitting, linking, and boarding operators, off-line checkers, stitching operators, packers and quality control inspectors. Candidates are engaged through a Trainee Scheme and trained in-house over a period of 6 months through a career path. This has helped company in preparing a highly skilled workforce and also provides replacements to cover turnover.

In-house training sessions are regularly conducted in general management, fire fighting, first aid, health and safety, computer and technical disciplines.

SAFETY HEALTH & ENVIRONMENT

Your company has provided safe and healthy workplace for both staff and contractors and will act responsibly towards the communities and environment in which we operate. This will be achieved by continuous improvement of our safety, health and environment performance through corporate leadership, dedication of staff and the application of the highest professional standards at workplace.

CORPORATE SOCIAL RESPONSIBILITY

Your company has a very distinct Corporate and Social responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates.

Your company through its directors is actively involved in the various social responsibility initiatives in the field of primary education and health care. Company has provided land to Punjab Social Security Health Management Company which has built a modern hospital for the industrial work force in the adjacent areas.

CERTIFICATIONS

Our divisions are certified as per following:

Weaving Division	Social Accountability SA 8000:2001
Dyeing Division	Social Accountability SA 8000:2001
Hosiery Division	WRAP (Worldwide Responsible Apparel Production)
Hometex Division	WRAP (Worldwide Responsible Apparel Production)

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board reviews the Company's strategic direction on regular basis. The business plans and budgetary targets, set by the Board are also reviewed regularly. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good Corporate Governance.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors of the Company is fully cognizant of its responsibility as laid down in the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance.

a. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b. The Company has maintained proper books of accounts as required by the Companies Ordinance, 1984.

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

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.

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

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

g. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations of the stock exchanges where the Company is listed.

h. There are no significant plans for any corporate re-structuring, business expansion or discontinuation of any part of Company's operations.

i. Information regarding statutory payments on account of outstanding taxes, duties, levies and other charges (if any) has given in related note(s) to the audited accounts.

j. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.

k. The valuation of investment made by the staff retirement benefit fund (Provident Fund), based on their respective un-audited accounts is as follows:-

	Rs. in millions
June 30, 2007	98.15
June 30, 2006	92.70

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall governance and administration of the Company. All the directors are aware of their duties and powers conferred by the Companies Ordinance, 1984, Code of Corporate Governance and Company's Memorandum and Articles of Association and have filed declaration to the effect. They exercise their fiduciary responsibilities through board meetings which are held in every quarter for reviewing and approving the adoption of Company's financial statements in addition to review and adoption of Company's significant business plans and decisions, projections, forecasts and budgets having regard to the recommendations of the Audit Committee. The responsibilities include establishing the Company's strategic objectives, providing leadership, supervising the management of the business and reporting to shareholders on their stewardship.

On completion of term of office of Directors, elections were held on March 31, 2007 and accordingly Board of Directors was reconstituted. Mr. Najeeb Malik and Mr. Muhammad Hanif Khan retired after completing their statutory tenure. The Board wishes to place on record its sincere appreciation for the valuable services rendered by them.

During the year under review four meetings of the Board of Directors were held. The attendance by each Director is as follows:

Name of Directors	*No of Meetings Attended*
Mr. Aamir Fayyaz Sheikh	4
Mr. Asad Fayyaz Sheikh	2
Mr. Ali Fayyaz Sheikh	3
Mr. Salman Akram Raja	3
Mr. Najeeb Malik	-
Syed Mohsin Raza Naqvi	4
Mr. Rashid Ahmed	4
Mr. Muhammad Hanif Khan	3
Mr. Gul Nawaz (NIT Nominee)	4

Leaves of absence were granted to the Directors who could not attend the Board of Directors' Meetings due to their pre-occupations.

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have not traded in Company's shares during the year.

AUDIT COMMITTEE

The Audit Committee operates according to the terms of reference agreed by the Board of Directors of the Company. It focuses on monitoring compliance with the best practices of the Code of Corporate Governance and relevant statutory requirements, changes in accounting policies and practices, compliance with applicable accounting standards and listing regulations.

It recommends to the Board of Directors the terms of appointment of external auditors by Company shareholders and reviews their recommendations relating to audit. Other responsibilities include monitoring the internal audit function, safeguarding Company's assets through appropriate internal control systems including financial and operational controls, accounting system and reporting structure, preliminary review of business plans and quarterly, half-yearly and annual results prior to approval and publication by the Board.

The Audit Committee comprises the following three members of which two are non-executive directors including the Chairman of the Committee:-

Mr. Rahid Ahmed.	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every director and employee of the Company as a token of acknowledgment of his/her understanding of the standards of conduct in relation to everybody associated or dealing with the Company.

PATTERN OF SHAREHOLDING

The Statement of Pattern of Shareholding along with categories of shareholders of the Company as at June 30, 2007, as required under Section 236 of the Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

FUTURE PROSPECTS

By the grace of God Almighty, focused strategy and effective operational plan, your company has been able to turn around last year's loss of Rs 53 million to a profit of Rs 114.4 million during the year ended June 30, 2007. Management of the company feels that we are still passing through a difficult phase which, require continuous and focused efforts from every team member of the company. Your company will continue to follow the operational plan devised from the strategy evolved during the last two years and is confident that with concerted efforts, results of future years will show further improvement. Some of the salient features of the business plan for the year ending June 30, 2008 are set out below:

1) Investment in BMR of weaving division through replacement of 96 old looms. This will also align our weaving division's operations vertically with the processing / dyeing unit of your company.
2) Establish sales and marketing offices for dyeing division in the significant markets outside Pakistan. This will not only help us generating additional sales but will also provide an opportunity to provide better and timely service to our customers of those markets.
3) Expedite sale of excess HFO based power generation capacity in Genertek division to LESCO (WAPDA).
4) Diversification of customers, markets and products of mid to high end fashion markets giving value addition to your company's product base. As part of the plan, an existing stitching line is planned to be converted for the production of institutional work wear and bottom wear apparel fabrics. This will also create complete vertical integration in our apparel fabric processing.
5) Undertake diversified marketing in hosiery division to cover EU countries and Australia and if required establish regional marketing and sales offices outside Pakistan.
6) Sale of Short term securities for the repayment of expensive debts which could not be undertaken last year due to non conducive market conditions for those securities.

AUDITORS

The external auditors of the Company, Messrs. Riaz Ahmed & Company, Chartered Accountants shall retire on the conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as auditors of the Company for the year ending June 30, 2008. The Board of Directors endorsed its recommendations of Audit Committee for their re-appointment.

The auditors have conveyed that they have been assigned satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and the firm is fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the Company. The auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the Company.

ACKNOWLEDGMENT

The board places on record its gratitude to its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the Company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation of the dedication and hard work of the staff and workers of the Company.

For and on behalf of the Board

AAMIR FAYYAZ SHEIKH
Chief Executive

Kasur:
September 10, 2007

Statement of Compliance with the Code of Corporate Governance.

For the Year Ended June 30, 2007.

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of 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 and directors representing minority interests on its Board of Directors. At present the Board of Directors includes four non-executive directors including independent non-executive director representing institutional equity interest.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as 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 Board of Directors of the Company completed its term of three years on March 31, 2007 and new Board of Directors elected for next three years and further no other casual vacancy occurred in the Board during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.

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 along with 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, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.

9. The Company arranged Orientation Course for its Directors during the year to apprise them of their duties and responsibilities. The Majority of the Directors including CFO and Company Secretary attended the course.

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 the year ended June 30, 2007, has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

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

15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors including the Chairman of the Committee.

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

17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

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

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

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

For and On behalf of the Board

Kasur :
September 10, 2007.

(AAMIR FAYYAZ SHEIKH)
Chief Executive

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

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of Directors of KOHINOOR MILLS LIMITED (FORMERLY KOHINOOR WEAVING MILLS LIMITED), for the year ended 30 June 2007, to comply with the respective listing regulations of the three stock exchanges, 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 as at 30 June 2007.

LAHORE : September 10, 2007

RIAZ AHMAD & COMPANY
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHINOOR MILLS LIMITED (FORMERLY KOHINOOR WEAVING MILLS LIMITED) as at 30 June 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 except for the change as stated in note No. 4.14 with which we concur;

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 30 June 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the company for the year ended 30 June 2006 were audited by another firm of chartered accountants who had expressed an unqualified opinion on those financial statements vide their report dated 30 September 2006.

