QUETTA TEXTILE MILLS LIMITED

CORPORATE VISION / MISSION STATEMENT

VISION

Quetta Textile Mills Limited is one of the leading manufacturers & exporters of yarns & fabrics in Pakistan. The Company aims to become a market leader by producing high quality products with the help of latest technologies. The Company strives to explore new markets worldwide and at the same time tries to integrate its supply chain and diversify its customer portfolio. The Company aims to be fittest in a changing market scenario through effective Balancing, Modernization & Replacement of existing machinery.

MISSION

Our aim is to make Quetta Textile Mills Limited a secure & rewarding investment for its shareholders & investors, a reliable source of high quality yarns & fabrics at affordable prices to its customers all over the world, a secure place of work to its employees & an ethical partner to its business associates.

QUETTA TEXTILE MILLS LIMITED

Annual Report 2007
For the Year Ended June 30, 2007

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QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Khalid Iqbal (Chief Executive) Mr. Tariq Iqbal Mr. Daanish Javed Mr. Asim Khalid Mr. Omer Khalid Mrs. Najma Javed Mrs. Tabbasum Tariq
AUDIT COMMITTEE	Mr. Omer Khalid (Chairman) Mrs. Najma Javed (Member) Mrs. Tabbasum Tariq (Member) Mr. Sheikh Muhammed Abdullah (Secretary)
CHIEF FINANCIAL OFFICER	Mr. Daanish Javed
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited Al-Baraka Islamic Bank B.S.C. (E.C) Askari Bank Limited Bank Al-Falah Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited ABN Amro Bank Limited Soneri Bank Limited Saudi Pak Commercial Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited
REGISTERED OFFICE	Nadir House (Ground Floor) I. I. Chundrigar Road Karachi
MILLS	P/3, S.I.T.E., Kotri B/4, S.I.T.E Kotri 47.5 K.M. Lahore Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 41st Annual General Meeting of the Shareholders to be held on Saturday, October 27, 2007 at 08.30 a.m. at the Registered office of the company at Nadir House, Ground floor, I.I Chundrigar Road, Karachi to transact the following business.

1. To confirm the minutes of the 40th General Meeting held on October 31, 2006.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2007.
3. To appoint Auditors for the year 2007-2008 and fix their remuneration.
4. To approve 15% Cash Dividend for the year ended June 30, 2007 as recommended by the Board of Directors.
5. To elect seven directors, as fixed by the board of the company including chief executive for a period of three years under section 178 (1) of the companies ordinance 1984. Following retiring Directors being eligible have notified their intention to offer themselves for re-election.
   1. Mr. Khalid Iqbal (Chief Executive)
   2. Mr. Tariq Iqbal
   3. Mr. Daanish Javed
   4. Mr. Asim Khalid
   5. Mr. Omer Khalid
   6. Mrs. Najma Javed
   7. Mrs. Tabbasum Tariq
6. To fix the remuneration of the directors and chief executive.
7. To transact any other business with the permission of the Chairman.

By order of the Board

Karachi: October 04, 2007

MOHAMMAD SOHRAB GHANI
Company Secretary

1. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Proxies in order to be valid must be received at the registered office of the company 48 Hours before meeting commences.
2. Nomination for election to office of director's should be received at the registered office of the company not less than, 14 days before Annual General Meeting. The consent should accompany the following declaration as required under the Code of Corporate Governance. That:
   a. I am aware of my duties and power to act as director under the relevant law(s) of the Memorandum and Articles of Association and Listing Regulations.
   b. I am not serving as director on the Board of more than 10 listed companies, including this Company.
   c. I am registered tax payer
   d. I have not been convicted by a court if competent jurisdiction as a defaulter in payment of any loan to a banking company, a development financial institution or I, being a member of a Stock Exchange, have not been declared as a defaulter by such Stock Exchange.
   e. Neither of my spouse nor I are engaged in the business of Stock Exchange Brokerage.
3. For the purpose of entitlement of dividend, the Register of the members of the company will remain closed at registered office from October 27, 2007 to November 02, 2007 (both days inclusive) and dividend if approved will be paid to such members whose names appear in the Company's register of members at the close of business on October 26, 2007.
4. Guidelines for CDC Account Holders for personal attendance:
   i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his / her identity by showing his/her original NIC 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 meeting.
4. Shareholders are required to promptly notify at registered office of the company of any change in their address.

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

It is my pleasure to present to you the results of your company for the year ended 30th June 2007.

Your company earned a pre-tax profit of Rs.144.334 million as compared to Rs.91.290 million in the corresponding year. Turnover for the year was Rs.4.912 billion as compared to Rs.4.562 billion in June '2006.

Prices of local and imported cotton have remained at high levels during the year. Yarn prices have not increased significantly in line with cotton prices. High cotton prices coupled with high interest rates and a rise in overall cost of production have put pressure on the profitability of the company. The cost increase cannot be simply passed on to our customers. However, the company has tried to reduce its financial cost by swapping term loans up to Rs.600 million into SBP's LTF-EOP. The burden of taxation, Stamp Duties, Withholding Tax, Infrastructure Fees, EOBI, Social Security, Cotton Cess, etc. has further eroded the profitability of the company. The total taxes come to above 3% of sales.

We expect the cotton prices to remain high in the forthcoming year. Availability, price and quality of the cotton crop are still unclear. With the prevailing high cotton prices, next year seems to be a difficult year once again.

The usual BMR has been carried out throughout the year to further improve quality and efficiencies to remain competitive in the local and international market.

The textile industry is the back-bone of this country which earns much of the needed foreign exchange. But the government has not given any substantial subsidy for the textile industry. It seems as if the government has been ignoring the textile industry for the last couple of years. With regards to subsidies requested from the government, many of the suggestions/proposals given by the textile industry have been ignored. A fresh LTF-EOP scheme on spinning machinery was announced in the Budget '2007, but after three months, SBP has still not announced the final LTF-EOP scheme.

Merger of Pioneer Spinning Mills Limited was expected to be completed by June '2007. Due to the delay in court proceedings and the court crisis, we were not able to complete the merger. However, we now expect the proceedings to be completed by December '2007.

In the end, I would like to thank all the financial institutions/banks for their continued support and confidence they have shown in the company. To the workers, staff and officers, I extend my gratitude for their dedication and honesty to the company.

Karachi: October 04, 2007

KHALID IQBAL
CHIEF EXECUTIVE

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS:

The Directors have pleasure in presenting the 38th Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2007.

FINANCIAL RESULTS	**Rupees**
Net Profit before taxation	144,334,414
Less: Taxation	61,137,143
Net profit after taxation	83,197,270
Un-appropriated profit brought forward	387,420,530
Available for appropriation	470,617,801
Dividend paid @ 15%	4,687,500
Un-appropriated profit	**387,420,530**

Profit after Taxation	83,197,270
Ordinary Shares	3,125,000
Earning per share	**26.62**

CHAIRMAN'S REVIEW
The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Director's report.

DIVIDENDS
The Board of Directors have pleasure in recommending cash dividend of 15% for the year ended June 30, 2007.

AUDITORS
The present Auditors M/s. Mushtaq and Company Chartered Accountants retired and being eligible offer themselves for re-appointment.

PATTERN OF SHARE HOLDING
The pattern of shareholding as on June 30, 2007 is annexed to this report.

SUMMARY OF FINANCIAL DATA
Financial data for last six years in summarized from is annexed.

ATTENDANCE AT THE BOARD MEETING DURING THE YEAR 2006 -2007

All the directors keenly take interest in the company's affairs. During the year thirty three board meetings were held. Attendance by each director was as under:-

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	11
Mr. Tariq Iqbal	11
Mr. Daanish Javed	09
Mr. Asim Khalid	09
Mr. Omer Khalid	10
Mrs. Najma Javed	08
Mrs. Tabbasum Tariq	07

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2007: -

a) The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity.

b) Proper books of accounts of the Company have been maintained.

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

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

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

f) There is no significant doubt upon the Company's ability to continue as a going concern.

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

h) Key operating and financial data for the last six years in summarized from is annexed.

AUDITORS REPORT

Reference to the observation made by Auditors in their report regarding Note No. 23.1, we have to state that there is a difference of Rs.53.235 millions in books of the Company and its subsidiary Pioneer Spinning Mills Limited. This amount has not been acknowledged by the subsidiary in its books. However, Directors being aware of the fact have negotiated the price including the above amount. The resultant difference has been absorbed in price of investment. This is also evident from Consolidate accounts where Negative goodwill has been reported from the acquisition.

TRADING IN SHARES OF THE COMPANY

During the year no trading transaction in respect of shares of the company entered into by the Directors, CEO, CFO, Company Secretary, their spouses or minor children.

CONCLUSION

The Directors place on record their appreciation to the officers, members of the staff and workers for their efforts and hard work.

For and on behalf of the Board of Director

KHALID IQBAL
Chief Executive

Karachi: October 04, 2007

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited 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 includes two non-executive Directors and none representing minority share holders.
2. The Directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. The Directors have voluntarily declared that 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. None of the Directors is a member of a stock exchange.
4. During the period, no casual vacancies occurred in the Board of Directors.
5. The Board have developed and adopted a "Statement of Ethics and Business Practices" which is regularly circulated within the Company and it is in the knowledge of Company's Directors and employees.
6. The Board has developed a vision and 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, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and 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 the meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Board arranged orientation courses for its directors during the year to appraise them of their duties and responsibilities.
10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the 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
16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and financial results of the Company and as required by the Code. The terms of reference of the Committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance

17. The Board has set up an effective Internal Audit Function.

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

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

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

On behalf of the Board of Directors
KHALID IQBAL
CHIEF EXECUTIVE
Quetta Textile Mills Limited

KARACHI: October 04, 2007

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200, Pakistan
Fax: 2639843

Tel: 2638521-4

E-mail: hmi@cyber.net.pk

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

Tel: 5884926, 5865618

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

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Quetta Textile Mills Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and 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 control and 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 as applicable to the Company for the year ended June 30, 2007.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 04, 2007

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2002-2007

	September 2002	September 2003	September 2004	June 2005- 9 Months	June 2006	June 2007
Profit and Loss						
Net sales (Rs.000)	2,555,445	3,205,632	3,998,022	2,739,162	4,562,635	4,912,815
Gross Profit (Rs.000)	242,491	247,823	249,394	251,825	396,000	500,414
Profit before tax (Rs.000)	51,427	76,028	85,579	113,702	91,291	144,334
Profit after tax (Rs.000)	25,748	52,660	52,624	85,504	52,633	83,197
Cash Outflows						
Taxes paid (Rs.000)	30,932	45,469	29,853	14,763	6,855	51,087
Financial charges paid (Rs.000)	156,328	166,781	143,073	132,907	289,559	265,246
Fixed capital expenditures (Rs.000)	208,931	269,632	331,642	924,575	844,277	516,070
Balance sheet						
Current assets (Rs.000)	753,585	1,059,489	1,542,145	1,855,513	2,104,795	2,225,983
Current liabilities (Rs.000)	1,134,045	990,650	1,512,944	1,969,999	2,419,535	2,246,671
Operating fixed assets (Rs.000)	1,175,781	1,388,106	1,549,434	2,019,550	2,803,300	3,340,924
Total assets (Rs.000)	2,032,270	2,473,689	3,175,058	4,389,778	5,177,570	5,661,208
Long term loans and finances (Rs.000)	582,865	1,093,793	1,223,208	1,422,649	1,554,972	2,090,583
Share holders' equity (Rs.000)	315,359	364,895	399,802	485,306	534,308	612,897
Ratios						
Current ratio (As per SBP regulations)	1.02	1.07	1.02	0.95	0.87	0.99
Equity: Debt ratio (As per SBP regulations)	0.43	0.42	0.46	0.37	0.39	0.34
Leverage	-	-	2.84	3.29	3.37	3.27
Gross profit to sales	9.5%	7.7%	6.2%	9.2%	8.7%	10.2%
Net Profit before tax to sales	2.01%	2.37%	2.14%	4.15%	2.00%	2.94%
Earning per share	8.24	16.85	11.17	27.36	16.84	26.62
Proposed Dividend	10%	10%	NIL%	15%	15%	15%

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT 30TH JUNE 2007

Name of shareholders		No's	SHARES HELD	PERCENTAGE
1 ASSOCIATED COMPANIES			Nil	
2 NIT & ICP		1		
Investment Corporation of Pakistan			250	0.01
3 Directors,CEO their Spouse and Minor Children		10		
Mr . Khalid Iqbal	(Director & CEO)		84,676	2.71
Mr . Asim Khalid	(Director)		75,423	2.41
Mr . Omer Khalid	(Director)		71,777	2.30
Mrs . Rukhsana Khalid			161,051	5.15
Mr . Tariq Iqbal	(Director)		92,375	2.96
Mrs . Tabbasum Tariq	(Director)		166,912	5.34
Mr . Daanish Javed	(Director)		52,137	1.67
Mrs . Aisha Daanish			158,170	5.06
Mrs . Najma Javed	(Director)		51,596	1.65
Mr . Javed Iqbal			94,375	3.02
4 Executive			Nil	
5 Public Sector Companies & Corporations			Nil	
6 Banks,Development Finance Institution, Non- Banking Finance Institution, Insurance Companies , Madarabas & Mutual Funds		3		
National Industrial Co-Operative Finance Corporation Ltd			364	0.01
State Life Insurance Corporation of Pakistan			52,082	1.67
National Bank of Pakistan, Trustee Wing			38,582	1.23
7 Shareholders Holding 10% or More			Nil	
8 Individuals		173	2,011,687	64.37
9 Others		4		
Corporate Law Authority			1	0.00
Freedom Enterprises (Pvt) Ltd			62	0.00
N.H Security (Pvt) Ltd			16	0.00
Fazal Cloth Mills Ltd			13,464	0.43
TOTAL		191	3,125,000	100.00

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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Hasrat Mohani Road,
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Branch Office:
19-B, Block-G,
Gulberg-III