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE : September 10, 2007

KOHINOOR MILLS LIMITED

(FORMERLY KOHINOOR WEAVING MILLS LIMITED)

BALANCE SHEET AS AT 30 JUNE 2007

	NOTE	2007 Rupees	2006 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	1,100,000,000	1,100,000,000
Issued, subscribed and paid up share capital	6	363,650,080	330,590,990
Reserves	7	2,134,333,365	1,374,090,230
Total equity		2,497,983,445	1,704,681,220
Non-current liabilities			
Redeemable capital - secured	8	39,999,125	119,997,375
Long term financing - secured	9	880,571,354	1,318,959,250
Deferred tax	10	253,472,520	-
		1,174,042,999	1,438,956,625
Current liabilities			
Trade and other payables	11	615,517,415	824,760,026
Mark up accrued on redeemable capital and financing		108,580,219	102,548,401
Short term borrowings - secured	12	3,417,152,907	3,094,888,901
Current portion of long term liabilities	13	654,035,145	550,652,641
Provision for taxation		72,938,336	107,031,197
		4,868,224,022	4,679,881,166
Total Liabilities		6,042,267,021	6,118,837,791
Contingencies and commitments	14	-	-
TOTAL EQUITY AND LIABILITIES		8,540,250,466	7,823,519,011

	NOTE	2007 Rupees	2006 Rupees
A S S E T S			
Non-current assets			
Fixed Assets	15	4,026,563,685	4,104,627,201
Long term investment	16	1,432,800	11,940,000
Long term security deposits		3,151,751	3,120,751
		4,031,148,236	4,119,687,952
Current assets			
Stores, spares and loose tools	17	304,342,590	260,523,603
Stock-in-trade	18	1,175,108,847	1,354,021,919
Trade debts - Considered good	19	988,152,762	1,038,801,576
Loans and advances	20	264,345,513	230,065,499
Trade deposits and short term prepayments	21	6,475,758	2,451,492
Accrued interest		65,740	29,330
Other receivables	22	237,226,629	193,420,900
Sales tax recoverable		132,442,694	179,625,432
Short term investments	23	1,207,790,600	263,694,008
Cash and bank balances	24	131,689,499	181,197,300
		4,447,640,632	3,703,831,059
Non-current assets classified as held for sale	25	61,461,598	-
TOTAL ASSETS		8,540,250,466	7,823,519,011

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

GUL NAWAZ
DIRECTOR

KOHINOOR MILLS LIMITED
(FORMERLY KOHINOOR WEAVING MILLS LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
SALES	26	7,611,236,705	6,391,022,697
COST OF SALES	27	6,486,736,826	5,595,953,375
GROSS PROFIT		1,124,499,879	795,069,322
DISTRIBUTION COST	28	333,401,011	296,150,651
ADMINISTRATIVE EXPENSES	29	146,318,259	114,711,705
OTHER OPERATING EXPENSES	30	28,051,360	9,694,885
		507,770,630	420,557,241
		616,729,249	374,512,081
OTHER OPERATING INCOME	31	46,748,428	40,192,294
PROFIT FROM OPERATIONS		663,477,677	414,704,375
FINANCE COST	32	490,423,744	408,654,939
PROFIT BEFORE TAXATION		173,053,933	6,049,436
PROVISION FOR TAXATION	33	58,612,814	59,218,411
PROFIT / (LOSS) AFTER TAXATION		114,441,119	(53,168,975)
EARNINGS PER SHARE - BASIC & DILUTED	34	3.15	(1.46)

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

GUL NAWAZ
DIRECTOR

KOHINOOR MILLS LIMITED
(FORMERLY KOHINOOR WEAVING MILLS LIMITED)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	173,053,933	6,049,436
Adjustment for non cash charges and other items:		
Gain on sale of operating assets	(1,830,458)	(22,501,621)
Depreciation	260,898,980	268,131,895
Amortization of intangible asset	1,208,123	84,750
Dividend income	(8,102,145)	(2,432,038)
Gain on sale of shares	(22,118,612)	-
Provision for diminution in value of investment	10,507,200	-
Finance cost	490,423,744	408,654,939
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	904,040,765	657,987,361
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	(43,818,987)	(51,116,130)
Stock-in-trade	178,913,072	(407,473,869)
Trade debts	50,648,814	(444,048,625)
Loans and advances	(34,280,014)	(55,184,099)
Trade deposits and short term prepayments	(4,024,266)	14,239,925
Accrued interest	(36,410)	(5,426)
Other receivables	(64,052,513)	(23,350,389)
Sales tax recoverable	47,182,738	219,867,494
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Short term borrowings - secured	322,264,006	977,521,184
Trade and other payables	(208,379,304)	245,222,954
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	244,417,136	475,673,019
CASH GENERATED FROM OPERATIONS	1,148,457,901	1,133,660,380
Income tax paid	(73,321,838)	(58,552,361)
Finance cost paid	(484,391,926)	(367,022,167)
	(557,713,764)	(425,574,528)
NET CASH FROM OPERATING ACTIVITIES	590,744,137	708,085,852

	2007 Rupees	2006 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(248,505,096)	(277,831,404)
Capital expenditure on intangible asset	(1,040,363)	-
Proceeds from disposal of property, plant and equipment	5,870,732	50,426,974
Dividend on equity investments received	8,102,145	2,432,038
Investment made	(36,712,056)	(468,450)
Proceeds from sale of investment	47,067,702	-
Long term security deposits	(31,000)	(33,609)
NET CASH USED IN INVESTING ACTIVITIES	(225,247,936)	(225,474,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(79,998,250)	(79,998,250)
Long term financing - net	(335,005,392)	(360,739,200)
Dividend paid	(360)	(10,704)
NET CASH USED IN FINANCING ACTIVITIES	(415,004,002)	(440,748,154)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(49,507,801)	41,863,247
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	181,197,300	139,334,053
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	131,689,499	181,197,300

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

GUL NAWAZ
DIRECTOR

KOHINOOR MILLS LIMITED

(FORMERLY KOHINOOR WEAVING MILLS LIMITED)

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

	Share capital	Reserves							Total equity
		Capital			Revenue				
		Share premium	Surplus on revaluation of investments	Sub-Total	General	Unappropriated Profit / (Accumulated Loss)	Sub-Total	Total	
	Rupees								
Balance as on 30 June 2005	330,590,990	67,946,280	87,246,728	155,193,008	1,391,086,730	(183,026,563)	1,208,060,167	1,363,253,175	1,693,844,165
Loss for the year	-	-		-	-	(53,168,975)	(53,168,975)	(53,168,975)	(53,168,975)
Fair value adjustment on investments	-	-	64,006,030	64,006,030	-	-	-	64,006,030	64,006,030
Balance as on 30 June 2006	330,590,990	67,946,280	151,252,758	219,199,038	1,391,086,730	(236,195,538)	1,154,891,192	1,374,090,230	1,704,681,220
Transfer from general reserves	-	-	-	-	(300,000,000)	300,000,000	-	-	-
Bonus shares issued @ 10%	33,059,090	-	-	-	(33,059,090)	-	(33,059,090)	(33,059,090)	-
Profit for the year	-	-	-	-	-	114,441,119	114,441,119	114,441,119	114,441,119
Fair value adjustment on investments - net off deferred tax	-	-	678,861,106	678,861,106	-	-	-	678,861,106	678,861,106
Balance as on 30 June 2007	363,650,080	67,946,280	830,113,864	898,060,144	1,058,027,640	178,245,581	1,236,273,221	2,134,333,365	2,497,983,445

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

GUL NAWAZ
DIRECTOR

used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Foreign Currency

The financial statements are prepared in Pakistani Rupees, which is the Company's functional and presentation currency.

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

Exchange gain and loss where applicable are recognized in the profit and loss account.

4.5 Fixed Assets

4.5.1 Property, plant and equipment and depreciation

Owned

a) Cost

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost. Cost of tangible assets consists of historical cost, borrowing cost pertaining to erection/construction period and other directly attributable cost of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off historical cost of an asset over its estimated useful life at the rates as disclosed in note 15.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal.

Change in accounting estimate

As required by IAS-16 "Property, Plant and Equipment (revised 2003)", the residual values of operating fixed assets have been reviewed as at 30 June 2007 by the management and the depreciable amounts have been adjusted accordingly. Had the residual values of operating fixed assets not been considered for charging depreciation, profit after taxation for the year ended 30 June 2007 and carrying amount of operating fixed assets as at 30 June 2007 would have been lowered by Rupees 44.863 million. Accordingly, earnings per share for the year ended 30 June 2007 would have also been lowered by Rupees 1.23 per share.