Tel: 5884926, 5865618

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Quetta Textile Mills Limited** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2007 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 accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied:

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, except as stated in note 23.1 to the financial statements, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year ended June 30, 2007; and

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

Without further qualifying our opinion, we draw attention to note 4.19 to the financial statements regarding presentation of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 04, 2007

QUETTA TEXTILE MILLS LIMITED
BALANCE SHEET

EQUITY AND LIABILITIES	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 Ordinary shares of Rs.10 each		100,000,000	100,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000	150,000,000
		250,000,000	250,000,000
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		115,717,637	115,637,319
Unappropriated profit		465,930,301	387,420,530
Shareholders equity		612,897,938	534,307,849
SURPLUS ON REVALUATION OF FIXED ASSETS	6	119,794,763	119,794,763
Loans from directors and others - subordinated	7	490,000,000	467,545,149
NON CURRENT LIABILITIES			
Loans from financial institutions	8	2,090,583,328	1,554,972,391
LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)	9	27,557,117	34,748,697
DEFERRED LIABILITIES	10	73,704,128	46,666,124
CURRENT LIABILITIES			
Short term borrowings	11	1,395,775,206	1,800,939,336
Current maturity of long term financing		482,919,089	385,577,202
Trade and other payables	12	218,820,193	167,418,956
Accrued mark-up on loans	13	149,156,862	65,599,854
		2,246,671,350	2,419,535,348
CONTINGENCIES AND COMMITMENTS	14	-	-
		5,661,208,624	5,177,570,321

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

Karachi : October 04, 2007

QUETTA TEXTILE MILLS LIMITED
AS AT JUNE 30, 2007

PROPERTY AND ASSETS	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	15	3,340,923,687	2,803,300,024
Capital work in progress	16	91,207,681	266,463,675
		3,432,131,368	3,069,763,699
LONG TERM INVESTMENT	17	2,010,704	1,930,386
LONG TERM DEPOSIT	18	1,082,964	1,080,964
CURRENT ASSETS			
Stores, spares and loose tools	19	219,343,215	179,286,069
Stock in trade	20	1,103,996,623	1,031,153,349
Trade debts	21	376,336,272	356,122,723
Other financial assets	22	85,109,715	81,462,126
Loans and advances	23	317,245,110	340,362,944
Short term prepayments	24	493,739	174,266
Other receivables	25	117,725,510	109,509,503
Cash and bank balances	26	5,733,404	6,724,292
		2,225,983,588	2,104,795,272
		5,661,208,624	5,177,570,321

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

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

	Note	For the Year ended Jun - 30, 2007 RUPEES	For the Year ended Jun - 30, 2006 RUPEES
Sales - net	27	4,912,815,014	4,562,635,157
Cost of goods sold	28	4,412,400,603	4,166,634,349
Gross profit		500,414,411	396,000,809
Operating expenses			
Distribution cost	29	-	(10,438)
Administrative expenses	30	(22,352,685)	(22,301,661)
Other operating expenses	31	(10,154,612)	(4,804,777)
Other operating income	32	25,256,514	15,034,228
		(7,250,783)	(12,082,649)
Operating profit		493,163,628	383,918,160
Finance cost - net	33	(348,829,214)	(292,627,391)
Net profit before taxation		144,334,414	91,290,769
Taxation			
Current year	34	(37,345,590)	(38,657,021)
Deferred	10.6	(23,791,553)	-
		(61,137,143)	(38,657,021)
Net profit after taxation		83,197,271	52,633,748
Earnings per share - Basic and diluted	35	26.62	16.84

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

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2007

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

	For the Year ended Jun - 30, 2007 RUPEES	For the Year ended Jun - 30, 2006 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 36)	594,778,538	309,866,957
Taxes paid	(51,086,675)	(6,855,154)
Financial charges - net paid	(265,246,034)	(289,558,868)
Workers' profit participation fund	(4,805,702)	(6,013,504)
Gratuity paid	(6,323,409)	(6,512,873)
Long term deposit	(2,000)	633,665
Net cash (used in) / from operating activities	267,314,719	1,560,223
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(516,070,924)	(844,277,101)
Proceeds against sale of fixed assets	2,604,500	1,723,000
Short term investments	1,186,909	30,198,203
Dividend received	5,436,325	5,572,001
Net cash used in investing activities	(506,843,190)	(806,783,897)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	625,761,244	243,150,809
Short term loan - net	(405,164,130)	408,972,272
Finance Lease - net	-	34,748,697
Loan from directors - net	22,454,851	120,330,651
Dividend paid	(4,514,382)	(4,555,944)
Net cash from investing activities	238,537,583	802,646,485
Net (decrease) in cash and cash equivalents	(990,889)	(2,577,191)
Cash and cash equivalents at beginning of the year	6,724,292	9,301,483
Cash and cash equivalents at end of the year (Note: 26)	5,733,404	6,724,292

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2007

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

	Share capital	RESERVES: Capital reserve	Reserve for power generation plant	Surplus / (deficit) on available for sale investment	General reserve	Sub Total	Unappropriated profit	Total
	Rupees							
Balance as at June 30, 2005	31,250,000	1,200	50,000,000	(419,948)	65,000,000	114,581,252	339,474,282	485,305,534
Dividend for the period ended June 30, 2005							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2006	-	-	-		-	-	52,633,748	52,633,748
Available for sale investment - valuation gain taken to equity				1,056,067		1,056,067		1,056,067
Balance as at June 30, 2006	31,250,000	1,200	50,000,000	636,119	65,000,000	115,637,319	387,420,530	534,307,849
Dividend for the year ended June 30, 2006							(4,687,500)	(4,687,500)
Net profit for the year ended June 30, 2007							83,197,271	83,197,271
								-
Available for sale investment - valuation gain taken to equity				80,318		80,318	-	80,318
Balance as at June 30, 2007	31,250,000	1,200	50,000,000	716,437	65,000,000	115,717,637	465,930,301	612,897,938

Karachi : October 04, 2007

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

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

1. NATURE AND SCOPE OF BUSINESS

The company was incorporated as a Public Limited Company on January 29, 1970, its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric.

2. STATEMENT OF COMPLIANCE

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

2.2 Standards, Interpretation and amendments to the published approved accounting standards

2.2.1 Amendments to the published standards effective in 2006

IAS 19 (Amendment) – Employees Benefits, is mandatory for the company's accounting periods beginning on or after July 01, 2006. It introduces the option of an alternative recognition approach for actuarial gain or losses. It also adds new disclosure requirements. The company does not intend to adopt the alternative approach for recognition of alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 10 to the financial statements.

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

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

2.2.3 International financial reporting standards or interpretations not yet effective but relevant

The following new standards and amendments of approved accounting standards are only effective for accounting periods on or after July 01, 2007: -

IAS – 1 Presentation of financial statements – amendments relating to capital disclosures
IAS – 23 (Revised) Borrowing costs
IAS – 41 Agriculture
IFRS – 2 Share based payment
IFRS – 3 Business combinations
IFRS – 5 Non current assets held for sale and discontinued operations

IFRS – 6 Exploration for and evaluation of mineral operations

The company expects that adoption of the above standards, amendments and interpretations will have no impact on the company's financial statements in the period of initial application other than increased disclosures.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention and certain investments have been included at fair values and certain assets have been taken at re-valued amounts in accordance with the recognition criteria mentioned in the relevant International Accounting Standards applicable to these assets.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2007 using the Projected Unit Credit Method.

Actuarial gain or loss is recognized in the period in which it occurs.

Compensated absences

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

4.2 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

4.3 Trade and other payables

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

4.4 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.5 Property, plant and equipment – owned

Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value. Leasehold land is amortized over the term of lease.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. Previously full year depreciation was charged on addition and no depreciation was charged on deletion during the period.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date. Depreciation is charged to profit and loss account at following annual rates based on the reviews made during the year as mentioned here:-

Leasehold land	1.4%
Building on freehold land	5%
Building on leasehold land	5%
Plant and machinery	5%
Electrical fitting	15%
Factory equipment	15%
Office equipment	15%
Office premises	15%
Furniture and fixture	15%
Vehicles	15%

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

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

Gain and losses if any, on disposal of property, plant and equipment are included in income currently.

Change in accounting estimates

During the year, the management has changed its accounting policy in respect of depreciation of plant and equipment. After detailed review by the technical team of the company, the average life of the plant and equipment has been estimated 20 years as against previous 10 years life. The change in accounting policy has been made in compliance with the IAS 16 – Property Plant and Equipment. Had there been no change in accounting policy, the depreciation expense of the company would have been higher by Rs.120.7 (M) and the fixed assets of the company would have been reduced by the same amount.

a) Accounting for leases and assets subject to finance leases

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

b) Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

c) Impairment of fixed assets

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary company is recognized when the company has established control over the investee company. Investment in subsidiary company is stated at cost less provision for diminution in value of investment.

Investment in Associates

Investment in associates are accounted for using the equity method. These are entities in which the company has significant influence which is neither a subsidiary nor a joint venture of the company.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designed as such are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Gains or losses on such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets 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.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuations techniques.

Available for sale investment

Available for sale investments are initially recognised at cost and are subsequently re measured to fair value. Surplus/deficit arising due to movement in fair values of available for sale investments is transferred to equity.

Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred to make the sale.

4.8 Stock in trade

Raw material are valued at the lower of moving average cost and net realisable value except for items in transit which are stated at cost incurred to date.

Work-in-process and semi-finished and finished goods are valued at lower of cost, calculated on weighted average basis, and net realisable value. Cost in relation to work-in-process and semi finished and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred to make the sale.

4.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

4.10 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalent comprise of cheques in hand, cash and bank balances.

4.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

4.12 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.13 Revenue recognition

Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

Income from bank deposits, loans, and advances is recognised on accrual basis.

Dividend income is recognized when the right to receive dividend is established.

4.14 Borrowing cost

All markup, interest and other charges are charged to profit and loss account on an accrual basis.

4.15 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities in foreign currency are translated into Rupees at the rates of exchange prevailing at the date of transaction. Exchange gains and losses in respect of non-monetary assets and liabilities are incorporated in the cost of relevant assets. All other exchange gains and losses are included in income currently.

4.16 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984.

4.17 Dividend

The dividend declared is recognised as a liability in the period in which it is declared. Previously, dividend that were declared after the balance sheet date but before the financial statements were authorised for issue were reported as liability, the change is made to confirm with the revised Fourth Schedule to the Companies Ordinance, 1984.There is no effect of change in accounting policy on the financial statements.

4.18 Significant accounting judgments and estimates

Estimates and judgments are continually evaluated by the management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Companies' Accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 4.1 to the financial statements.

b) Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

c) Interest rate and cross currency swap

The Company has entered into various interest rate and cross currency swaps transactions. The calculation involves the use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

4.19 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-27.1 and 27.2). It has no effect on the net profit for the year.

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

No. of shares		2007	2006
1,200,000	Ordinary shares of Rs.10 each fully paid in cash	12,000,000	12,000,000
1,925,000	Ordinary shares of Rs.10 each issued as fully paid as bonus shares	19,250,000	19,250,000
3,125,000		31,250,000	31,250,000

5.1 There were no movements during the reporting period.

5.2 The company has one class of ordinary shares which carry no rights to fixed income.

5.3 The company has no reserved shares for issuance under option and sale contract.

6 SURPLUS ON REVALUATION OF FIXED ASSETS

	2007	2006
Opening balance	119,794,763	119,794,763
Add : revaluation during the period	-	-
Closing balance	119,794,763	119,794,763

6.1 On May 27, 2005 and Jun 24, 2005 , Land was revalued by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation surplus amounting to Rs. 119,794,763.

7 LOAN FROM DIRECTORS AND OTHERS - SUBORDINATED

Unsecured

	2007	2006
Due to directors	149,900,000	159,449,086
Due to others	340,100,000	308,096,063
	490,000,000	467,545,149

These are non mark-up bearing and unsecured. It is repayable after more than one year. The loan upto Rs.490,000,000/- (2006: Rs. 339,462,705) is subordinated to bank loans.