The Company has accounted for the above stated change in accounting estimates prospectively in accordance with

IAS 8 "Accounting policies, changes in Accounting Estimates and Errors". Quantification and disclosure of these changes for the future years is impracticable.

c) Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Leased

a) Finance Lease

Leases where the Company has substantially retained all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) Operating leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

4.5.2 Intangible Assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

4.6 Investments

The Company's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investments at fair value through profit and loss account".

Investments at fair value through profit and loss account

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term.

Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale

Other investments not covered in any of the above categories are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Upon impairment, gain/loss including that had been previously recognized directly in equity, is included in the profit and loss account for the year.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined based on appropriate valuation techniques, if it is practicable to determine.

All purchases and sales of investments are recognized on the trade date which is the date that the Company contracted to purchase or sell the investment.

Equity investments in associated companies

The investments in associates in which the Company does not have significant influence are classified as "Available for Sale".

4.7 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and Spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock in Trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

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

4.8 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sales transaction rather than through a continuing use.

4.9 Trade debts and other receivables

Trade debts are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.11 Borrowing cost

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.12 Revenue recognition

Revenue is recognized when the Company has transferred significant risks and rewards associated with ownership of goods to the buyer. Export sales and local sales are recognized on shipment and dispatch of goods to customer respectively. Dividend on equity investment is recognized as income if right to receive payment is established. Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

4.13 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date, to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are charged to income.

4.14 Financial assets and liabilities

Financial assets and liabilities are recognized at fair value when the Company becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are long term investments, long term deposits, trade debts, loans and advances and other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings and trade and other payables.

Change in accounting policy

The Company has adopted IAS 39 "Financial Instruments: Recognition and Measurement" (Revised) which has resulted in change in accounting policy for initial recognition and measurement of financial assets and liabilities in the scope of IAS 39. Under the new accounting policy financial assets and liabilities are recognized initially at fair value. Previously, these were recognized initially at cost. The change in accounting policy has no material recognition/measurement impact on current and prior periods.

4.15 Off setting of financial assets and liabilities

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

4.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.17 Related party transactions

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

4.18 Mark up bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest rate method.

4.19 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. AUTHORIZED SHARE CAPITAL

2007 (Number of shares)	2006 (Number of shares)		2007 Rupees	2006 Rupees
80,000,000	80,000,000	Ordinary shares of Rupees 10 each	800,000,000	800,000,000
30,000,000	30,000,000	Preference shares of Rupees 10 each	300,000,000	300,000,000
110,000,000	110,000,000		1,100,000,000	1,100,000,000

6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2007 (Number of shares)	2006 (Number of shares)		2007 Rupees	2006 Rupees
14,000,000	14,000,000	Ordinary shares of Rupees 10 each fully paid in cash	140,000,000	140,000,000
18,780,031	15,474,122	Ordinary shares of Rupees 10 each as fully paid bonus shares	187,800,310	154,741,220
3,584,977	3,584,977	Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770
36,365,008	33,059,099		363,650,080	330,590,990

7. RESERVES

Composition of reserves is as follows:

	2007 Rupees	2006 Rupees
Capital		
Share premium	67,946,280	67,946,280
Surplus on revaluation of investments - net off deferred tax (Note 7.1)	830,113,864	151,252,758
	898,060,144	219,199,038
Revenue		
General	1,058,027,640	1,391,086,730
Un appropriated profit / (Accumulated loss)	178,245,581	(236,195,538)
	1,236,273,221	1,154,891,192
	2,134,333,365	1,374,090,230

7.1 SURPLUS ON REVALUATION OF INVESTMENTS - NET OFF DEFERRED TAX

	2007 Rupees	2006 Rupees
Balance as on 01 July	151,252,758	87,246,728
Add: Fair value adjustment on investments		
Maple Leaf Cement Factory Limited	(7,141,766)	50,593,550
Security General Insurance Company Limited	939,475,392	13,412,480
	932,333,626	64,006,030
Less: Deferred tax liability		
Security General Insurance Company Limited	253,472,520	-
Balance as on 30 June	830,113,864	151,252,758

		2007 Rupees	2006 Rupees
8.	REDEEMABLE CAPITAL - secured Non participatory		
	Term Finance Certificates (TFC) (Note 8.1)	119,997,375	199,995,625
	Less: Current portion shown under current liabilities (Note 13)	79,998,250	79,998,250
		39,999,125	119,997,375

8.1 This represents the privately placed Term Finance Certificates issued to consortium of two banks led by United Bank Limited which are secured against joint first pari passu equitable mortgage charge on all present and future fixed assets of the company. The facility carries mark up at cut off yield of the most recent auction of the 6 months Government of Pakistan treasury bills plus 275 bps payable semi annually. The finance is redeemable in 10 equal semi annual installments commenced from 14 January 2004. The remaining 3 installments are of Rupees 39.999 million each.

9.	LONG TERM FINANCING - secured		
	From banking companies:		
	National Bank of Pakistan (Note 9.1)	150,000,000	250,000,000
	National Bank of Pakistan (Note 9.2)	112,870,386	158,018,543
	National Bank of Pakistan (Note 9.3)	249,999,310	349,999,143
	United Bank Limited (Note 9.4)	81,250,000	113,750,000
	Allied Bank Limited Note 9.5)	150,187,500	210,262,500
	NIB Bank Limited (Note 9.6)	28,571,429	51,428,571
	Allied Bank Limited (Note 9.7)	262,500,000	300,000,000
	The Bank of Punjab (Note 9.8)	300,000,000	300,000,000
	Prime Commercial Bank Limited (Note 9.9)	24,971,739	56,154,884
	Prime Commercial Bank Limited (Note 9.10)	62,197,869	-
	Habib Bank Limited (Note 9.11)	32,060,016	-
		1,454,608,249	1,789,613,641
	Less: Current portion shown under current liabilities (Note 13)	574,036,895	470,654,391
		880,571,354	1,318,959,250

9.1 This demand finance facility is secured against first pari passu charge over fixed assets of the company. It carries mark up at the rate of 3 months KIBOR plus 1.25 % payable semi annually. The finance is repayable in 10 equal semi annual installments commenced from 31 December 2003.

9.2 This finance is secured against first joint pari passu charge over fixed assets of the company. It carries markup at State Bank of Pakistan (SBP) refinance rate plus 2% payable on quarterly basis under Long Term Finance - Export Oriented Project scheme of the Government of Pakistan. The finance is repayable in 10 equal semi annual installments commenced from 31 December 2004.

9.3 This finance is secured against first joint pari passu charge over the fixed assets of the company. It carries markup at SBP refinance rate plus 2% payable on quarterly basis under Long Term Finance - Export Oriented Project scheme of the Government of Pakistan. The finance is repayable in 10 equal semi annual installments commenced from 31 March 2005.

9.4 This finance is secured against first exclusive charge of Rupees 173 million on imported knitting machinery of the Company. It carries markup at SBP refinance rate plus 2% payable on quarterly basis under Long Term Finance - Export Oriented Project scheme of the Government of Pakistan. The finance is repayable in 8 equal semi annual installments commenced from 03 February 2006.

9.5 This finance is secured against first pari passu charge of Rupees 320.4 million over fixed assets of the company. It carries markup at SBP refinance rate plus 2% payable on quarterly basis under Long Term Finance - Export Oriented Project scheme of the Government of Pakistan. The finance is repayable in 8 equal semi annual installments commenced from 29 March 2006.

9.6 This term finance facility is secured against first joint pari passu charge of Rupees 106.667 million on fixed assets of the company. It carries mark up at the rate of 3 months KIBOR plus 2 % payable on a quarterly basis. The finance is repayable in 14 equal quarterly installments commenced from 12 April 2005.

9.7 This demand finance facility of Rupees 300 million is secured against first pari passu charge of Rupees 507 million on fixed assets of the company .The finance is repayable within 5 years including one grace year in 8 equal half yearly installments commenced from 31 March 2007. It carries markup at the rate of 6 months KIBOR plus 2 % with the floor of 5 % payable on quarterly basis.

9.8 This term finance facility of Rupees 300 million is secured against first pari passu charge of Rupees 400 million on all present and future fixed assets of the company. It carries mark up at the rate of 3 months KIBOR plus 375 bps payable on quarterly basis. The finance is repayable in 24 equal quarterly installments commencing from 27 September 2007.

9.9 This term finance facility is secured against first exclusive hypothecation charge over power generators. It carries mark up at the rate of 3 months KIBOR plus 2% payable on quarterly basis. The finance is repayable in 20 equal quarterly installments.

9.10 This finance is secured against first exclusive hypothecation charge over power generators. It carries markup at SBP refinance rate plus 2% payable on quarterly basis under Long Term Finance - Export Oriented Project scheme of the Government of Pakistan. The finance is repayable in 20 equal quarterly installments commencing from 01 July 2007.

9.11 This represents bridge finance convertible into Long Term Finance - Export Oriented Project scheme of the Government of Pakistan subject to the approval of SBP.

10. DEFERRED TAX

This represents deferred tax liability on surplus on revaluation of investment available for sale - Security General Insurance Company Limited. No provision for deferred tax on other temporary differences was considered necessary as the Company's future tax liability is expected to be limited to tax under section 169 of the Income Tax Ordinance, 2001. Accordingly, the temporary differences are not likely to reverse in the foreseeable future.

		2007 Rupees	2006 Rupees
11.	TRADE AND OTHER PAYABLES		
	Creditors	494,386,334	696,899,781
	Advances from customers	13,062,793	689,649
	Sales commission payable	26,565,889	32,994,824
	Income tax deducted at source	3,433,921	4,296,868
	Security deposits (Note 11.1)	2,548,073	2,548,647
	Workers' profit participation fund	9,293,981	-
	Workers' welfare fund	3,531,713	-
	Payable to provident fund	2,050,628	-
	Accrued and other liabilities	56,266,477	82,952,291
	Unclaimed dividend	4,377,606	4,377,966
		615,517,415	824,760,026

11.1 These are interest free and repayable on the expiry of contracts.

12. SHORT TERM BORROWINGS - SECURED

The facilities under short term finances available from various commercial banks under mark up arrangements amounting to Rupees 4,236.676 million (2006: Rupees 4,120.36 million). These facilities carry mark up at the rate ranging from 6.5 to 12.5 percent (2006: 7 to 13 percent) per annum and these facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credits, first and second pari passu charge on assets, personal guarantees of directors and ranking charge on fixed assets of the Company.

		2007 Rupees	2006 Rupees
13.	CURRENT PORTION OF LONG TERM LIABILITIES		
	Redeemable Capital (Note 8)	79,998,250	79,998,250
	Long term financing (Note 9)	574,036,895	470,654,391
		654,035,145	550,652,641

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June, 2005, if not used for the purpose of exports made up to the 30 September, 2005. Consequently, the Company has filed an appeal before the Collector of Sales Tax. Pending the outcome of appeal no provision for inadmissible input tax has been recognized in the financial statements, since the Company has strong grounds against the order of taxation authority.

14.1.2 The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million alongwith additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Company is contesting the demand and management is confident that decision will be in favour of the Company. Accordingly, no provision for inadmissible input tax has been made in the financial statements.

14.1.3 The Company has filed a recovery suit of US $ 93,225 against a customer for goods supplied to him. Matter is pending before Senior Civil Judge, Lahore. Pending the outcome of the case, no provision for doubtful recoverability of debtor is made in these financial statements since the Company and its legal counsel are confident that the outcome of the case will be in favour of the Company.

14.1.4 Bank guarantee of Rupees 68.000 million (2006: Rupees 63.500 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.

14.2 Commitments

14.2.1 Aggregate commitments for capital expenditure contracted Rupees 17.073 million as on 30 June 2007 (2006: Rupees 65.924 million) and for revenue expenditures contracted Rupees 51.360 million as on 30 June 2007 (2006: Rupees 50.775 million).

		2007 Rupees	2006 Rupees
15.	FIXED ASSETS		
	Property, plant and equipment		
	Operating assets (Note 15.1)	3,828,979,329	3,889,514,146
	Capital work in progress (Note 15.2)	192,751,866	210,112,805
		4,021,731,195	4,099,626,951
	Intangible asset - computer software (Note 15.1)	4,832,490	5,000,250
		4,026,563,685	4,104,627,201

15.1 Reconciliation of carrying amounts at the beginning and end of the year is as follows:

	Freehold land	Residential buildings	Factory building	Plant and machinery	Electric Installations	Furniture, fixtures and equipment	Motor vehicles	Total	Intangible asset
	RUPEES								
As at 01 July 2005									
Cost	128,308,609	35,788,617	403,951,507	3,555,197,254	83,587,316	90,353,282	48,760,342	4,345,946,927	-
Accumulated depreciation	-	(15,834,497)	(121,391,399)	(1,024,699,769)	(26,785,072)	(24,859,944)	(19,433,876)	(1,233,004,557)	-
Net book value	128,308,609	19,954,120	282,560,108	2,530,497,485	56,802,244	65,493,338	29,326,466	3,112,942,370	-
Year ended 30 June 2006									
Opening net book value	128,308,609	19,954,120	282,560,108	2,530,497,485	56,802,244	65,493,338	29,326,466	3,112,942,370	-
Additions	-	355,700	320,210,093	697,144,567	12,384,650	23,566,454	18,967,560	1,072,629,024	5,085,000
Disposal									
Cost	-	-	-	(60,344,843)	-	-	(7,251,576)	(67,596,419)	-
Depreciation	-	-	-	37,001,907	-	-	2,669,159	39,671,066	-
	-	-		(23,342,936)			(4,582,417)	(27,925,353)	-
Depreciation charge	-	(1,037,136)	(16,378,576)	(231,458,554)	(4,855,338)	(7,729,397)	(6,672,894)	(268,131,895)	(84,750)
Closing net book value	128,308,609	19,272,684	586,391,625	2,972,840,562	64,331,556	81,330,395	37,038,715	3,889,514,146	5,000,250
As at 01 July 2006									
Cost	128,308,609	36,144,317	724,161,600	4,191,996,978	95,971,966	113,919,736	60,476,326	5,350,979,532	5,085,000
Accumulated depreciation	-	(16,871,633)	(137,769,975)	(1,219,156,416)	(31,640,410)	(32,589,341)	(23,437,611)	(1,461,465,386)	(84,750)
Net book value	128,308,609	19,272,684	586,391,625	2,972,840,562	64,331,556	81,330,395	37,038,715	3,889,514,146	5,000,250
Year ended 30 June 2007									
Opening net book value	128,308,609	19,272,684	586,391,625	2,972,840,562	64,331,556	81,330,395	37,038,715	3,889,514,146	5,000,250
Additions	-	-	17,118,766	198,522,763	3,107,504	21,123,140	25,993,862	265,866,035	1,040,363
Disposal									
Cost	-	-	-	-	-	-	(11,375,845)	(11,375,845)	-
Depreciation	-	-	-	-	-	-	7,335,571	7,335,571	-
	-	-	-	-	-	-	(4,040,274)	(4,040,274)	-
Transfer of assets held for disposal									
Cost	-	-	-	(222,947,043)	-	-	-	(222,947,043)	-
Depreciation	-	-	-	161,485,445	-	-	-	161,485,445	-
	-	-	-	(61,461,598)	-	-	-	(61,461,598)	-
Depreciation charge	-	(986,578)	(30,866,920)	(208,430,577)	(5,154,671)	(8,943,792)	(6,516,442)	(260,898,980)	(1,208,123)
Closing net book value	128,308,609	18,286,106	572,643,471	2,901,471,150	62,284,389	93,509,743	52,475,861	3,828,979,329	4,832,490
As at June 30, 2007									
Cost	128,308,609	36,144,317	741,280,366	4,167,572,698	99,079,470	135,042,876	75,094,343	5,382,522,679	6,125,363
Accumulated depreciation	-	(17,858,211)	(168,636,895)	(1,266,101,548)	(36,795,081)	(41,533,133)	(22,618,482)	(1,553,543,350)	(1,292,873)
Net book value	128,308,609	18,286,106	572,643,471	2,901,471,150	62,284,389	93,509,743	52,475,861	3,828,979,329	4,832,490
Depreciation rate % per annum	-	5	5	5 - 10	10	10	20	-	20