8 LOAN FROM FINANCIAL INSTITUTIONS

		2007	2006
Syndicated Term Finance	**8.1**	375,000,000	525,000,000
MCB Bank Ltd	**8.2**	14,132,000	48,750,000
MCB Bank Ltd-LTF	**8.3**	18,368,000	
Habib Bank Ltd	**8.4**	19,846,310	176,000,000
Habib Bank Ltd-LTF	**8.5**	109,038,310	
Habib Bank Ltd	**8.6**	46,813,333	62,417,778
Bank Alfalah Ltd	**8.7**	25,000,000	50,000,000
Askari Bank Ltd	**8.8**	47,925,250	131,282,000
Askari Bank Ltd-LTF	**8.9**	50,536,286	
Allied Bank Ltd	**8.10**	-	309,497,660
Allied Bank Ltd-LTF	**8.11**	213,501,183	
National Bank of Pakistan	**8.12**	87,811,894	150,000,000
National Bank of Pakistan-LTF	**8.13**	43,438,106	
Bank of Punjab	**8.14**	16,088,387	50,000,000
Bank of Punjab-LTF	**8.15**	27,661,613	

	Note	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
First Credit & Investment Bank	**8.16**	56,875,000	65,000,000
Faysal Bank Ltd - LTF	**8.17**	46,000,000	40,867,385
Saudi Pak Commercial Bank Ltd - LTF	**8.18**	45,999,999	40,867,385
Saudi Pak Ind, & Agri. Investement Company - LTF	**8.19**	46,000,000	40,867,385
Habib Metropolitan Bank Ltd	**8.20**	75,918,000	-
Pak Oman Investment Co. Ltd. - LTF	**8.21**	18,243,000	-
National Bank of Pakistan	**8.22**	500,000,000	-
Al Baraka Islamic Bank	**8.23**	35,000,000	-
Saudi Pak Commercial Bank Ltd	**8.24**	150,000,000	-
Habib Bank Ltd - LTF	**8.25**	13,400,000	-
Al Baraka Islamic Bank	**8.26**	13,114,166	-
PICIC Commercial Bank Ltd	**8.27**	100,000,000	-
		2,195,710,837	1,690,549,593
Less: current portion		475,727,509	385,577,202
		1,719,983,328	1,304,972,391
Add: transferred from short term loans	**8.28**	370,600,000	250,000,000
		2,090,583,328	1,554,972,391

8.1 Personal guarantees of all directors and first pari passu charge on current and future fixed assets amounting to Rs.1000 million and equitable mortgage over land and building. The charge covers the principal of the facility with a 25% margin. Total facility amont is Rs.750 million, markup payable semi annually @ 6MK + 2%. Loan is repayable in 10 semi annual instalments commencing from 23-04-2005

8.2 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed assets amounting to Rs. 48.5 million located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.65 million, marup payable semi annually @ 6MK + 2%. Loan is repayable in 08 semi annual instalments commencing from 21-10-2005

8.3 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed amounting to Rs. 26.5 million assets located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.22.960 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 05 semi annual instalments commencing from 22-04-2007

8.4 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 119 million. Total facility amount is Rs.220 million, markup payable semi annually @ 6MK + 1.35%. Loan is repayable in 10 semi annual instalments commencing from 30-09-2005

8.5 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 175 million. Total facility amount is Rs.130.845 million, markup payable quarterly @ SBP rate +2%. Loan is repayable in 06 semi annual instalments commencing from 28-04-2007

8.6 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 100 million. Total facility amount is Rs.75 million, markup payable semi annually @ 6Mk +2%. Loan is repayable in 10 semi annual instalments commencing from 28-11-2005

8.7 Personal guarantees of all directors and first pari passu charge on fixed assets of Unit No. 03, B-4, SITE, Kotri amounting to Rs. 200 million. Total facility amount is Rs.100 million, markup payable quarterly @ 6mk +2%. Loan is repayable in 16 semi annual instalments commencing from 31-08-2004

8.8 Personal guarantees of all directors and first pari passu charge amounting PKR 102 million over fixed assets. Total facility amount is Rs.135 million, markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 08 semi annual instalments commencing from 11-10-2006

8.9 Personal guarantees of all directors and first pari passu charge amounting PKR 78 million over fixed assets. Total facility amount is Rs.58.959 million.markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual instalments commencing from 27-04-2007

8.10 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 88 million. Total facility amount is Rs.320 million,markup payable semi annualy @ 6MK 2 %. Loan is repayable in 10 semi annual instalments commencing from 29-04-2006

8.11 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 347 million. Total facility amount is Rs. 255.159 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 22-04-2007

8.12 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 134 million. Total facility amount is Rs.150 million, markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual instalments commencing from 28-05-2007

8.13 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 66 million . Total facility amount is Rs.49.643 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 28-05-2007

8.14 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 24.66 million. Total facility amount is Rs.18.387 million, markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

8.15 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 42. Total facility amount is Rs.31.613 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

8.16 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 86.67 million. Total facility amount is Rs.65 million, markup payable semi annually @ 6MK + 1.75%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

8.17 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

8.18 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

8.19 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

8.20 Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million.Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual instalments commencing from 10-11-2007

8.21 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 28 million.Total facility amount is Rs.20.269 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 20 semi annual instalments commencing from 28-02-2007

8.22 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 667 million.Total facility amount is Rs. 500 million, markup payable semi annually @ 6MK +2.25%. Loan is repayable in 08 semi annual instalments commencing from 23-05-2010

8.23 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 43.750 million.Total facility amount is Rs. 35 million, markup payable quarterly @ 6MK +2.4 %. Loan is repayable in 08 semi annual instalments commencing from 28-06-2008

8.24 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 200 million.Total facility amount is Rs. 150 million, markup payable quarterly @ 6MK + 2.75%. Loan is repayable in 18 semi annual instalments commencing from 30-09-2008

8.25 Secured against the securities provided under 8.4, 8.5 and 8.6 above. No further securities provided under this facility. Total facility amount is Rs.15 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 12 semi annual instalments commencing from 24-05-2009

8.26 This Ijarah Financing of Rs.55.5 million is secured by charge over the title of the leased assets. Total markup payable annually @ 6MK + 2%. Loan is repayable in 16 semi annual instalments commencing from 13-12-2008

8.27 This term finance of Rs. 100 million is secured by first pari passu charge of Rs.100 million and ranking hypothecation charge of Rs.227 million over stocks of cotton yarn, stores and packaging material, HFO, lubricants, goods in process and trnasit and book debts of the company duly insured with 25% margin. Loan is repayable in July 2008 and carries mark up of 3 months KIBOR +

8.28 It is included as non - current under treatment permissible as per paragraph 63 of IAS 1. The Company has refinanced the obligation on a long term basis. This intention is supported by various agreements executed prior to the year end.

8.28.1 It includes a five year long term loan of Rs.140 million. This will be secured by way of first pari passu charge over fixed assets of the company (hypothecation charge of plant and machinery and fixtures) along with 25% margin. Principal and mark up will be repayable in semi annual instalments in five years period including one years grace. This loan will carry mark up @ 6MK+2.50%.

8.28.2 It includes a four year long term loan of Rs.150 million. This will be secured by way of 10% of the leased amount and title of the leased assets. Principal and mark up will be repayable in quarterlyl instalments in four years period frm the date of disbursement. This facility will carry mark up @ 3MK+2.25%

8.28.3 It includes a four year long term loan of Rs.56.60 million. This will be secured by way of first pari passu hypothecation charge of Rs.80 million over fixed assets of the company along with 25% margin. Principal will be repayable in quarterly instalments with 15 months grace period from the date of disbursement.Mark up will be payable on quarterly basis. This loan will carry mark up @ SBP-LTF+2%

8.28.4 Balance amount of Rs.24 million against facility mentioned in note 8.20 above will be drawn in the next year. Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million.Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual instalments commencing after end of the first year of disbursement.

8.29 The Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 360 million, maturing on October 23, 2009. The outstanding balance of this arrangement is Rs.200 million as at the balance sheet date. Under the swap arrangement, the Company would receive interest rate of six months KIBOR and pay fixed rate of 8.20%, which will be settled semi-annually. As at the balance sheet date, the net fair value of this interest rate swap was Rs.3.168 million in favour of the Company

8.30 During the current year the Company has entered into five cross currency swaps with Standard Chartered Bank and Citibank against various long term finances for a notional amount of Rs.814 million, maturing up-to March 30, 2010. Under the swap arrangement the principal amount payable of Rs.814 million is swapped with US $ component at conversion rates ranging between Rs.60.39 to Rs.60.74 per US $ making the loan amount to US $ 13.45 million. The Company would receive 6 months KIBOR rates less margins of 1.33% and 1.18%. The Company will pay 6 months LIBOR rates as per the respective arrangements. The interest rate difference will be settled semi annually. In addition to the above, the difference between USD/PKR fluctuation of the balance amount of swap will be settled semi annually. As at the balance sheet date, the net fair value of these interest rate and cross currency swaps were Rs. 17.71 million in favour of the Company. These swaps arrangements have exposed the Company to interest rate risk and foreign currency risk on the US $ value converted semi-annually

		Jun-30 2007	Jun-30 2006
9	**LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)**	**RUPEES**	**RUPEES**
	Payable within one year	10,933,878	10,933,878
	Payable after one year but not more than 05 years	32,801,634	32,801,634
		43,735,512	43,735,512
	Less: deferred finance cost	(9,021,564)	(9,021,564)
		34,713,948	34,713,948
	Add: security deposit	34,749	34,749
	Less: current maturity	(7,191,580)	-
	Present value of minimum lease payments	27,557,117	34,748,697

9.1 The Company has entered into lease agreement with First National Bank Modaraba for lease of plant and machinery on half yearly payments basis commencng on 16th July 2007. The lease contains bargain purchase option.

9.2 The lease is secured by way of a ranking charge of Rs.46.67 million over immovable assets of Unit -4 of the Company, personal guarantees of two directors and security deposit equivalent to 0.1% of the facility amount

9.3 Implicit rate of return on lease is 10.88%

9.4 Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company

10 DEFERRED LIABILITIES

	Deferred liability for gratuity (Note: 10.1 to 10.4)	30,871,145	27,624,694
	Deferred tax (Note: 10.6)	42,832,983	19,041,430
		73,704,128	46,666,124
10.1	**Movement in the net liability recognized in the balance sheet**		
	Opening net liability	27,624,694	25,773,532
	Expense for the year (Note: 10.4)	9,569,860	8,364,035
		37,194,554	34,137,567
	Contribution paid	(6,323,409)	(6,512,873)
	Closing net liability	30,871,145	27,624,694
10.2	**Expense recognized in the profit and loss account**		
	Current service cost	4,818,697	5,209,799
	Interest cost	2,687,024	1,116,629
	Net actuarial (gain) / loss recognized in the year	2,064,139	2,037,607
		9,569,860	8,364,035

10.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

10.4 Principal actuarial assumption

The principal assumptions used in the valuation of gratuity are as follows;

Discount rate	11.5	10.0
Expected rate of increase in salary	7.0	7.0

10.5 Comparison for five years

	AS ON				
	June 30, 2007	**June 30, 2006**	**June 30, 2005**	**September 30, 2004**	**September 30, 2003**
Present value of defined benefit obligation	30,871,145	27,624,694	25,773,532	22,795,847	24,352,274

	Jun-30 2007 RUPEES	**Jun-30 2006 RUPEES**
10.6 DEFERRED TAX		
The liability for deferred taxation comprises of timing differences relating to:		
Taxable temporary differences (Note 10.6.1)		
Accelerated tax depreciation allowance	105,089,766	56,362,943
Deductible temporary differences		
Deferred debit arising in respect of provisions, tax losses and refunds	62,256,783	20,933,213
	42,832,983	35,429,730
Less: subsidiary's refund and assessed losses	-	16,388,300
	42,832,983	19,041,430

10.6.1

Due to assessed loss and refund of subsidiary company, M/s Pioneer Spinning Mills Limited, no provision for deferred tax has been made during the last year. An amount of Rs. NIL (2006: Rs.16,388,300/-) is adjusted against deferred tax provision for the year. Section 59B of the Income Tax Ordinance, 2001 allows the adjustment of losses and refund of subsidiary company against the liability of the holding company.

11 SHORT TERM BORROWINGS

Secured - Banking company		
Finances under mark up arrangement (Note: 11.1)	1,757,888,396	2,043,576,159
Less: transfer to long term loan (Note 8.28)	(370,600,000)	(250,000,000)
	1,387,288,396	1,793,576,159
Unsecured - (Note: 11.2)		
Directors	1,695,860	1,719,637
Others	6,790,950	5,643,540
	8,486,810	7,363,177
	1,395,775,206	1,800,939,336

11.1 The company has aggregate facilities of Rs.4.22 billion (2006 : Rs. 3.935 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry mark up at the rate ranging from 5.39% to 14.88% (2006: 8.97 % to 13.44 %) per annum payable quarterly and on the maturity dates. The above facilities are expiring on various dates and renewable annually.

11.2 These are non mark up bearing and unsecured.These are renewable and due on various dates within one year.

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES

12 TRADE AND OTHER PAYABLES

Trade creditors	152,801,163	85,103,687
Trade deposit	-	1,200,000
Accrued expenses	55,302,606	75,962,602
Workers' profit participation fund (Note: 12.1)	7,795,040	4,850,119
Unclaimed dividend	370,984	197,866
Workers' welfare fund	2,430,161	-
Others	120,238	104,682
	218,820,193	167,418,956

12.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 01, 2006	4,850,119	6,037,782
Interest charged (Note: 33)	26,172	21,064
	4,876,291	6,058,846
Paid during the year	(4,805,702)	(6,013,504)
	70,589	45,342
Contribution for the year	7,724,451	4,804,777
Balance as at June 30, 2007	7,795,040	4,850,119

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. The interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

13 ACCRUED MARK - UP

Accrued mark up on		
Long term secured loans	95,572,363	21,254,003
Short term loans and running finances	53,584,499	44,345,851
	149,156,862	65,599,854

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingency

Appeal filed by the Government of Sindh in the Supreme Court of Pakistan against judgment of the High Court of Sindh at Karachi allowing the petition challenging the levy and collection of professional tax of Rs. 6.5 million on limited companies is pending. Based on the opinion from the legal advisor, the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liability.