15.1.1 Detail of operating assets exceeding book value of Rupees 50,000 disposed of during the year is as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of purchasers
	Rupees					
Vehicles						
LXX 261 Honda Civic	940,500	609,514	330,986	605,000	Negotiation	M. Nasir Khan, H.NO. 41/7, Pak Street No. 49, Samanabad, Lahore
LXZ 6200 Toyota Corolla	780,000	554,264	225,736	630,000	Negotiation	Omer Khan, H.NO. 51-2, D-Block Model Town, Lahore
LRC-3620 Hyundai Shehzor	609,000	405,636	203,364	387,555	Negotiation	Mohsin Sharaz, Lahore
LXM-8060Toyota Corolla	600,000	233,001	366,999	585,000	Negotiation	Mushtaq Ahmed, 103 Main Market Samanabad, Lahore
LRG-6747 Suzuki Cultus	516,890	298,693	218,197	225,721	Terms of employment	Rao Muhammad Yameen, Chak Mithey Wala, Tehsil Kabirwala ,District Khanewal
LRD-9083 Suzuki Cultus	511,085	356,871	154,214	157,189	Terms of employment	Rana Zulfiqar Ahmed, House No.1, 20-Z Block, Peoples Colony, Gujranwala
LXZ-350 Honda Civic	1,158,538	889,634	268,904	670,000	Negotiation	Syed Hassan Asgar Ali, F-58, Street No.5, Officer Colony, Wah Cantt, Texila.
LXH-3087 Suzuki Bolan	294,000	259,760	34,240	230,000	Negotiation	Naveed Akram, Model Town, Gujranwala
LZJ-565 Toyota Corolla	864,951	240,985	623,966	618,026	Terms of employment	Mrs. Saghir Mushtaq, 2-B, Faisal Apartment, A-Block, Faisal Town, Lahore
LRS-4465 Suzuki Carry	373,170	188,420	184,750	300,000	Negotiation	Rana Zulfiqar Ahmed, House No. 1, 20-Z Block, Peoples Colony, Gujranwala
LXL-1166 Toyota Corolla	700,000	156,917	543,083	545,000	Negotiation	Awais Habib, 124-RP, Propian District, Faisalabad
LZD-3286 Toyota Corolla	900,730	371,636	529,094	560,500	Negotiation	Khalid Asghar, Lahore
LXG-4000 Pajero	3,126,981	2,770,240	356,741	356,741	Terms of employment	Rana Muhammad Hanif, House No.1, 20-Z Block, Peoples Colony, Gujranwala
	11,375,845	7,335,571	4,040,274	5,870,732		

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

	2007 Rupees	2006 Rupees
Cost of sales (Note 27)	252,923,202	260,012,550
Distribution cost (Note 28)	507,952	207,600
Administrative expenses (Note 29)	7,467,826	7,911,745
	260,898,980	268,131,895

15.1.3 The amortization of intangible asset amounting to Rupees 1,208,123 (2006: Rupees 84,750) is included in administrative expenses.

15.1.4 Land having cost of Rupees 1.865 million (2006: Rupees 1.865 million) is in the possession of the Punjab Social Security Health Management Company as at 30 June 2007 for which finalization of sale proceeds is pending.

15.2 CAPITAL WORK IN PROGRESS

	2007	2006
Tangible fixed assets		
Plant and machinery	55,216,094	107,863,564
Civil works on freehold land	128,038,324	99,016,645
Electric Installations	3,742,106	-
Unallocated Capital Expenditures	3,539,347	-
Intangible fixed assets		
Computer software	2,215,995	3,232,596
	192,751,866	210,112,805

15.2.1 Borrowing cost amounting to Rupees 7.546 million (2006: Rupees 18.028 million) has been capitalized during the year and the rate of capitalization was 6% to 12.39% (2006: 8.5% to 9%).

	2007 Rupees	2006 Rupees
16. LONG TERM INVESTMENT		
Available for sale		
Unquoted		
K-2 Hosiery (Private) Limited		
1,194,000 (2006:1,194,000) ordinary shares of Rupees 10 each	11,940,000	11,940,000
Chief Executive Officer: Mr. Hassan Mumtaz		
Less: Provision for diminution in value of investment (Note 30)	10,507,200	-
	1,432,800	11,940,000

16.1 The extent of shareholding is 32.14% of share capital of investee, however this extent of share holding has not resulted in the exercise of significant influence over the operations of investee as the company does not have power to participate in the financial and operating decisions of investee.

17. STORE, SPARES AND LOOSE TOOLS

	2007	2006
Stores and spares	302,560,521	258,388,311
Loose tools	1,782,069	2,135,292
	304,342,590	260,523,603

18. STOCK IN TRADE

	2007	2006
Raw material	391,597,491	390,296,657
Work in process	365,947,895	441,050,023
Finished goods (Note 18.1 and 18.2)	417,563,461	522,675,239
	1,175,108,847	1,354,021,919

18.1 Finished goods valued at net realizable value are amounting to Rupees 40.064 million (2006: Rupees 96.649 million).

18.2 Finished goods includes stock in transit amounting to Rupees 61.655 million (2006: Rupees 54.702 million).

19. TRADE DEBTS - CONSIDERED GOOD

	2007	2006
Secured - against export bills	654,382,229	828,491,138
Unsecured - local	333,770,533	210,310,438
	988,152,762	1,038,801,576

19.1 It includes an amount of Rupees 0.435 million (2006: Rupees 3.896 million) receivable from Q Mart Corporation (Private) Limited - associated undertaking.

20. LOANS AND ADVANCES

	2007	2006
Advances to:		
staff (Note 20.1)	18,436,049	18,631,133
suppliers	139,293,747	119,256,420
contractors	1,878,221	15,904,225
Letters of credit	104,737,496	76,273,721
	264,345,513	230,065,499

20.1 It includes interest free advance to executives amounting to Rupees 5.092 million (2006:Rupees 0.377 million) and the maximum amount of advance outstanding at the end of any month during the year was Rupees 5.403 million (2006: Rupees 1.654 million)

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2007	2006
Security deposits	100,000	71,290
Short term prepayments	6,375,758	2,380,202
	6,475,758	2,451,492

		2007 Rupees	2006 Rupees
22.	OTHER RECEIVABLES		
	Advance income tax	96,242,280	116,489,064
	Export rebate and claims	52,791,763	52,765,469
	Miscellaneous receivables	24,291,277	24,166,367
	Research and development support receivable	63,901,309	-
		237,226,629	193,420,900
23.	SHORT TERM INVESTMENTS		
	Available for sale		
	Quoted		
	Cement sector		
	Maple Leaf Cement Factory Limited		
	9,653,000 (2006: 9,020,000) ordinary shares of Rupees 10 each	117,556,416	105,793,450
	Add: Surplus on revaluation of investments	117,976,784	125,118,550
		235,533,200	230,912,000
	Unquoted		
	Insurance Sector		
	Security General Insurance Company Limited-Associated undertaking		
	1,620,429 (2006: 1,080,286) fully paid ordinary shares of Rupees 10 each	6,647,800	6,647,800
	Add: Surplus on revaluation of investments	965,609,600	26,134,208
	Break up value of Rupees 600 per share was calculated using assets based valuation technique on the basis of market / financial value of assets as per un-audited accounts for the period ended 30 June 2007 (2006: Break up value of Rupees 30.35 per share as per unaudited accounts for the period ended 30 June 2006).	972,257,400	32,782,008
	Chief Executive Officer: Ms. Nabiha Samad		
		1,207,790,600	263,694,008

23.1 Security General Insurance Company Limited is associated undertaking due to common directorship.

23.2 Management intends to sell these investments as soon as it is practicable.

		2007 Rupees	2006 Rupees
24.	CASH AND BANK BALANCES		
	Cash in hand	2,607,174	2,930,602
	Cash with banks:		
	In current accounts (Note 24.1)	77,621,477	96,711,432
	In deposit accounts	51,460,848	81,555,266
		129,082,325	178,266,698
		131,689,499	181,197,300

24.1 Cash with banks in current accounts includes foreign currency balances of US$ 37,812, Euro 4,115 and Pounds 200 (2006: US$ 17,754.65).

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Plant and machinery having net book value and fair value amounting to Rupees 61,461,598 and Rupees 191,357,000 respectively is presented as held for sale. The completion of this transaction is expected before the end of next financial year. The fair value of these assets is determined by an independent valuer. In accordance with the accounting policy of the company, these assets are measured at lower of carrying amount and fair value less costs to sell.