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2007 were Rs.167.736 million (2006: Rs 142.011 million)

14.2 Commitment

14.2.1 Capital Commitments

Plant and machinery under letter of credit	-	52,000,000
Civil works and others	164,000,000	35,000,000

14.2.2 Other commitments

Stores, spares, raw and packing materials under letter of credit	32,000,000	19,375,000

16 CAPITAL WORK IN PROGRESS

The movements are as follows :

	COST AT START	Addition / (Capitalization)	COST AT END
Plant & Machinery	181,912,603	23,276,496	23,276,496
		(181,912,603)	
Building	84,551,072	48,994,811	67,931,185
		(65,614,698)	
		72,271,307	
June 30, 2007	266,463,675	(247,527,301)	91,207,681
		266,463,675	
June 30, 2006	455,639,263	(455,639,263)	266,463,675

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
17 LONG TERM INVESTMENTS		
Unquoted - Available for sale		
- At Fair Value		
National Tanneries of Pakistan Limited		
45,896 Ordinary shares of Rs.10 each		
Break up value Rs.43.81 per share as		
on 30.06.2007 (2006: 42.06 (as on 30.06.06)	1,294,267	1,294,267
Appreciation / (diminution) in the value of investments	716,437	636,119
	2,010,704	1,930,386
18 LONG TERM DEPOSITS		
Security deposits	1,082,964	1,080,964
19 STORES, SPARES AND LOOSE TOOLS		
Spinning		
Stores	25,813,618	24,916,740
Spares and accessories	84,745,666	79,031,070
Loose tools	8,315,672	5,817,565
	118,874,956	109,765,375
Weaving		
Store	47,578,679	21,788,857
Power plant		
Oil and stores	52,889,580	47,731,837
	219,343,215	179,286,069

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
20.	**STOCK IN TRADE**		
	Spinning		
	Raw material	599,414,486	657,960,972
	Work-in-process	38,819,058	36,329,948
	Finished goods	145,009,887	87,062,489
	Waste	14,921,831	5,503,402
		798,165,262	786,856,811
	Weaving		
	Raw material	49,267,481	45,810,933
	Work in process	24,628,416	24,167,785
	Finished goods	231,909,744	174,220,530
	Waste	25,720	97,290
		305,831,361	244,296,538
		1,103,996,623	1,031,153,349
21.	**TRADE DEBTS**		
	- Considered good		
	Exports - secured against letter of credit	39,559,703	2,266,206
	Local debts - unsecured	336,776,569	353,856,517
		376,336,272	356,122,723
22.	**OTHER FINANCIAL ASSETS**		
22.1	**Held for trading**		
	In listed companies	28,384,037	29,570,946
	Fair value adjustment for investment	238,344	(4,596,154)
		28,622,381	24,974,792

Details are as under: -

2007 (Rupees)

Name of Securities	No. of shares	Cost	Fair value adjustment	Fair value
Allied Bank Limited	40	3,778	1,780	5,558
Hub Power Company Limited	44,000	1,163,620	451,180	1,614,800
Oil & Gas Development Co. Ltd	200,000	24,066,840	(106,840)	23,960,000
Union Leasing Ltd	120,000	1,867,802	(535,802)	1,332,000
NIB Bank Ltd	118	1,339	1,139	2,478
Pakistan Services - TFC	598	1,280,658	426,887	1,707,545
	30-Jun-07	**28,384,037**	**238,344**	**28,622,381**
	30-Jun-06	**29,570,946**	**(4,596,154)**	**24,974,792**

		2007	2006
22.2	**Related party - Subsidiary**		
	- At cost		
	Pioneer Spinning Mills Limited 5,799,000 Ordinary shares of Rs.10 each	56,487,334	56,487,334
	Grand total (22.1 & 22.2)	**85,109,715**	**81,462,126**

22.2.1 Petition for merger of PSML into QTML has already been filed during the year with the High Court of Sindh and management believes to complete merger proceedings before June 30, 2008.

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
23.	**LOANS AND ADVANCES**		
	Unsecured - considered good		
	Loans to - Employees	1,092,909	1,309,575
	Advance against;		
	Letter of credit	69,314,193	3,861,947
	Advance to cotton suppliers	119,847,483	121,216,255
	Store suppliers and others (Note: 23.1)	111,589,126	212,314,853
	Income tax	15,401,399	1,660,314
		316,152,201	339,053,369
		317,245,110	340,362,944

23.1 It includes Rs.90.27 million (2006: Rs.84.39 million) in respect of subsidiary company, Pioneer Spinning Mill Limited. However, as per direct confirmation from Pioneer Spinning Mills Limited there is a difference of Rs. 53.235 million which the subsidiary does not acknowledge. The maximum aggregate amount due at the end of any month during the year was Rs.143.927 million (2006: Rs.191.342 million)

24.	**SHORT TERM PREPAYMENTS**		
	Prepayments	493,739	174,266
25.	**OTHER RECEIVABLES**		
	Sales tax refundable	96,842,512	109,509,503
	Fair value of derivatives	20,882,998	-
		117,725,510	109,509,503
26.	**CASH AND BANK BALANCES**		
	Cash in hand	2,423,317	4,372,810
	Cash at bank in current accounts	3,310,087	2,351,482
		5,733,404	6,724,292

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
27.	**SALES - NET**		
	Local sales (Note: 27.1)	2,452,228,359	2,115,714,293
	Export sales (Note: 27.2)	2,460,586,655	2,446,920,865
		4,912,815,014	4,562,635,157
27.1	**Local sales**		
	Yarn	818,610,299	512,221,920
	Fabric	1,582,814,627	1,573,136,926
	Waste	65,942,392	45,242,864
		2,467,367,318	2,130,601,710
	Less: direct expenses		
	Commission	9,669,465	11,859,535
	Freight	5,469,494	3,027,882
		15,138,959	14,887,417
		2,452,228,359	2,115,714,293

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
27.2	**Export sales**		
	Yarn	1,908,305,000	2,037,960,808
	Fabric	717,645,476	567,363,562
		2,625,950,476	2,605,324,371
	Less: Direct expenses		
	Commission	37,161,548	33,136,081
	Export development surcharge	5,300,369	5,935,958
	Freight	70,476,431	72,442,588
	Selling expenses	52,425,473	46,888,879
		165,363,821	158,403,506
		2,460,586,655	2,446,920,865
28.	**COST OF GOODS SOLD**		
	Finished goods		
	Opening	266,883,711	133,263,597
	Yarn purchased	214,347,728	143,990,803
	Cost of goods manufactured (Note:28.1)	4,323,036,346	4,156,263,660
		4,804,267,785	4,433,518,060
	Closing	(391,867,182)	(266,883,711)
		4,412,400,603	4,166,634,349
28.1	**Cost of goods manufactured**		
	Raw material consumed (Note: 28.1.1)	3,105,897,758	2,998,456,108
	Wages, salaries and benefits (Note: 28.1.2)	339,843,787	269,444,312
	Stores and spares consumed	288,917,486	211,279,537
	Power, fuel and water	422,803,517	457,261,096
	Rent, rates and taxes	1,242,673	654,937
	Insurance	12,143,296	7,889,367
	Repair and maintenance	12,629,187	8,661,264
	Other expenses	17,634,857	16,067,842
	Depreciation	124,873,526	204,529,124
		4,325,986,087	4,174,243,587
	Work in process		
	Opening	60,497,733	42,517,806
	Closing	(63,447,474)	(60,497,733)
		(2,949,741)	(17,979,927)
		4,323,036,346	4,156,263,660
28.1.1	**Raw material consumed**		
	Opening stock	703,771,905	770,177,577
	Add: Purchases	3,050,807,820	2,932,050,436
		3,754,579,725	3,702,228,013
	Closing stock	(648,681,967)	(703,771,905)
		3,105,897,758	2,998,456,108

28.1.2 It includes Rs.9,553,107 (2006 : Rs.7,959,975) on account of staff retirement benefits.

29	**DISTRIBUTION COST**		
	Advertisement	-	10,438

	For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
30 ADMINISTRATIVE EXPENSES		
Director's remuneration (Note: 30.1)	1,788,000	1,740,000
Salaries and benefits (Note: 30.2)	8,541,869	8,142,951
Printing and stationery	1,135,068	1,086,242
Communication	1,346,302	1,410,964
Traveling and conveyance	1,835,538	1,263,174
Legal and professional charges	834,582	615,500
Auditors remuneration (Note: 30.3)	430,000	325,000
Rent, rates and taxes	249,358	261,263
Books, papers and periodicals	6,406	754
Entertainment	480,213	526,281
Electricity, gas and water charges	1,263,875	1,342,716
Fees and subscription	577,405	625,727
Repairs and maintenance	225,520	121,361
Charity and donation (Note: 30.4)	-	279,000
Depreciation	3,621,445	4,475,243
Brokerage and discount	17,104	85,485
	22,352,685	22,301,661

30.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

	CHIEF EXECUTIVE		DIRECTOR	
	For the year ended June 30, 2007	For the year ended June 30, 2006	For the year ended June 30, 2007	For the year ended June 30, 2006
Remuneration	240,000	280,000	952,000	879,960
House rent allowance	96,000	126,000	380,800	396,000
Perquisites	24,000	14,000	95,200	44,040
TOTAL	**360,000**	**420,000**	**1,428,000**	**1,320,000**
Number of persons	**1**	**1**	**4**	**4**

30.2 It includes Rupees 16,753 (2006 : Rupees 404,060) on account of staff retirement benefits.

	For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
30.3 Auditors' remuneration		
Audit fee	300,000	250,000
Half yearly review and other certification fee	85,000	75,000
Code of corporate governance review	25,000	-
Out of pocket expenses	20,000	-
	430,000	325,000

30.4 Directors and their spouse have no interest in the donees

		For the Year Ended Jun - 30, 2006 RUPEES	For the Year Ended Jun - 30, 2006 RUPEES
31.	**OTHER OPERATING EXPENSE**		
	W.P.P.F	7,724,451	4,804,777
	WWF	2,430,161	-
		10,154,612	4,804,777
32.	**OTHER OPERATING INCOME**		
	Profit on sale of assets	373,844	123,958
	Electric power income (Note: 32.1)	-	1,285,668
	Rental income	1,631,904	997,650
	Dividend income	5,436,325	5,572,001
	Capital gain on shares	12,979,943	3,543,509
	Appreciation in the fair value of investment	4,834,498	3,511,442
		25,256,514	15,034,228
32.1	**Electric power income**		
	Salaries and wages	11,389,122	10,782,506
	Fuel and store consumed	341,146,752	351,260,753
	Repair and maintenance	5,237,295	1,871,061
	Other expenses	3,500,412	3,925,439
	Depreciation	22,977,628	39,099,101
	Generators rent	2,623,835	7,490,000
		386,875,044	414,428,860
	Less: self use - spinning	267,818,810	282,079,016
	weaving	119,056,234	127,663,726
		386,875,044	409,742,742
		-	4,686,118
	Outside sales	-	5,971,786
	Profit for the year	-	1,285,668
33.	**FINANCE COST - NET**		
	Mark up on		
	Short term loans	191,256,535	125,894,180
	Long term loans	173,989,741	169,495,782
	Workers' profit participation fund (Note: 12.1)	26,172	21,064
	Bank charges	11,195,526	3,429,470
		376,467,974	298,840,495
	Less: Financial income		
	Interest on TFC Investment	220,380	310,367
	Fair value of derivatives (Note 8.29 & 8.30)	20,882,998	-
	Interest on related party loan - Pioneer Spinning Mills Ltd	6,535,382	5,902,737
	Total financial income	27,638,760	6,213,104
	Net finance cost	348,829,214	292,627,391

34. TAXATION

34.1 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under presumptive tax regime under section 115 (4) of the Income Tax Ordinance, 2001.

		For the Year Ended June - 30, 2007	For the Year Ended June - 30, 2006
35. EARNING PER SHARE - BASIC AND DILUTED			

There is no dilutive effect on the basis earnings per share of the Company which is based on:

Profit after taxation	Rs.	83,197,271	52,633,748
Number of Ordinary shares		3,125,000	3,125,000
Earning per share in rupees	Rs.	26.62	16.84

	For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
36. CASH GENERATED FROM OPERATIONS		
Profit before taxation	144,334,414	91,290,769
Adjustment for item involving non movement of fund		
Depreciation	151,472,599	248,103,468
Financial charges - net	348,829,214	292,627,391
(Gain) / Loss on sale of fixed assets	(373,844)	(123,958)
Dividend income	(5,436,325)	(5,572,001)
Provision for gratuity	9,569,860	8,364,035
Provision for appreciation in the value of investment	(4,834,498)	(3,511,442)
Provision for workers' profit participation fund	7,724,451	4,804,777
		-
	506,951,457	544,692,270
Profit before working capital changes	651,285,871	635,983,039
(Increase)/decrease in current assets		
Stocks, stores and spares	(112,900,420)	(101,416,463)
Trade debts	(20,213,549)	(135,335,483)
Loans and advances, prepayments and		-
other receivables	28,323,439	(17,109,003)
	(104,790,530)	(253,860,949)
Increase in current liabilities		
Creditors, accrued and other liabilities	48,283,197	(72,255,133)
	594,778,538	309,866,957

37 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprises of the subsidiary company, directors and key management personnel. Amount due to/from are shown in relevant notes. Transaction with subsidiary company, Pioneer Spinning Mills Limited (other than remuneration paid to Chief Executive and Directors) are as follows:

Purchase of yarn from subsidiary	(273,363,600)	(262,222,821)
Purchase of waste from subsidiary	(5,491,063)	(2,430,814)
Interest on loan to subsidiary	6,535,382	5,902,737

38 POST BALANCE SHEET EVENTS

The Board of Directors proposed the final dividend for the year ended June 30, 2007 of Rs.1.5 (2006: Rs.1.5) per share amounting to Rs.4,687,500 (2006: Rs.4,687,500) at their meeting held on October 04, 2007 for the approval of the member at the Annual General Meeting to be held on October 27, 2007. These financial statements do not reflect dividend payable.