		2007 Rupees	2006 Rupees
26.	SALES		
	Export (Note 26.1)	5,946,747,632	5,044,928,929
	Local (Note 26.2)	1,664,489,073	1,346,093,768
		7,611,236,705	6,391,022,697

26.1 Net exchange loss due to currency rate fluctuation relating to export sales amounting to Rupees 12.832 million (2006: net exchange gain of Rupees 2.525 million) has been included in the exports sales.

		2007 Rupees	2006 Rupees
26.2	Local sales	1,683,545,709	1,371,057,547
	Less: sales tax	19,056,636	24,963,779
	Net sales	1,664,489,073	1,346,093,768
27.	COST OF SALES		
	Raw material consumed (Note 27.1)	4,136,106,861	3,965,136,034
	Chemical consumed	509,502,380	436,462,832
	Salaries, wages and other benefits	344,582,538	257,788,868
	Employees' provident fund contributions	13,902,237	10,770,776
	Cloth conversion and processing charges	217,581,118	224,966,570
	Fuel, oil and power	265,639,239	226,695,837
	Stores, spares and loose tools	102,675,057	116,029,454
	Packing material	191,982,476	155,430,672
	Repair and maintenance	21,758,036	22,924,970
	Insurance	13,595,376	14,090,521
	Other manufacturing expenses	74,840,413	51,824,718
	Depreciation (Note 15.1.2)	252,923,202	260,012,550
		6,145,088,933	5,742,133,802
	Work-in-process inventory		
	As on 01 July	441,050,023	206,904,454
	As on 30 June	(365,947,895)	(441,050,023)
		75,102,128	(234,145,569)
	Cost of goods manufactured	6,220,191,061	5,507,988,233
	Cost of yarn and cloth purchased for resale	161,433,987	156,310,231
		6,381,625,048	5,664,298,464
	Finished goods inventory		
	As on 01 July	522,675,239	454,330,150
	As on 30 June	(417,563,461)	(522,675,239)
		105,111,778	(68,345,089)
		6,486,736,826	5,595,953,375
27.1	RAW MATERIAL CONSUMED		
	Opening stock	390,296,657	285,313,446
	Purchased during the year	4,137,407,695	4,070,119,245
		4,527,704,352	4,355,432,691
	Closing stock	(391,597,491)	(390,296,657)
		4,136,106,861	3,965,136,034

		2007 Rupees	2006 Rupees
28.	DISTRIBUTION COST		
	Salaries, wages and other benefits	31,143,359	23,411,562
	Employee's provident fund contributions	1,755,005	1,212,536
	Traveling, conveyance and entertainment	12,630,934	15,791,974
	Printing and stationery	160,506	1,733,157
	Communications	13,477,259	13,435,580
	Vehicles' running	2,481,904	1,678,502
	Insurance	4,238,086	1,704,732
	Fee, subscription and taxes	2,200	1,500
	Repair and maintenance	3,345	16,500
	Commission	90,085,582	92,094,391
	Outward freight and handling	126,603,295	114,490,750
	Clearing and forwarding	45,061,398	28,574,237
	Sales promotion and advertising	744,936	509,413
	Depreciation (Note 15.1.2)	507,952	207,600
	Miscellaneous	4,505,250	1,288,217
		333,401,011	296,150,651
29.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits	76,728,753	59,915,638
	Employees' provident fund contributions	3,212,529	2,393,270
	Traveling, conveyance and entertainment	12,345,622	10,205,864
	Printing and stationery	3,121,733	3,235,423
	Communications	2,351,163	1,949,795
	Vehicles' running	8,009,656	7,678,668
	Legal and professional	1,641,593	2,267,236
	Insurance	3,426,436	2,959,512
	Fee, subscription and taxes	278,379	320,368
	Repair and maintenance	2,107,914	2,261,800
	Research and development (Note 29.1)	9,824,042	1,070,283
	Electricity, gas and water	822,292	1,547,099
	Sales promotion and advertising	699,430	549,557
	Auditor's remuneration (Note 29.3)	556,637	497,742
	Depreciation (Note 15.1.2)	7,467,826	7,911,745
	Amortization of intangible asset (Note 15.1.3)	1,208,123	84,750
	Miscellaneous	12,516,131	9,862,955
		146,318,259	114,711,705
29.1	RESEARCH AND DEVELOPMENT		
	Support on account of research and development (Note 29.2)	203,960,459	59,064,967
	Less: Utilization		
	Product development	143,253,901	40,151,082
	Skill development and training	27,668,926	13,465,240
	Up gradation of information technology	532,315	-
	Professional consultancy	6,900,920	-
	Market research	4,960,452	-
	Technical up gradation of production lines	4,502,345	-
	Environment improvement	13,252,213	6,518,928
	Participation in exhibitions	12,713,429	-
		213,784,501	60,135,250
		9,824,042	1,070,283

29.2 The research and development support has been given by Ministry of Textile Industry Government of Pakistan vide SRO 803(1)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in textile sector.

		2007 Rupees	2006 Rupees
29.3	AUDITORS' REMUNERATION		
	Audit fee	300,000	300,000
	Half yearly review	150,000	150,000
	Reimbursable expenses	56,637	47,742
	Other certification fee	50,000	-
		556,637	497,742
30.	OTHER OPERATING EXPENSES		
	Workers' profit participation fund	9,293,981	-
	Workers' welfare fund	3,531,713	-
	Donations (Note 30.1)	4,718,466	9,694,885
	Provision for diminution in value of investment (Note 16)	10,507,200	-
		28,051,360	9,694,885

30.1 None of the directors and their spouse have any interest in the donee's fund.

		2007 Rupees	2006 Rupees
31.	OTHER OPERATING INCOME		
	Gain on sale of shares	22,118,612	-
	Dividend on equity investment		
	Security General Insurance Company Limited	8,102,145	2,432,038
	Return on bank deposits	1,522,358	874,741
	Scrap sales and others	13,174,855	14,383,894
	Gain on sale of operating assets	1,830,458	22,501,621
		46,748,428	40,192,294
32.	FINANCE COST		
	Markup on long term financing and redeemable capital	201,169,396	182,549,237
	Finance charges on lease liabilities	-	351,287
	Mark up on short term borrowings	250,777,248	203,107,013
	Exchange loss	4,262,230	-
	Bank commission and other financial charges	34,214,870	22,647,402
		490,423,744	408,654,939
33.	PROVISION FOR TAXATION		
	Current	64,686,659	59,218,411
	Prior year	(6,073,845)	-
		58,612,814	59,218,411

33.1 The company is under the ambit of final tax upto the extent of export sales under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Provision on dividend income is made under section 5 of the Income Tax Ordinance, 2001. No provision for income tax was considered necessary for income which is not subject to final tax under section 169 of the Income Tax Ordinance, 2001, as the company has carry forwardable assessed tax losses of Rupees 238.960 million (2006: Rupees 121.817 million). However, as explained in note 10, no provision for deferred tax was considered necessary.

33.2 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2007 Rupees	2006 Rupees
Accounting profit before taxation	173,053,933	6,049,436
Tax at the applicable tax rate of 35%	60,568,877	2,117,303
Effect of tax under presumptive tax regime	4,117,782	57,101,108
Effect of prior year reversal	(6,073,845)	-
Tax charge for the year	58,612,814	59,218,411

34. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share, which is based on;

		2007	2006
Profit / (loss) attributable to ordinary shareholder	(Rupees)	114,797,860	(53,168,975)
Number of ordinary shares	(Numbers)	36,365,008	36,365,008
Earnings per share	(Rupees)	3.15	(1.46)

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties, key management personnel and provident fund trust. The company in the normal course of business carries out transactions with related parties. Amount due to / due from related parties is given in the Notes 19.1 and 20.1. Remuneration of the key management personnel is given in note 36.

	2007 Rupees	2006 Rupees
Purchase of goods and services	14,568,514	830,171,910
Purchase of operating assets	980,367	-
Sale of goods and services	498,955	342,398,288
Sale of operating assets	560,500	2,526,670

36. **REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in accounts for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2007			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	2,145,000	5,417,500	19,625,721	1,980,000	3,960,000	13,783,295
House rent	536,250	1,084,875	5,261,328	495,000	990,000	3,073,947
Utilities	214,500	558,202	1,962,311	198,000	396,000	1,341,012
Special allowance	429,000	1,116,500	2,788,625	396,000	792,000	2,735,050
Contribution to provident fund	214,500	255,750	603,082	198,000	396,000	147,500
Miscellaneous	-	889,500	4,571,124	198,000	396,000	131,236
	3,539,250	9,322,327	34,812,191	3,465,000	6,930,000	21,212,040
Number of persons	1	4	27	1	3	19

36.1 Chief executive, directors and executives of the company are provided with free use of company's owned and maintained cars.