39 FINANCIAL INSTRUMENT RELATED DISCLOSURE

39.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

	Effective interest rates	FOR YEAR ENDED JUNE 30, 2007						
		interest/mark up bearing			non interest/mark up bearing			TOTAL
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	%	RUPEES						
FINANCIAL ASSETS								
Investment		-	-	-	85,109,715	2,010,704	87,120,419	87,120,419
Deposits		-	-	-	-	1,082,964	1,082,964	1,082,964
Trade debts		-	-	-	376,336,272	-	376,336,272	376,336,272
Cash and bank balances	3.0 - 3.5.	-	-	-	5,733,404	-	5,733,404	5,733,404
		-	-	-	467,179,391	3,093,668	470,273,059	470,273,059
FINANCIAL LIABILITIES								
Loans	7.0 - 11.0	482,919,089	2,118,140,445	2,601,059,534	-	490,000,000	490,000,000	3,091,059,534
Short term finance	5.39 - 14.88	1,387,288,396	-	1,387,288,396	8,486,810	-	8,486,810	1,395,775,206
Trade and other payables		7,795,040	-	7,795,040	210,654,168	-	210,654,168	218,449,209
Dividend		-	-	-	370,984	-	370,984	370,984
		1,878,002,525	2,118,140,445	3,996,142,970	219,511,962	490,000,000	709,511,962	4,705,654,933
Total yield / mark up rate risk sensitivity ga		(1,878,002,525)	(2,118,140,445)	(3,996,142,970)	247,667,429	(486,906,332)	(239,238,903)	(4,235,381,874)

	Effective interest rates	FOR YEAR ENDED JUNE 30, 2006						
		interest/mark up bearing			non interest/mark up bearing			TOTAL
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	%	RUPEES						
FINANCIAL ASSETS								
Investment		-	-	-	24,974,792	58,417,720	83,392,512	83,392,512
Deposits		-	-	-	-	1,080,964	1,080,964	1,080,964
Trade debts		-	-	-	356,122,723	-	356,122,723	356,122,723
Cash and bank balances	2.0 - 2.5.	-	-	-	6,724,291	-	6,724,291	6,724,291
		-	-	-	387,821,806	59,498,684	447,320,490	447,320,490
FINANCIAL LIABILITIES								
Loans	7.0 - 11.0	385,577,202	1,554,972,391	1,940,549,593	-	467,545,149	467,545,149	2,408,094,742
Short term finance	8.97 - 13.44	1,793,576,159	-	1,793,576,159	7,363,117	-	7,363,117	1,800,939,276
Trade and other payables		4,915,190	-	4,915,190	227,970,825	-	227,970,825	232,886,015
Dividend		-	-	-	197,866	-	197,866	197,866
		2,184,068,551	1,554,972,391	3,739,040,942	235,531,808	467,545,149	703,076,957	4,442,117,899
Total yield / mark up rate risk sensitivity ga		(2,184,068,551)	(1,554,972,391)	(3,739,040,942)	152,289,998	(408,046,465)	(255,756,467)	(3,994,797,409)

	June 30, 2007	**June 30, 2006**
OFF BALANCE SHEET ITEMS	**Rupees**	**Rupees**
Letter of credit	32,000,000	71,375,000
Other commitments	164,000,000	35,000,000
Guarantees	167,736,000	142,011,000
	363,736,000	**248,386,000**

39.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

39.3 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

39.4 Foreign exchange risk management and its policy

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

39.5 Liquidity risk

Liquidity risk reflects an enterprise inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2007 by the board of directors of the company.

41 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

42 CORRESPONDING FIGURES

Previous years' figures have been re-arranged and re-calssified for the purpose of comparison, whereever necessary.

Major changes made for better presentation during the year are as follows: -

Note	Recalssification from component	Reclassification to compnent	Rupees
17	Long term investments	Note No. 22 - Other financial assets Petition of merger filed the Honorable Highcourt of Sindh, and management believes to complete merger proceddings before June 30, 2008	56,487,334

Karachi : October 04, 2007

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Quetta Textile Mills Limited** (the holding company) and its subsidiary company as at June 30, 2007 and the related consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2007. We have also expressed a separate opinion on the financial statements of Quetta Textile Mills Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of **Quetta Textile Mills Limited** and its subsidiary company as at June 30, 2007 and the results of their operations for the year ended June 30, 2007.

Without qualifying our opinion, we draw attention to note 4.19 to the financial statements regarding re-classification of direct expenses.

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI: October 04, 2007

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 Ordinary shares of Rs.10 each		100,000,000	100,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000	150,000,000
		250,000,000	250,000,000
Issued, subscribed and paid up capital	5	31,250,000	31,250,000
Reserves		115,717,637	115,637,319
Unappropriated profit		519,810,678	414,711,509
Shareholders equity		666,778,315	561,598,828
Minority Interest	7	345,511	338,681
		667,123,826	561,937,509
SURPLUS ON REVALUATION OF FIXED ASSETS	6	259,228,371	119,794,763
Loans from directors and others - subordinated	8	519,511,770	467,545,149
NON CURRENT LIABILITIES			
Loans from financial institutions	9	2,165,583,328	1,679,972,391
LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)	10	27,557,117	34,748,697
DEFERRED LIABILITIES	11	69,051,511	38,087,303
CURRENT LIABILITIES			
Short term borrowings	12	1,554,576,196	2,086,325,989
Current maturity of long term financing		532,919,088	435,577,202
Trade and other payables	13	228,885,238	188,541,375
Accrued mark-up on loans	14	155,732,626	74,451,643
		2,472,113,148	2,784,896,209
CONTINGENCIES AND COMMITMENTS	15	-	-
		6,180,169,071	5,686,982,021

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

Karachi : October 04, 2007

QUETTA TEXTILE MILLS LIMITED
AS AT JUNE 30, 2007

PROPERTY AND ASSETS	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	16	3,837,881,444	3,087,795,771
Capital work in progress	17	91,207,681	327,678,850
		3,929,089,125	3,415,474,621
LONG TERM INVESTMENT	18	2,010,704	1,930,386
LONG TERM DEPOSIT	19	1,601,236	1,556,465
NEGATIVE GOODWILL	20	(18,936,808)	(28,405,212)
CURRENT ASSETS			
Stores, spares and loose tools	21	266,259,714	226,107,650
Stock in trade	22	1,142,464,006	1,201,429,045
Trade debts	23	403,484,135	374,967,266
Other financial assets	24	28,622,381	24,974,792
Loans and advances	25	296,975,748	346,201,386
Short term prepayments	26	493,739	174,266
Other receivables	27	120,408,697	114,112,201
Cash and bank balances	28	7,696,394	8,459,155
		2,266,404,814	2,296,425,761
		6,180,169,071	5,686,982,021

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	For the Year ended Jun - 30, 2007 RUPEES	For the Year ended Jun - 30, 2006 RUPEES
Sales - net	29	5,267,473,031	4,890,400,338
Cost of goods sold	30	4,719,061,460	(4,446,518,453)
Gross profit		548,411,571	443,881,885
Operating expenses			
Distribution cost	31	-	(10,438)
Administrative expenses	32	(23,600,205)	(23,240,072)
Other operating expenses	33	(10,774,163)	(5,134,931)
Other operating income	34	34,724,918	24,502,632
		350,550	(3,882,809)
Operating profit		548,762,121	439,999,076
Finance cost - net	35	(386,599,855)	(332,966,968)
Net profit before taxation		162,162,266	107,032,108
Taxation			
Current year	36	(40,571,524)	(41,670,731)
Deferred	11.6	(26,655,026)	10,416,753
Net profit after taxation		(67,226,550)	(31,253,978)
		94,935,716	75,778,130
Minority interest		(6,830)	(41,148)
Net profit after taxation		94,928,886	75,736,982
Earnings per share - Basic and diluted	37	30.38	24.24

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

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2007

QUETTA TEXTILE MILLS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	For the Year ended Jun - 30, 2007 RUPEES	For the Year ended Jun - 30, 2006 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 38)	778,286,142	344,819,596
Taxes paid	(33,740,871)	(24,574,248)
Financial charges - net paid	(305,292,700)	(330,135,632)
Workers' profit participation fund	(5,133,768)	(6,713,323)
Gratuity paid	(6,850,399)	(7,065,350)
Long term deposit	(44,771)	548,665
Net cash (used in) / from operating activities	427,223,632	(23,120,292)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(528,677,816)	(907,166,342)
Proceeds against sale of fixed assets	2,604,500	1,723,000
Short term investments	1,186,909	30,198,203
Dividend received	5,436,325	5,572,001
Net cash used in investing activities	(519,450,082)	(869,673,138)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	575,761,244	218,150,809
Short term loan - net	(531,749,793)	522,007,491
Finance Lease - net	-	34,748,697
Loan from directors - net	51,966,621	120,330,651
Dividend paid	(4,514,383)	(4,555,944)
Net cash from investing activities	91,463,689	890,681,704
Net (decrease) in cash and cash equivalents	(762,761)	(2,111,727)
Cash and cash equivalents at beginning of the year	8,459,155	10,570,882
Cash and cash equivalents at end of the year (Note: 28)	7,696,395	8,459,155

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

Karachi : October 04, 2007

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

	Share capital	RESERVES					Unappropriated profit	Total	Minority shareholders	Total Equity
		Capital reserve	Reserve for power generation plant	Surplus / (deficit) on available for sale investment	General reserve	Sub Total				
	Rupees									
Balance as at June 30, 2005	31,250,000	1,200	50,000,000	(419,948)	65,000,000	114,581,252	343,662,027	489,493,279	297,534	489,790,813
Dividend for the period ended June 30, 2005							(4,687,500)	(4,687,500)		(4,687,500)
Net profit for the year ended June 30, 2006	-	-	-		-	-	75,736,982	75,736,982	41,147	75,778,129
Available for sale investment - valuation gain taken to equity				1,056,067		1,056,067		1,056,067		1,056,067
Balance as at June 30, 2006	31,250,000	1,200	50,000,000	636,119	65,000,000	115,637,319	414,711,509	561,598,828	338,681	561,937,509
Dividend for the year ended June 30, 2006							(4,687,500)	(4,687,500)		(4,687,500)
Net profit for the year ended June 30, 2007							94,928,886	94,928,886	6,830	94,935,716
										-
Available for sale investment - valuation gain taken to equity				80,318		80,318	-	80,318		80,318
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year							14,857,783	14,857,783		14,857,783
Balance as at June 30, 2007	31,250,000	1,200	50,000,000	716,437	65,000,000	115,717,637	519,810,678	666,778,315	345,511	667,123,826

Karachi : October 04, 2007

KHALID IQBAL
CHIEF EXECUTIVE

DAANISH JAVED
DIRECTOR

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

1. NATURE AND SCOPE OF BUSINESS

The company was incorporated as a Public Limited Company on January 29, 1970, its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric.

2. STATEMENT OF COMPLIANCE

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

2.2 Standards, Interpretation and amendments to the published approved accounting standards

2.2.1 Amendments to the published standards effective in 2006

IAS 19 (Amendment) – Employees Benefits, is mandatory for the company's accounting periods beginning on or after July 01, 2006. It introduces the option of an alternative recognition approach for actuarial gain or losses. It also adds new disclosure requirements. The company does not intend to adopt the alternative approach for recognition of alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 10 to the financial statements.

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

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

2.2.3 International financial reporting standards or interpretations not yet effective but relevant

The following new standards and amendments of approved accounting standards are only effective for accounting periods on or after July 01, 2007: -

IAS – 1 Presentation of financial statements – amendments relating to capital disclosures
IAS – 23 (Revised) Borrowing costs
IAS – 41 Agriculture
IFRS – 2 Share based payment
IFRS – 3 Business combinations
IFRS – 5 Non current assets held for sale and discontinued operations

IFRS – 6 Exploration for and evaluation of mineral operations
The company expects that adoption of the above standards, amendments and interpretations will have no impact on the company's financial statements in the period of initial application other than increased disclosures.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention and certain investments have been included at fair values and certain assets have been taken at re-valued amounts in accordance with the recognition criteria mentioned in the relevant International Accounting Standards applicable to these assets.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2007 using the Projected Unit Credit Method.

Actuarial gain or loss is recognized in the period in which it occurs.

Compensated absences

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

4.2 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

4.3 Trade and other payables

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

4.4 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.5 Property, plant and equipment – owned

Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value. Leasehold land is amortized over the term of lease.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. Previously full year depreciation was charged on addition and no depreciation was charged on deletion during the period.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date. Depreciation is charged to profit and loss account at following annual rates based on the reviews made during the year as mentioned here:-

Leasehold land	1.4%
Building on freehold land	5%
Building on leasehold land	5%
Plant and machinery	5%
Electrical fitting	15%
Factory equipment	15%
Office equipment	15%
Office premises	15%
Furniture and fixture	15%
Vehicles	15%

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

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

Gain and losses if any, on disposal of property, plant and equipment are included in income currently.

Change in accounting estimates

During the year, the management has changed its accounting policy in respect of depreciation of plant and equipment. After detailed review by the technical team of the company, the average life of the plant and equipment has been estimated 20 years as against previous 10 years life. The change in accounting policy has been made in compliance with the IAS 16 – Property Plant and Equipment. Had there been no change in accounting policy, the depreciation expense of the company would have been higher by Rs.120.7 (M) and the fixed assets of the company would have been reduced by the same amount.

a) Accounting for leases and assets subject to finance leases

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

b) Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

c) Impairment of fixed assets

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary company is recognized when the company has established control over the investee company. Investment in subsidiary company is stated at cost less provision for diminution in value of investment.

Investment in Associates

Investment in associates are accounted for using the equity method. These are entities in which the company has significant influence which is neither a subsidiary nor a joint venture of the company.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designed as such are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Gains or losses on such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets 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.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuations techniques.

Available for sale investment

Available for sale investments are initially recognised at cost and are subsequently re measured to fair value. Surplus/deficit arising due to movement in fair values of available for sale investments is transferred to equity.

Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred to make the sale.

4.8 Stock in trade

Raw material are valued at the lower of moving average cost and net realisable value except for items in transit which are stated at cost incurred to date.

Work-in-process and semi-finished and finished goods are valued at lower of cost, calculated on weighted average basis, and net realisable value. Cost in relation to work-in-process and semi finished and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred to make the sale.

4.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

4.10 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalent comprise of cheques in hand, cash and bank balances.

4.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

4.12 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.13 Revenue recognition

Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

Income from bank deposits, loans, and advances is recognised on accrual basis.

Dividend income is recognized when the right to receive dividend is established.

4.14 Borrowing cost

All markup, interest and other charges are charged to profit and loss account on an accrual basis.

4.15 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities in foreign currency are translated into Rupees at the rates of exchange prevailing at the date of transaction. Exchange gains and losses in respect of non-monetary assets and liabilities are incorporated in the cost of relevant assets. All other exchange gains and losses are included in income currently.

4.16 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984.

4.17 Dividend

The dividend declared is recognised as a liability in the period in which it is declared. Previously, dividend that were declared after the balance sheet date but before the financial statements were authorised for issue were reported as liability, the change is made to confirm with the revised Fourth Schedule to the Companies Ordinance, 1984.There is no effect of change in accounting policy on the financial statements.

4.18 Significant accounting judgments and estimates

Estimates and judgments are continually evaluated by the management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Companies' Accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 4.1 to the financial statements.

b) Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

c) Interest rate and cross currency swap

The Company has entered into various interest rate and cross currency swaps transactions. The calculation involves the use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

4.19 Presentation

Direct expenses incurred on sale have been deducted from sales for presentation in the profit and loss account (Note-27.1 and 27.2). It has no effect on the net profit for the year.

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
5.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	No. of shares		
	1,200,000 Ordinary shares of Rs.10 each fully paid in cash	12,000,000	12,000,000
	1,925,000 Ordinary shares of Rs.10 each issued as fully paid as bonus shares	19,250,000	19,250,000
	3,125,000	31,250,000	31,250,000

5.1 There were no movements during the reporting period.

5.2 The company has one class of ordinary shares which carry no rights to fixed income.

5.3 The company has no reserved shares for issuance under option and sale contract.

6 SURPLUS ON REVALUATION OF FIXED ASSETS

	2007	2006
Opening balance	119,794,763	119,794,763
Add : revaluation during the period	154,291,391	-
Closing balance	274,086,154	119,794,763
Less: Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in the current period	(14,857,783)	-
	259,228,371	119,794,763

6.1 On May 27, 2005 and Jun 24, 2005 , Land was revalued by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation surplus amounting to Rs. 119,794,763.

6.2 On November 13, 2006 and December 28, 2006, further revaluation was made of the land, builing and plant and machinery, by Asif Associates (Pvt.) Ltd, registered surveyors and valuation consultants,on the basis of market value and realizable values which resulted in net revaluation of Rs.154,291,391.

7 MINORITY INTEREST

	2007	2006
Share capital	175,000	175,000
Capital reserve	12,930	12,930
Accumulated loss	(433,296)	(440,126)
Surplus on revaluation of fixed assets	590,877	590,877
	345,511	**338,681**

8 LOAN FROM DIRECTORS AND OTHERS - SUBORDINATED
Unsecured

	2007	2006
Due to directors	149,900,000	159,449,086
Due to others	369,611,770	308,096,063
	519,511,770	467,545,149

These are non mark-up bearing and unsecured. It is repayable after more than one year. The loan upto Rs.519,511,770/- (2006: Rs.339,462,705) is subordinated to bank loans.

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
9 LOAN FROM FINANCIAL INSTITUTIONS			
Syndicated Term Finance	**9.1**	375,000,000	525,000,000
MCB Bank Ltd	**9.2**	14,132,000	48,750,000
MCB Bank Ltd-LTF	**9.3**	18,368,000	
Habib Bank Ltd	**9.4**	19,846,310	176,000,000
Habib Bank Ltd-LTF	**9.5**	109,038,310	
Habib Bank Ltd	**9.6**	46,813,333	62,417,778
Bank Alfalah Ltd	**9.7**	25,000,000	50,000,000
Askari Bank Ltd	**9.8**	47,925,250	131,282,000
Askari Bank Ltd-LTF	**9.9**	50,536,286	
Allied Bank Ltd	**9.1**	-	309,497,660
Allied Bank Ltd-LTF	**9.11**	213,501,183	
National Bank of Pakistan	**9.12**	87,811,894	150,000,000
National Bank of Pakistan-LTF	**9.13**	43,438,106	
Bank of Punjab	**9.14**	16,088,387	50,000,000
Bank of Punjab-LTF	**9.15**	27,661,613	
First Credit & Investment Bank	**9.16**	56,875,000	65,000,000
Faysal Bank Ltd - LTF	**9.17**	46,000,000	40,867,385
Saudi Pak Commercial Bank Ltd - LTF	**9.18**	45,999,999	40,867,385
Saudi Pak Ind, & Agri. Investement Company - LTF	**9.19**	46,000,000	40,867,385
Habib Metropolitan Bank Ltd	**9.20**	75,918,000	-
Pak Oman Investment Co. Ltd. - LTF	**9.21**	18,243,000	-
National Bank of Pakistan	**9.22**	500,000,000	-
Al Baraka Islamic Bank	**9.23**	35,000,000	-
Saudi Pak Commercial Bank Ltd	**9.24**	150,000,000	-
Habib Bank Ltd - LTF	**9.25**	13,400,000	-
Al Baraka Islamic Bank	**9.26**	13,114,166	-
PICIC Commercial Bank Ltd	**9.27**	100,000,000	-
Faysal Bank Ltd	**9.28**	125,000,000	175,000,000
		2,320,710,837	1,865,549,593
Less: current portion		525,727,509	435,577,202
		1,794,983,328	1,429,972,391
Add: transferred from short term loans	**9.29**	370,600,000	250,000,000
		2,165,583,328	1,679,972,391

9.1 Personal guarantees of all directors and first pari passu charge on current and future fixed assets amounting to Rs.1000 million and equitable mortgage over land and building. The charge covers the principal of the facility with a 25% margin. Total facility amont is Rs.750 million, markup payable semi annually @ 6MK + 2%. Loan is repayable in 10 semi annual instalments commencing from 23-04-2005

9.2 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed assets amounting to Rs. 48.5 million located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.65 million, marup payable semi annually @ 6MK + 2%. Loan is repayable in 08 semi annual instalments commencing from 21-10-2005

9.3 Personal guarantees of all directors and first registered charge on Generator and mortgage charge over fixed amounting to Rs. 26.5 million assets located at Unit No. 03, SITE, Kotri. Total Facility amount is Rs.22.960 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 05 semi annual instalments commencing from 22-04-2007

9.4 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 119 million. Total facility amount is Rs.220 million, markup payable semi annually @ 6MK + 1.35%. Loan is repayable in 10 semi annual instalments commencing from 30-09-2005

9.5 Personal guarantees of all directors and first pari passu equitable mortgage charge on fixed assets of the Company amounting to Rs. 175 million. Total facility amount is Rs.130.845 million, markup payable quarterly @ SBP rate +2%. Loan is repayable in 06 semi annual instalments commencing from 28-04-2007

9.6 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 100 million. Total facility amount is Rs.75 million, markup payable semi annually @ 6Mk +2%. Loan is repayable in 10 semi annual instalments commencing from 28-11-2005

9.7 Personal guarantees of all directors and first pari passu charge on fixed assets of Unit No. 03, B-4, SITE, Kotri amounting to Rs. 200 million. Total facility amount is Rs.100 million, markup payable quarterly @ 6mk +2%. Loan is repayable in 16 semi annual instalments commencing from 31-08-2004

9.8 Personal guarantees of all directors and first pari passu charge amounting PKR 102 million over fixed assets. Total facility amount is Rs.135 million, markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 08 semi annual instalments commencing from 11-10-2006

9.9 Personal guarantees of all directors and first pari passu charge amounting PKR 78 million over fixed assets. Total facility amount is Rs.58.959 million.markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual instalments commencing from 27-04-2007

9.10 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 88 million. Total facility amount is Rs.320 million,markup payable semi annualy @ 6MK 2 %. Loan is repayable in 10 semi annual instalments commencing from 29-04-2006

9.11 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 347 million. Total facility amount is Rs. 255.159 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 22-04-2007

9.12 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 134 million. Total facility amount is Rs.150 million, markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual instalments commencing from 28-05-2007

9.13 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 66 million . Total facility amount is Rs.49.643 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 28-05-2007

9.14 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 24.66 million. Total facility amount is Rs.18.387 million, markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

9.15 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 42. Total facility amount is Rs.31.613 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

9.16 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 86.67 million. Total facility amount is Rs.65 million, markup payable semi annually @ 6MK + 1.75%. Loan is repayable in 08 semi annual instalments commencing from 31-05-2007

9.17 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

9.18 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

9.19 Personal guarantees of all directors and first pari passu charge on all fixed assets of the Company amounting to Rs. 61.33 million. Total facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 3%. Loan is repayable in 24 semi annual instalments commencing from 14-09-2007

9.20 Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million.Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual instalments commencing from 10-11-2007

9.21 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 28 million.Total facility amount is Rs.20.269 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 20 semi annual instalments commencing from 28-02-2007

9.22 Personal guarantee of all directors and charge on all fixed assets of the company amounting to Rs. 667 million.Total facility amount is Rs. 500 million, markup payable semi annually @ 6MK +2.25%. Loan is repayable in 08 semi annual instalments commencing from 23-05-2010

9.23 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 43.750 million.Total facility amount is Rs. 35 million, markup payable quarterly @ 6MK +2.4 %. Loan is repayable in 08 semi annual instalments commencing from 28-06-2008

9.24 Personal guarantee of all directors and charge on specific Land and property of the company amounting to Rs. 200 million.Total facility amount is Rs. 150 million, markup payable quarterly @ 6MK + 2.75%. Loan is repayable in 18 semi annual instalments commencing from 30-09-2008

9.25 Secured against the securities provided under 8.4, 8.5 and 8.6 above. No further securities provided under this facility. Total facility amount is Rs.15 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 12 semi annual instalments commencing from 24-05-2009

9.26 This Ijarah Financing of Rs.55.5 million is secured by charge over the title of the leased assets. Total markup payable semi annually @ 6MK + 2%. Loan is repayable in 16 semi annual instalments commencing from 13-12-2008

9.27 This term finance of Rs. 100 million is secured by first pari passu charge of Rs.100 million and ranking hypothecation charge of Rs.227 million over stocks of cotton yarn, stores and packaging material, HFO, lubricants, goods in process and trnasit and book debts of the company duly insured with 25% margin. Loan is repayable in July 2008 and carries mark up of 3 months KIBOR +

9.28 Personal guarantee of all directors and first exclusive charge on land and building to the extent of Rs.75 million (2006: Rs.75 million) and first exclusive charge on all present and future plant and machinery to the extent of Rs.250 million (2006: Rs.250 million). Total facility amount is Rs.200 million, markup payable semi-anually @ 6MK + 2%. Loan is repayable in 08 semi annual instalments commencing from 30-03-2006

9.29 It is included as non - current under treatment permissible as per paragraph 63 of IAS 1. The Company has refinanced the obligation on a long term basis. This intention is supported by various agreements executed prior to the year end.

9.29.1 It includes a five year long term loan of Rs.140 million. This will be secured by way of first pari passu charge over fixed assets of the company (hypothecation charge of plant and machinery and fixtures) along with 25% margin. Principal and mark up will be repayable in semi annual instalments in five years period including one years grace. This loan will carry mark up @ 6MK+2.50%.

9.29.2 It includes a four year long term loan of Rs.150 million. This will be secured by way of 10% of the leased amount and title of the leased assets. Principal and mark up will be repayable in quarterlyl instalments in four years period frm the date of disbursement. This facility will carry mark up @ 3MK+2.25%

9.29.3 It includes a four year long term loan of Rs.56.60 million. This will be secured by way of first pari passu hypothecation charge of Rs.80 million over fixed assets of the company along with 25% margin. Principal will be repayable in quarterly instalments with 15 months grace period from the date of disbursement.Mark up will be payable on quarterly basis. This loan will carry mark up @ SBP-LTF+2%

9.29.4 Balance amount of Rs.24 million against facility mentioned in note 8.20 above will be drawn in the next year. Personal guarantee of all directors and charge on specific fixed assets of the company amounting to Rs. 167 million.Total facility amount is Rs.100 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 12 semi annual instalments commencing after end of the first year of disbursement.

9.30 The Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 360 million, maturing on October 23, 2009. The outstanding balance of this arrangement is Rs.200 million as at the balance sheet date. Under the swap arrangement, the Company would receive interest rate of six months KIBOR and pay fixed rate of 8.20%, which will be settled semi-annually. As at the balance sheet date, the net fair value of this interest rate swap was Rs.3.168 million in favour of the Company

9.31 During the current year the Company has entered into five cross currency swaps with Standard Chartered Bank and Citibank against various long term finances for a notional amount of Rs.814 million, maturing up-to March 30, 2010. Under the swap arrangement the principal amount payable of Rs.814 million is swapped with US $ component at conversion rates ranging between Rs.60.39 to Rs.60.74 per US $ making the loan amount to US $ 13.45 million. The Company would receive 6 months KIBOR rates less margins of 1.33% and 1.18%. The Company will pay 6 months LIBOR rates as per the respective arrangements. The interest rate difference will be settled semi annually. In addition to the above, the difference between USD/PKR fluctuation of the balance amount of swap will be settled semi annually. As at the balance sheet date, the net fair value of these interest rate and cross currency swaps were Rs. 17.71 million in favour of the Company. These swaps arrangements have exposed the Company to interest rate risk and foreign currency risk on the US $ value converted semi-annually

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
10	**LIABILITIES AGAINST ASSETS (SUBJECT TO FINANCE LEASE)**		
	Payable within one year	10,933,878	10,933,878
	Payable after one year but not more than 05 years	32,801,634	32,801,634
		43,735,512	43,735,512
	Less: deferred finance cost	(9,021,564)	(9,021,564)
		34,713,948	34,713,948
	Add: security deposit	34,749	34,749
	Less: current maturity	(7,191,580)	-
	Present value of minimum lease payments	27,557,117	34,748,697

10.1 The Company has entered into lease agreement with First National Bank Modaraba for lease of plant and machinery on half yearly payments basis commencng on 16th July 2007. The lease contains bargain purchase option.