36.2 Meeting fee of Rupees 65,000 was paid to three directors for attending meetings during the year (2006: Rupees 3,000 paid to two directors for attending meetings.)

37 **FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

37.1 **Interest / mark-up rate**

The exposure to interest / mark up rate risk on financial assets and financial liabilities are summarized as follows;

	Interest / mark-up bearing Maturity		Non / Interest / mark-up bearing Maturity		Total	
	Within one year	One year to Five year	Within one year	One year to Five year	2007	2006
Financial assets	Rupees					
Long term investments	-	-	-	1,432,800	1,432,800	11,940,000
Long-term security deposits	-	-	-	3,151,751	3,151,751	3,120,751
Trade debts	-	-	988,152,762	-	988,152,762	1,038,801,576
Loans and advances	-	-	18,436,049	-	18,436,049	18,631,133
Trade deposits	-	-	100,000	-	100,000	71,290
Other receivables	-	-	24,291,277	-	24,291,277	24,166,367
Short term investments	-	-	1,207,790,600	-	1,207,790,600	263,694,008
Cash and bank balances	51,460,848	-	80,228,651	-	131,689,499	181,197,300
	51,460,848	-	2,318,999,339	4,584,551	2,375,044,738	1,541,622,425
Off balance sheet	-	-	-	-	-	-
Total financial assets	51,460,848	-	2,318,999,339	4,584,551	2,375,044,738	1,541,622,425
Financial liabilities						
Redeemable capital	79,998,250	39,999,125	-	-	119,997,375	199,995,625
Long term financing	574,036,895	880,571,354	-	-	1,454,608,249	1,789,613,641
Trade and other payables	-	-	584,144,379	-	584,144,379	819,773,509
Mark up accrued on loans	-	-	108,580,219	-	108,580,219	102,548,401
Short term borrowings	3,417,152,907	-		-	3,417,152,907	3,094,888,901
	4,071,188,052	920,570,479	692,724,598	-	5,684,483,129	6,006,820,077
Off balance sheet						
Commitments	-	-	68,433,000	-	68,433,000	116,699,000
Total financial liabilities	4,071,188,052	920,570,479	761,157,598	-	5,752,916,129	6,123,519,077
On balance sheet gap	(4,019,727,204)	(920,570,479)	1,626,274,741	4,584,551	(3,309,438,391)	(4,465,197,652)
Off balance sheet gap	-	-	(68,433,000)	-	(68,433,000)	(116,699,000)

Effective Interest/mark-up rates	**2007**	**2006**
Financial assets		
Bank balances	0.10 to 6 % p.a.	3 to 7 % p.a.
Financial liabilities		
Redeemable capital	11.56 % p.a	10 to 11 % p.a
Long term financing	6 to 12.88 % p.a	9 to 12 % p.a
Short term borrowings	6.5 to 12.5 % p.a	7 to 13 % p.a

37.2 Financial risk management

Overall, risks arising from the Company's financial assets and liabilities are limited. The Company manages its exposure to financial risk in the following manner:

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risk on financial instrument receivable in foreign currency is not material.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term Rupee based loans at variable rates. The company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Out of the total financial assets of Rupees 2,375,044,738 (2006:Rupees 1,541,622,425), the financial assets which are subject to credit risk amounts to Rupees 1,718,055,335 (2006: Rupees 710,200,685).

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

37.3 Fair value of financial instruments

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

38. PLANT CAPACITY AND PRODUCTION

	2007	2006
Weaving		
Number of looms installed	256	256
Number of looms worked	256	256
Rated capacity converted to 60 picks (square meter)	69,833,729	69,833,729
Actual production converted to 60 picks (square meter)	62,527,595	62,340,389
Number of days worked during the year (3 shifts per day)	365	365
Dyeing		
Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
Actual production for three shifts	27,534,845	25,682,934
No. of days worked during the year (3 shifts per day)	365	365
Hosiery		
Number of knitting machines installed	480	480
Number of knitting machines worked	386	301
Rated capacity per day per machine 50 Dozs	8,760,000	8,760,000
Actual production in Dozs	7,856,627	5,710,532
Number of days worked during the year (3 Shifts per day)	365	365
Home Tex		
Number of stitching machines	290	229
Number of stitching machines worked	224	140
Rated capacity in linear meters	12,000,000	10,984,000
Actual production in linear meters	8,186,085	5,873,463
Number of days worked during the year	351	325
Genertek		
Number of generators installed	7	3
Number of generators worked	4	3
Installed capacity (Mega Watt Hours)	273,575	222,328
Actual generation (Mega Watt Hours)	98,415	99,238
Standby generators		
Caterpillars generators (Mega Watt Hours)	8,935	1,755
Number of generators	2	2

Plant operation capacity is based on 365 days (2006: 365 days)

38.1 Underutilization of available capacity for weaving, dyeing, hosiery and hometex division is due to normal maintenance and actual demand.

38.2 Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand. During the maintenance period electricity is supplied from standby generators.

39. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 4,236.676 million out of which Rupees 819.524 million remained unutilized at the end of year.

40. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements are approved and issued by the board of directors for issue on 10 September 2007.

41. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 10 September 2007 has proposed 12.50% cash dividend (2006: 10% bonus share) for the year ended 30 June 2007. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of appropriation which will be accounted for subsequent to the year end.

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for purpose of comparison. However, no significant rearrangements / regroupings have been made except for:

Commission to Selling Agents which has been added to Distribution Cost instead of deducting it from Sales in compliance with presentation requirements of revised Fourth Schedule to the Companies Ordinance, 1984.

Figures of Export Rebate, Cost of Sales, Administrative Expenses and Distribution Cost have been rearranged in compliance with the disclosure requirements of SRO 803(1)/2006 dated 04 August 2006 issued by Ministry of Textile Industry.

These changes have no effect on net profit / (loss) for the years presented.

43. GENERAL

Figures have been rounded off to nearest of Rupee.

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

GUL NAWAZ
DIRECTOR

The Companies Ordinance 1984
{ Section 236(1) and 464 }
PATTERN OF SHAREHOLDING

Form - 34

1. CUI Number: 17194
2. Name of Company: KOHINOOR MILLS LIMITED (formerly Kohinoor Weaving Mills Limited)
3. Pattern of holding of shares held by the shareholders as at: June 30, 2007

4.

No of Shareholders	Shareholding From		Shareholding To	Total Shares held
351	1	-	100	7,996
890	101	-	500	183,017
132	501	-	1000	88,453
243	1001	-	5000	536,905
27	5001	-	10000	184,073
19	10001	-	15000	248,242
12	15001	-	20000	195,882
1	20001	-	25000	22,874
6	25001	-	30000	161,295
5	30001	-	35000	167,189
1	35001	-	40000	35,109
1	40001	-	45000	43,235
3	45001	-	50000	145,772
2	50001	-	55000	102,062
1	55001	-	60000	55,110
1	60001	-	65000	64,149
1	70001	-	75000	73,600
1	80001	-	85000	81,367
1	120001	-	125000	122,033
1	165001	-	170000	166,000
1	225001	-	230000	227,150
1	245001	-	250000	245,727
1	295001	-	300000	298,700
1	340001	-	345000	344,850
1	390001	-	395000	391,380
1	650001	-	655000	651,994
1	665001	-	670000	667,590
1	680001	-	685000	683,549
1	880001	-	885000	880,184
1	2760001	-	2765000	2,762,357
1	4500001	-	5500000	5,021,038
3	7165001	-	7170000	21,506,126
1,713	T o t a l			36,365,008