10.2 The lease is secured by way of a ranking charge of Rs.46.67 million over immovable assets of Unit -4 of the

Company, personal guarantees of two directors and security deposit equivalent to 0.1% of the facility amount

10.3 Implicit rate of return on lease is 10.88%

10.4 Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company

11	**DEFERRED LIABILITIES**		
	Deferred liability for gratuity (Note: 11.1 to 11.4)	33,771,808	29,462,626
	Deferred tax (Note: 11.6)	35,279,703	8,624,677
		69,051,511	38,087,303
11.1	**Movement in the net liability recognized in the balance sheet**		
	Opening net liability	29,462,626	27,150,926
	Expense for the year (Note: 11.4)	11,159,581	9,377,050
		40,622,207	36,527,976
	Contribution paid	(6,850,399)	(7,065,350)
	Closing net liability	33,771,808	29,462,626

11.2 Expense recognized in the profit and loss account

Current service cost	6,647,251	6,374,767
Interest cost	2,782,169	1,177,409
Net actuarial (gain) / loss recognized in the year	1,730,161	1,824,874
	11,159,581	9,377,050

11.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

11.4 Principal actuarial assumption

The principal assumptions used in the valuation of gratuity are as follows;

Discount rate	11.5	10.0
Expected rate of increase in salary	7.0	7.0

11.5 Comparison for five years

	AS ON				
	June 30, 2007	June 30, 2006	June 30, 2005	September 30, 2004	September 30, 2003
Present value of defined benefit obligation	30,871,145	27,624,694	25,773,532	22,795,847	24,352,274

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES

11.6 DEFERRED TAX

The liability for deferred taxation comprises of timing differences relating to:

Taxable temporary differences		
Accelerated tax depreciation allowance	120,785,902	66,628,190
Deductible temporary differences		
Deferred debit arising in respect of provisions, tax losses and refunds	85,506,199	58,003,513
	35,279,703	8,624,677

12 SHORT TERM BORROWINGS

Secured - Banking company		
Finances under mark up arrangement (Note: 12.1)	1,916,689,386	2,328,962,812
Less: transfer to long term loan (Note 9.29)	(370,600,000)	(250,000,000)
	1,546,089,386	2,078,962,812
Unsecured - (Note: 12.2)		
Directors	1,695,860	1,719,637
Others	6,790,950	5,643,540
	8,486,810	7,363,177
	1,554,576,196	2,086,325,989

12.1

The company has aggregate facilities of Rs.4.53 billion (2006 : Rs. 4.245 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry mark up at the rate ranging from 5.39% to 14.88% (2006: 8.74 % to 13.44 %) per annum payable quarterly and on the maturity dates. The above facilities are expiring on various dates and renewable annually.

12.2 These are non mark up bearing and unsecured.These are renewable and due on various dates within one year.

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
13	**TRADE AND OTHER PAYABLES**		
	Trade creditors	159,864,229	91,289,791
	Trade deposit	-	1,200,000
	Accrued expenses	57,456,364	77,929,314
	Workers' profit participation fund (Note: 13.1)	8,254,039	5,188,234
	Unclaimed dividend	370,984	197,866
	Workers' welfare fund	2,647,407	-
	Others	292,215	12,736,170
		228,885,238	188,541,375

13.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 01, 2006	5,188,234	6,792,205
Interest charged (Note: 35)	28,566	21,064
	5,216,800	6,813,269
Paid during the year	(5,136,162)	(6,759,967)
	80,638	53,302
Contribution for the year	8,173,401	5,134,932
Balance as at June 30, 2007	8,254,039	5,188,234

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. The interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

14 ACCRUED MARK - UP

Accrued mark up on		
Long term secured loans	98,317,363	21,254,003
Short term loans and running finances	57,415,263	53,197,640
	155,732,626	74,451,643

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingency

Appeal filed by the Government of Sindh in the Supreme Court of Pakistan against judgment of the High Court of Sindh at Karachi allowing the petition challenging the levy and collection of professional tax of Rs. 6.5 million on limited companies is pending. Based on the opinion from the legal advisor, the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liability.

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2007 were Rs.167.736 million (2006: Rs 142.011 million)

15.2 Commitment

15.2.1 Capital Commitments

Plant and machinery under letter of credit	-	52,000,000
Civil works and others	164,000,000	65,000,000

15.2.2 Other commitments

Stores, spares, raw and packing materials under letter of credit	32,750,000	19,375,000
	Jun-30	**Jun-30**

16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST / REVALUATION				RATE %	DEPRECIATION / AMORTIZATION			W. D. V.
	AS AT 1-Jul-2006	ADDITION	REVALUATION SURPLUS / (DEFICIT)	AS AT 30-Jun-2007		AS AT 1-Jul-2006	FOR THE YEAR	AS AT 30-Jun-2007	AS AT 30-Jun-2007
OWNED ASSETS									
Land - Leased Hold	60,000,000	6,196,828		66,196,828	-	840,917	906,147	1,747,064	64,449,764
Land - Free Hold	87,389,500	173,553,604	50,394,500	311,337,604	-	-	-	-	311,337,604
Building - Lease Hold	91,167,432	334,764		91,502,196	5	52,818,849	1,917,525	54,736,374	36,765,822
Building - Free Hold	224,279,395	41,505,994	(1,787,628)	263,997,761	5	95,901,898	6,848,318	102,750,216	161,247,545
Labour Colony - Lease Hold	7,717,203	-		7,717,203	5	6,944,532	38,634	6,983,166	734,037
Labor Colony - Free Hold	29,985,696	4,939,292		34,924,988	5	10,117,905	1,148,649	11,266,554	23,658,434
Plant And Machinery	2,351,335,415	267,692,937	105,684,519	2,724,712,871	5	1,044,225,317	70,100,425	1,114,325,742	1,610,387,129
Electrical Fitting	32,919,409	4,164,397		37,083,806	15	20,198,044	2,120,364	22,318,408	14,765,398
Factory Equipment	17,294,842	506,352		17,801,194	15	10,941,558	995,258	11,936,816	5,864,378
Office Premises H.O	4,835,000	17,185,321		22,020,321	15	2,411,071	363,589	2,774,660	19,245,661
Office Equipment	14,810,553	1,697,854		16,508,407	15	8,180,966	1,072,673	9,253,639	7,254,768
Furniture And Fixture	10,369,430	1,303,243		11,672,673	15	6,655,602	602,744	7,258,346	4,414,327
Vehicles	34,255,414	4,757,628		35,707,542	15	22,198,294	1,607,117	22,730,567	12,976,975
		(3,305,500)				(1,074,844)	-		
TOTAL	**2,966,359,289**	**520,532,714**	**154,291,391**	**3,641,183,394**		**1,280,360,109**	**87,721,443**	**1,368,081,552**	**2,273,101,842**
POWER PLANT									
Building - Lease Hold	39,775,911	-		39,775,911	5	23,086,272	834,482	23,920,754	15,855,157
Building - Free Hold	35,488,717	1,967,517		37,456,234	5	13,357,324	1,124,699	14,482,023	22,974,211
Plant And Machinery	516,396,138	174,879,372		691,275,510	5	220,249,147	17,207,991	237,457,138	453,818,372
Electrical Fitting	16,679,453	17,598,842		34,278,295	15	4,623,572	3,026,222	7,649,794	26,628,501
Office Equipment	14,500	21,800		36,300	15	1,450	4,807	6,257	30,043
Furniture And Fixture	266,150	173,000		439,150	15	121,444	43,746	165,190	273,960
Factory Equipment	4,919,325	480,000		5,399,325	15	680,723	704,239	1,384,962	4,014,363
Vehicles	940,725	-		940,725	15	731,110	31,442	762,552	178,173
TOTAL	**614,480,919**	**195,120,531**	**-**	**809,601,450**		**262,851,042**	**22,977,628**	**285,828,670**	**523,772,780**
WEAVING ASSETS									
Building On Free Hold Land	197,435,539	3,014,735		200,450,274	5	60,407,245	6,901,571	67,308,816	133,141,458
Labour Colony Free Hold	23,647,884	-		23,647,884	5	2,364,788	1,064,155	3,428,943	20,218,941
Plant And Machinery	1,061,565,223	42,728,726		1,104,293,949	5	235,051,627	41,951,523	277,003,150	827,290,799
Electrical Fitting	28,549,109	-		28,549,109	15	8,424,770	3,018,651	11,443,421	17,105,688
Factory Equipment	10,487,589	52,829		10,540,418	15	1,276,497	1,383,654	2,660,151	7,880,267
Office Equipment	541,623	389,950		931,573	15	118,586	79,104	197,690	733,883
Furniture And Fixture	1,558,674	4,000		1,562,674	15	483,664	161,602	645,266	917,408
Vehicles	1,325,900	-		1,325,900	15	470,306	128,339	598,645	727,255
TOTAL	**1,325,111,541**	**46,190,240**	**-**	**1,371,301,781**		**308,597,483**	**54,688,599**	**363,286,082**	**1,008,015,699**
TOTAL OWNED ASSETS	**4,905,951,749**	**761,843,485**	**154,291,391**	**5,822,086,625**		**1,851,808,634**	**165,387,670**	**2,017,196,304**	**3,804,890,320**
LEASED ASSETS									
Plant And Machinery	35,044,338	-		35,044,338	5	316,839	1,736,375	2,053,214	32,991,124.00
G.TOTAL 30.06.2007 Rupees	**4,940,996,087**	**761,843,485**	**154,291,391**	**5,857,130,963**		**1,852,125,473**	**167,124,045**	**2,019,249,518**	**3,837,881,444**
G.TOTAL 30.06.2006 Rupees	**3,904,598,848**	**1,036,397,239**		**4,940,996,087**		**1,590,748,628**	**262,451,688**	**1,853,200,316**	**3,087,795,771**

16.1 Depreciation Charged as under:

	June 30 - 2007 Rupees	June 30 - 2006 Rupees
Cost of Sale-Spinning	85,811,695	129,249,431
Cost of Sale-Weaving	54,319,554	89,289,934
Administrative Expenses	4,015,168	4,813,223
Power Plant Expenses	22,977,628	39,099,101
	167,124,045	**262,451,688**

16.2 Had the assets not been revalued, the cost and written down value of the Land would have been Rs.189,739,669 and Rs.189,643,092 respectively

16.3 DISPOSAL OF FIXED ASSETS

Particulars	Purchase Date	Original Cost	Accumulated Depreciation	Written Down Value	Sale Date	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Honda Citi VTI	29-Oct-2005	1,142,500	176,752	965,748	01 Jul-2006	1,142,500	By negotiation	Muhammad Javed Lahore
Hyundai Santro Club	31-Oct-2005	609,000	76,618	532,382	01 Jul-2006	600,000	By negotiation	Fatima Bushra, H/No.41/21, Jannatul Barkat, Model Colony. Karachi
Hyundai Santro Club	31-Oct-2005	609,000	76,618	532,382	01 Jul-2006	600,000	By negotiation	Tariq Mehmood, Gali Pir Baran, Zila Sadiqabd, Rahimyar Khan
Suzuki Mehran	11-Jul-1990	246,000	229,095	16,905	19-Jul-2006	52,000	By negotiation	Mr. Aftab ul Hassan Anwer, Gotriala Post Office Khas, Tehsil Kharia, Zela Gujrat
Suzuki Baleno	28-Jun-2001	699,000	515,761	182,239	18-Dec-06	210,000	By negotiation	Mr. Habibulllah, H/No.37, Sarwar Gang. Peshawar
		3,305,500	**1,074,844**	**2,230,656**		**2,604,500**		

	2007 RUPEES	2006 RUPEES

17 CAPITAL WORK IN PROGRESS

The movements are as follows :

	COST AT START	Addition / (Capitalization)	COST AT END
Plant & Machinery	208,970,553	23,276,496 (208,970,553)	23,276,496
Building	118,708,296	48,994,811 (99,771,922)	67,931,185
June 30, 2007	327,678,849	72,271,307 (308,742,475)	91,207,681
June 30, 2006	458,828,838	327,678,850 (458,828,838)	327,678,850

18 LONG TERM INVESTMENTS

	2007 RUPEES	2006 RUPEES
Unquoted - Available for sale		
- At Fair Value		
National Tanneries of Pakistan Limited		
45,896 Ordinary shares of Rs.10 each		
Break up value Rs.43.81 per share as		
on 30.06.2007 (2006: 42.06 (as on 30.06.06)	1,294,267	1,294,267
Appreciation / (diminution) in the value of investments	716,437	636,119
	2,010,704	1,930,386

19 LONG TERM DEPOSITS

	2007 RUPEES	2006 RUPEES
Security deposits	1,601,236	1,556,465

20 NEGATIVE GOODWILL

	2007 RUPEES	2006 RUPEES
Opening balance	28,405,212	37,873,616
Less: Amortization during the year	(9,468,404)	(9,468,404)
	18,936,808	28,405,212

21 STORES, SPARES AND LOOSE TOOLS

	2007 RUPEES	2006 RUPEES
Spinning		
Stores	34,422,796	34,242,531
Spares and accessories	120,512,459	113,202,901
Loose tools	10,856,200	9,141,524
	165,791,455	156,586,956
Weaving		
Store	47,578,679	21,788,857
Power plant		
Oil and stores	52,889,580	47,731,837
	266,259,714	226,107,650

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
22 STOCK IN TRADE		
Spinning		
Raw material	613,493,667	814,206,120
Work-in-process	47,208,762	41,975,527
Finished goods	161,008,385	95,447,458
Waste	14,921,831	5,503,402
	836,632,645	957,132,507
Weaving		
Raw material	49,267,481	45,810,933
Work in process	24,628,416	24,167,785
Finished goods	231,909,744	174,220,530
Waste	25,720	97,290
	305,831,361	244,296,538
	1,142,464,006	1,201,429,045

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
23 TRADE DEBTS		
- Considered good		
Exports - secured against letter of credit	39,559,703	4,242,739
Local debts - unsecured	363,924,432	370,724,527
	403,484,135	374,967,266

	Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
24 OTHER FINANCIAL ASSETS		
Held for trading		
In listed companies	28,384,037	29,570,946
Fair value adjustment for investment	238,344	(4,596,154)
	28,622,381	24,974,792

Details are as under: -

2007 (Rupees)