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

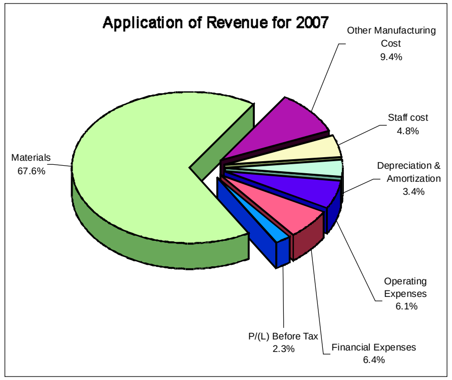
5.	Categories of Shareholders		Shares held	G.Total	Percentage
5.1	Directors, Chief Executive Officer, their Spouse and Minor Children				
	Mr. Aamir Fayyaz Sheikh (Chief Executive/Director)		7,169,807		19.7162
	Mr.Asad Fayyaz Sheikh (Director)		7,169,807		19.7162
	Mr. Ali Fayyaz Sheikh (Director)		7,166,512		19.7072
	Syed Mohsin Raza Naqvi (Director)		5,500		0.0151
	Mr. Rashid Ahmed (Director)		2,750		0.0076
	Mr. Salman Akram Raja (Director)		2,750		0.0076
	Mr. Gul Nawaz (Nominee Director of NIT)	7	-		
				21,517,126	
5.2.	Associated Companies, Undertakings and Related Parties		-	-	-
	-				
5.3	NIT and ICP				
	Investment Corporation Of Pakistan		2,420		0.0067
	National Bank of Pakistan,Trustee Deptt.	2	5,021,038		13.8073
				5,023,458	
5.4	Banks, Development Financial Institutions, & Non-Banking Financial Institutions	7	265,394	265,394	0.7298
5.5	Insurance Companies	4	1,378,903	1,378,903	3.7918
5.6	Modarabas and Mutual Funds	9	1,871,160	1,871,160	5.1455
5.7	Share holders holding 10% and more				
	Refer 5.1 & 5.3				
5.8	General Public				
	a. Local	1626	5,655,621		15.5524
	b. Foreign	5	116,538		0.3205
	c. Joint Stock Companies	48	502,317		1.3813
				6,274,476	
5.9	Others				
	Manag Commtt of Tameer-e-Millat Foundation		173		0.0005
	Lahore Stock Exchange		680		0.0019
	Trustees Saeeda Amin Wakf		7,986		0.0220
	Trustees Mohamad Amin Wakf Estate		16,637		0.0458
	Trustees Moosa Lawai Foundation		9,015		0.0248
		5		34,491	
	Total : →	1,713		36,365,008	100.0000

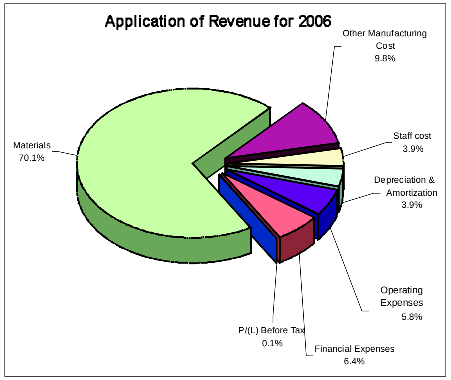
KEY INDICATORS

		2006-07	2005-06 Nine Months	2004-05	2003-04	2002-03	2001-02
OPERATING							
Gross Margin	%	14.78	12.44	5.71	10.89	11.68	14.56
Pre Tax Margin	%	2.27	0.09	(5.10)	3.34	5.31	8.46
Net Margin	%	1.50	(0.83)	(5.64)	2.18	4.21	7.32
PERFORMANCE							
Return on Assets	%	2.84	(1.29)	(4.87)	3.50	7.22	15.46
Assets Turnover		0.89	0.82	0.52	0.77	0.96	1.20
Fixed Assets Turnover		1.89	1.56	0.87	1.61	1.72	2.11
Inventory Turnover	Days	71	75	98	62	51	40
Return on Equity	%	4.58	(3.12)	(11.89)	5.07	12.25	24.30
Return on Capital Employed	%	2.81	(1.44)	(4.88)	2.97	6.76	15.44
Retention	%	71	-	-	40	19	11
LEVERAGE							
Debt:Equity		39:61	46:54	59:41	41:59	45:55	36:64
LIQUIDITY							
Current		0.91	0.79	0.87	1.10	0.94	0.89
Quick		0.61	0.45	0.51	0.63	0.58	0.57
VALUATION							
Earning per share (after tax)	Rs.	3.15	(1.46)	(5.54)	2.77	4.43	7.84
Breakup value	Rs.	68.69	51.56	51.24	66.09	54.68	53.61
Dividend payout - Cash	Rs.	-	-	-	10.00	15.00	20.00
Bonus issue	%	-	10.00	-	10.00	10.00	10.00
Payout ratio - Cash (after tax)	%	-	-	-	29.83	22.39	15.35
Price earning ratio	Rs.	9.37	(16.48)	(5.09)	12.47	7.79	4.87
Market price to breakup value	Rs.	0.43	0.51	0.61	0.57	0.69	0.78
Dividend yield	%	3.39	-	-	26.32	39.47	47.62
Market value per share	Rs.	29.50	26.50	31.00	38.00	38.00	42.00
Market capitalization	Rs.	1,072,768	876,064	1,024,829	1,142,052	914,356	918,750
HISTORICAL TRENDS (Rs. in '000')							
Turnover		7,611,237	6,391,023	3,571,938	4,627,119	3,825,002	3,892,343
Gross profit		1,124,500	795,069	204,074	503,847	446,846	566,685
Profit/(Loss) before tax		173,054	6,049	(182,124)	154,708	203,171	329,298
Profit/(Loss) after tax		114,441	(53,169)	(201,432)	100,767	161,213	284,951
FINANCIAL POSITION (Rs. in '000')							
Shareholder's funds		2,497,983	1,704,681	1,693,844	1,986,257	1,315,759	1,172,731
Property Plant and Equipment		4,026,564	4,104,627	4,122,938	2,865,853	2,224,964	1,841,607
Current assets		4,447,641	3,703,831	2,791,870	3,133,148	1,769,767	1,411,716
Current liabilities		4,868,224	4,679,881	3,222,565	2,851,573	1,877,337	1,577,479
Long term assets		4,031,148	4,119,688	4,137,965	2,879,328	2,231,413	1,842,790
Long term liabilities		1,174,043	1,438,957	2,013,426	1,172,645	1,069,317	672,906

Statement of Value Addition

	2007		2006	
Value Added	%age	Amount (000)	%age	Amount (000)
Total Sales	100%	7,611,237	100%	6,391,023
Value Allocated				
Materials	67.56%	5,141,885	70.09%	4,479,620
Other Manufacturing Cost	9.41%	715,982	9.84%	628,906
Staff cost	4.84%	368,362	3.87%	247,177
Depreciation & Amortization	3.42%	260,151	3.86%	246,768
Operating Expenses	6.06%	461,379	5.85%	373,846
Financial Expenses	6.44%	490,424	6.39%	408,655
P/(L) Before Tax	2.27%	173,054	0.09%	6,049
	100%	**7,611,237**	**100%**	**6,391,022**





Annual Report 2007

Form of Proxy 2007

20th Annual General Meeting

I/We ____________________

of ____________________ in the district of ____________________

being a member of **KOHINOOR MILLS LIMITED** *(formerly Kohinoor Weaving Mills Limited)*

hereby appoint ____________________

of ____________________ another member of the Company or failing him/her

appoint ____________________

of ____________________ another member of the Company as my / our proxy

to vote for me/us and on my/our behalf, at the **Annual General Meeting** of the Company to be held on **Saturday, October 20, 2007 at 11:00** a.m. and at any adjournment thereof.

As witness my/our hand seal this ____________ day of ____________ , 2007

Folio No.	CDC Account Holders		No. of Ordinary Shares held
	Participant I.D. No.	Account / Sub-Account No.	

Signatures on Five Rupees Revenue Stamp

The Signature should agree with the specimen registere d with the Company

Witness 1

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

Witness 2

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

Important Notes:

1. Proxies, In Order To Be Effective, Must Be Received At The Company's Registered Office Situated At 8th K. M. Manga Raiwind Road, District Kasur, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. If a member appoints more than only proxy and more than one instruments of proxies ate deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. No person act as proxy unless he / she member of the Company, except that a corporation may appoint a person who is not a member

FOR CDC Account Holder / Corporate entities

In addition to the above, the following requirements have to be met.

a) The proxy form shall be witnessed by two persons whose name, address and computerized National Identity Card (CNIC) number shall be mentioned on the form.
b) Attested copies pf CNIC or the passport of the beneficial owner an d the proxy shall be provided with the proxy form.
c) The proxy shall produce original CNIC or passport at the time of attending the meeting.
d) In case of the Corporate entity, the Board of Director' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.