Name of Securities	No. of shares	Cost	Fair value adjustment	Fair value
Allied Bank Limited	40	3,778	1,780	5,558
Hub Power Company Limited	44,000	1,163,620	451,180	1,614,800
Oil & Gas Development Co. Ltd	200,000	24,066,840	(106,840)	23,960,000
Union Leasing Ltd	120,000	1,867,802	(535,802)	1,332,000
NIB Bank Ltd	118	1,339	1,139	2,478
Pakistan Services - TFC	598	1,280,658	426,887	1,707,545
	30-Jun-07	**28,384,037**	**238,344**	**28,622,381**
	30-Jun-06	**29,570,946**	**(4,596,154)**	**24,974,792**

		Jun-30 2007 RUPEES	Jun-30 2006 RUPEES
25	**LOANS AND ADVANCES**		
	Unsecured - considered good		
	Loans to - Employees	1,092,909	1,309,575
	Advance against;		
	Letter of credit	70,105,582	3,861,947
	Advance to cotton suppliers	119,847,483	127,062,573
	Store suppliers and others	87,710,122	188,916,988
	Income tax	18,219,652	25,050,303
		295,882,839	344,891,811
		296,975,748	346,201,386
26	**SHORT TERM PREPAYMENTS**		
	Prepayments	493,739	174,266
27	**OTHER RECEIVABLES**		
	Sales tax refundable	99,525,699	114,112,201
	Fair value of derivatives	20,882,998	-
		120,408,697	114,112,201
28	**CASH AND BANK BALANCES**		
	Cash in hand	2,457,668	5,258,636
	Cash at bank in current and deposit accounts	5,238,726	3,200,519
		7,696,394	8,459,155

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
29	**SALES - NET**		
	Local sales (Note: 29.1)	2,631,542,294	2,310,610,769
	Export sales (Note: 29.2)	2,635,930,737	2,579,789,569
		5,267,473,031	4,890,400,338
29.1	**Local sales**		
	Yarn	986,307,419	696,842,999
	Fabric	1,582,814,627	1,573,136,926
	Waste	79,026,565	56,720,321
		2,648,148,611	2,326,700,246
	Less: Direct expenses		
	Commission	10,938,317	13,061,595
	Freight	5,668,000	3,027,882
		16,606,317	16,089,477
		2,631,542,294	2,310,610,769

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
29.2	**Export sales**		
	Yarn	2,093,881,051	2,179,950,727
	Fabric	717,645,476	567,363,562
		2,811,526,527	2,747,314,290
	Less: Direct expenses		
	Commission	39,640,572	35,371,719
	Export development surcharge	5,743,090	6,242,327
	Freight	74,719,126	73,492,336
	Selling expenses	55,493,002	52,418,339
		175,595,790	167,524,721
		2,635,930,737	2,579,789,569
30	**COST OF GOODS SOLD**		
	Finished goods		
	Opening	275,268,680	158,711,938
	Yarn purchased	217,082,528	144,287,803
	Cost of goods manufactured (Note:30.1)	4,634,575,932	4,418,787,392
		5,126,927,140	4,721,787,133
	Closing	(407,865,680)	(275,268,680)
		4,719,061,460	4,446,518,453
30.1	**Cost of goods manufactured**		
	Raw material consumed (Note: 30.1.1)	3,293,123,063	3,148,881,488
	Wages, salaries and benefits (Note: 30.1.2)	387,718,493	306,000,841
	Stores and spares consumed	305,487,479	222,060,280
	Power, fuel and water	466,789,666	507,067,738
	Rent, rates and taxes	1,242,673	654,937
	Insurance	13,564,036	9,362,980
	Repair and maintenance	13,321,225	9,554,237
	Other expenses	18,891,914	17,019,454
	Depreciation	140,131,249	218,539,365
		4,640,269,798	4,439,141,320
	Work in process		
	Opening	66,143,312	45,789,384
	Closing	(71,837,178)	(66,143,312)
		(5,693,866)	(20,353,928)
		4,634,575,932	4,418,787,392
30.1.1	**Raw material consumed**		
	Opening stock	860,017,053	914,197,943
	Add: Purchases	3,095,867,158	3,094,700,598
		3,955,884,211	4,008,898,541
	Closing stock	(662,761,148)	(860,017,053)
		3,293,123,063	3,148,881,488

30.1.2 It includes Rs.11,142,829 (2006 : Rs.8,972,989) on account of staff retirement benefits.

31	**DISTRIBUTION COST**		
	Advertisement	-	10,438

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
32	**ADMINISTRATIVE EXPENSES**		
	Director's remuneration (Note: 32.1)	1,788,000	1,740,000
	Salaries and benefits (Note: 32.2)	8,931,777	8,527,606
	Printing and stationery	1,164,364	1,118,628
	Communication	1,374,160	1,412,354
	Traveling and conveyance	1,835,538	1,320,174
	Legal and professional charges	922,582	615,500
	Auditors remuneration (Note: 32.3)	590,000	450,000
	Rent, rates and taxes	249,358	261,263
	Books, papers and periodicals	6,406	754
	Entertainment	480,213	526,281
	Electricity, gas and water charges	1,263,875	1,342,716
	Fees and subscription	577,405	625,727
	Repairs and maintenance	225,520	121,361
	Charity and donation (Note: 32.4)	-	279,000
	Depreciation	4,015,168	4,813,223
	Brokerage and discount	17,104	85,485
	Other administrative expenses	158,735	-
		23,600,205	23,240,072

32.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

	CHIEF EXECUTIVE		DIRECTOR	
	For the year ended June 30, 2007	**For the year ended June 30, 2006**	**For the year ended June 30, 2007**	**For the year ended June 30, 2006**
Remuneration	240,000	280,000	952,000	879,960
House rent allowance	96,000	126,000	380,800	396,000
Perquisites	24,000	14,000	95,200	44,040
TOTAL	**360,000**	**420,000**	**1,428,000**	**1,320,000**
Number of persons	**1**	**1**	**4**	**4**

32.2 It includes Rupees 16,753 (2006 : Rupees 404,060) on account of staff retirement benefits.

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
32.3	**Auditors' remuneration**		
	Audit fee	425,000	350,000
	Half yearly review and other certification fee	120,000	100,000
	Code of corporate governance review	25,000	
	Out of pocket expenses	20,000	
		590,000	450,000

32.4 Directors and their spouse have no interest in the donees

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES
33	**OTHER OPERATING EXPENSE**		
	W.P.P.F	8,173,401	5,134,931
	WWF	2,600,762	
		10,774,163	5,134,931
34	**OTHER OPERATING INCOME**		
	Profit on sale of assets	373,844	123,958
	Electric power income (Note: 34.1)	-	1,285,668
	Amortization of negative goodwill	9,468,404	9,468,404
	Rental income	1,631,904	997,650
	Dividend income	5,436,325	5,572,001
	Capital gain on shares	12,979,943	3,543,509
	Appreciation in the value of investment	4,834,498	3,511,442
		34,724,918	24,502,632
34.1	**Electric power income**		
	Salaries and wages	11,389,122	10,782,506
	Fuel and store consumed	341,146,752	351,260,753
	Repair and maintenance	5,237,295	1,871,061
	Other expenses	3,500,412	3,925,439
	Depreciation	22,977,628	39,099,101
	Generators rent	2,623,835	7,490,000
		386,875,044	414,428,860
	Less: self use - spinning	267,818,810	282,079,016
	weaving	119,056,234	127,663,726
		386,875,044	409,742,742
		-	4,686,118
	Outside sales	-	5,971,786
	Profit for the year	-	1,285,668
35	**FINANCE COST - NET**		
	Mark up on		
	Short term loans	205,085,046	138,550,982
	Long term loans	191,038,385	190,612,990
	Workers' profit participation fund (Note: 13.1)	28,566	21,064
	Bank charges	11,551,236	4,092,299
		407,703,233	333,277,335
	Less: Financial income		
	Interest on TFC Investment	220,380	310,367
	Fair value of derivatives (Note 9.30 & 9.31)	20,882,998	-
	Total financial income	21,103,378	310,367
	Net finance cost	386,599,855	332,966,968

36 TAXATION

36.1 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under presumptive tax regime under section 115 (4) of the Income Tax Ordinance, 2001.

		For the Year Ended June - 30, 2007 RUPEES	For the Year Ended June - 30, 2006 RUPEES

37 EARNING PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basis earnings per share of the Company which is based on:

		2007	2006
Profit after taxation	Rs.	94,928,886	75,736,982
Number of Ordinary shares		3,125,000	3,125,000
Earning per share in rupees	Rs.	30.38	24.24

38 CASH GENERATED FROM OPERATIONS

	2007	2006
Profit before taxation	162,162,266	107,032,108
Adjustment for item involving non movement of fund		
Depreciation	167,124,045	262,451,689
Financial charges - net	386,599,855	332,966,968
(Gain) / Loss on sale of fixed assets	(373,844)	(123,958)
Dividend income	(5,436,325)	(5,572,001)
Provision for gratuity	11,159,581	9,377,050
Provision for appreciation in the value of investment	(4,834,498)	(3,511,442)
Amortization of negative goodwill	(9,468,404)	(9,468,404)
Provision for workers' profit participation fund	8,173,401	5,134,932
		-
	552,943,811	591,254,834
Profit before working capital changes	715,106,077	698,286,942
(Increase)/decrease in current assets		
Stocks, stores and spares	18,812,975	(106,557,514)
Trade debts	(28,470,225)	(35,226,363)
Loans and advances, prepayments and other receivables	26,568,018	(27,816,305)
	16,910,768	(169,600,182)
Increase in current liabilities		
Creditors, accrued and other liabilities	46,269,297	(183,867,161)
	778,286,142	344,819,599

39 POST BALANCE SHEET EVENTS

The Board of Directors proposed the final dividend for the year ended June 30, 2007 of Rs.1.5 (2006: Rs.1.5) per share amounting to Rs.4,687,500 (2006: Rs.4,687,500) at their meeting held on October 04, 2007 for the approval of the member at the Annual General Meeting to be held on October 27, 2007. These financial statements do not reflect dividend payable.

40 FINANCIAL INSTRUMENT RELATED DISCLOSURE

40.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

	Effective interest rates %	FOR YEAR ENDED JUNE 30, 2007						
		interest/mark up bearing			non interest/mark up bearing			TOTAL
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
		RUPEES						
FINANCIAL ASSETS								
Investment		-	-	-	85,109,715	2,010,704	87,120,419	87,120,419
Deposits		-	-	-	-	1,601,234	1,601,234	1,601,234
Trade debts		-	-	-	403,484,135	-	403,484,135	403,484,135
Cash and bank balances	1.5 - 3.5.	409,512	-	409,512	7,286,883	-	7,286,883	7,696,395
		409,512	-	409,512	495,880,733	3,611,938	499,492,671	499,902,183
FINANCIAL LIABILITIES								
Loans	7.0 - 13.0	532,919,089	2,193,140,445	2,726,059,534	29,511,770	490,000,000	519,511,770	3,245,571,304
Short term finance	5.4 - 14.88	1,546,089,386	-	1,546,089,386	8,486,810	-	8,486,810	1,554,576,196
Trade and other payables		8,254,038	-	8,254,038	267,159,334	-	267,159,334	275,413,373
Dividend		-	-	-	370,984	-	370,984	370,984
		2,087,262,513	2,193,140,445	4,280,402,958	305,528,898	490,000,000	795,528,898	5,075,931,857
Total yield / mark up rate risk sensitivity gap		(2,086,853,001)	(2,193,140,445)	(4,279,993,446)	190,351,835	(486,388,062)	(296,036,227)	(4,576,029,673)

	Effective interest rates %	FOR YEAR ENDED JUNE 30, 2006						
		interest/mark up bearing			non interest/mark up bearing			TOTAL
		Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
		RUPEES						
FINANCIAL ASSETS								
Investment		-	-	-	24,974,792	58,417,720	83,392,512	83,392,512
Deposits		-	-	-	-	1,556,465	1,556,465	1,556,465
Trade debts		-	-	-	375,013,910	-	375,013,910	375,013,910
Cash and bank balances	1.5 - 2.5.	-	-	-	8,459,154	-	8,459,154	8,459,154
		-	-	-	408,447,856	59,974,185	468,422,041	468,422,041
FINANCIAL LIABILITIES								
Loans	7.0 - 13.0	435,577,202	1,679,972,391	2,115,549,593	-	467,545,149	467,545,149	2,583,094,742
Short term finance	8.97 - 13.44	2,078,962,813	-	2,078,962,813	7,363,117	-	7,363,117	2,086,325,930
Trade and other payables		5,253,304	-	5,253,304	288,427,803	-	288,427,803	293,681,107
Dividend		-	-	-	197,866	-	197,866	197,866
		2,519,793,319	1,679,972,391	4,199,765,710	295,988,786	467,545,149	763,533,935	4,963,299,645
Total yield / mark up rate risk sensitivity gap		(2,519,793,319)	(1,679,972,391)	(4,199,765,710)	112,459,070	(407,570,964)	(295,111,894)	(4,494,877,604)

	June 30, 2007	June 30, 2006
OFF BALANCE SHEET ITEMS	**Rupees**	**Rupees**
Letter of credit	32,750,000	71,375,000
Other commitments	164,000,000	65,000,000
Guarantees	167,736,000	142,011,000
	364,486,000	**278,386,000**

40.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

40.3 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

40.4 Foreign exchange risk management and its policy

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

40.5 Liquidity risk

Liquidity risk reflects an enterprise inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2007 by the board of directors of the company.

42 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

43 CORRESPONDING FIGURES

Previous years' figures have been re-arranged and re-calssified for the purpose of comparison, whereever necessary.

Major changes made for better presentation during the year are as follows: -

Note	Recalssification from component	Reclassification to compnent	Rupees
18	Long term investments	Note No. 24 - Other financial assets Petition of merger filed the Honorable Highcourt of Sindh, and management believes to complete merger proceddings before June 30, 2008	56,487,334
13	Distribution cost	Deducted from sales - Note Number 24	3,591,757

	KHALID IQBAL	**DAANISH JAVED**
Karachi : October 04, 2007	**CHIEF EXECUTIVE**	**DIRECTOR**