

| | NOTE | 2007 Rupees | 2006 Rupees |
|--|------|--------------------|--------------------|
| 4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL | | | |
| 2,952,429 (2006 : 2,952,429) ordinary shares of Rupees 10 each, issued for cash | | 29,524,290 | 29,524,290 |
| 100,000 (2006 : 100,000) ordinary shares of Rupees 10 each, issued as bonus shares | | 1,000,000 | 1,000,000 |
| | | <u>30,524,290</u> | <u>30,524,290</u> |
| 5. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Opening Balance | | 232,650,934 | 235,649,065 |
| Surplus arising on revaluation of fixed assets | | 290,679,073 | - |
| Deferred taxation | | 48,749,725 | - |
| | | 339,428,798 | - |
| Transferred to accumulated profit / (loss) in respect of surplus realized on disposal of revalued fixed assets | | (16,502,053) | - |
| Related deferred tax liability | | 5,775,718 | - |
| | | (10,726,335) | - |
| Transferred to accumulated profit/(loss) in respect of incremental depreciation charged during the year | | (4,293,976) | (4,612,509) |
| Related deferred tax liability | | 1,502,892 | 1,614,378 |
| | | (2,791,084) | (2,998,131) |
| | | <u>558,562,313</u> | <u>232,650,934</u> |
| 6. LONG TERM FINANCES | | | |
| Long term finances under mark-up arrangements from banking companies - secured | | | |
| PICIC Commercial Bank Limited (PCBL) | 6.1 | 74,374,999 | 77,916,666 |
| MCB Bank Limited (MCB) | 6.2 | 3,804,000 | 5,710,000 |
| | | 78,178,999 | 83,626,666 |
| Less: Current portion | 13 | 33,781,003 | 23,156,002 |
| | | <u>44,397,996</u> | <u>60,470,664</u> |

6.1 PICIC Commercial Bank Limited (PCBL)

This represents term finance facility of Rupees 85 million under a swap agreement executed between PICIC Commercial Bank Limited, IDBP and the Company. It is repayable in 24 equal quarterly installments, commenced from July 26, 2005. This is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors. It carries mark-up at the rate of six months KIBOR plus 4.5% per annum with a floor of 8% and no caps. The mark up is reviewed at the beginning of each calendar quarter.

6.2 MCB Bank Limited (MCB)

This is secured against second charge on all fixed assets and guarantees of sponsor directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 20 equal half yearly installments commenced from September 01, 1999. The bank has deferred payment of mark-up capitalized.

| | NOTE | 2007 Rupees | 2006 Rupees |
|---|------|--------------------|--------------------|
| 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Minimum lease payments | | 179,772,648 | 181,278,941 |
| Less: Unamortized finance charges | | 31,901,370 | 37,243,806 |
| Present value of minimum lease payments | | 147,871,278 | 144,035,135 |
| Less: Current portion | 13 | 41,478,601 | 28,742,046 |
| | | <u>106,392,677</u> | <u>115,293,089</u> |

7.1 The present value of minimum lease payments has been discounted at an implicit interest rate ranging from 8.51 to 16.66 percent (2006: 8.50 to 15.45 percent) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In case of default an additional charge at the rate of Rupee 1 and 83 Paise per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for unexpired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on leased assets, personal guarantees of sponsor directors and security deposit of Rupees 24,615,780 (2006: Rupees 21,455,780) .

7.2 Minimum lease payments and present value of minimum lease payments are regrouped as under:

| | 30 June 2007 | | 30 June 2006 | |
|---|------------------------|---|------------------------|---|
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| Due not later than one year | 51,353,924 | 41,478,601 | 43,692,724 | 28,742,046 |
| Due later than one year not later than five years | 128,418,724 | 106,392,677 | 137,586,217 | 115,293,089 |
| | <u>179,772,648</u> | <u>147,871,278</u> | <u>181,278,941</u> | <u>144,035,135</u> |

| | 2007 Rupees | 2006 Rupees |
|---|-------------------|--------------------|
| 8. DEFERRED TAX LIABILITY | | |
| The liability for deferred taxation comprises timing differences relating to: | | |
| Taxable temporary difference | | |
| Accelerated tax depreciation allowance | 95,950,702 | 132,874,922 |
| Liability against assets subject to finance lease | 7,510,944 | 3,122,350 |
| | 103,461,646 | 135,997,272 |
| Deductible temporary differences | | |
| Tax losses carry forward | (9,211,265) | (9,732,002) |
| Provision for gratuity | (4,741,107) | (869,400) |
| | (13,952,372) | (10,601,402) |
| | <u>89,509,274</u> | <u>125,395,870</u> |

- 8.1 The movement in deferred tax assets and liabilities during the year without taking into consideration the off setting of balances within the same tax jurisdiction is as follows:

| | Deferred tax liability | | | Deferred tax assets | | | Net liability/ (asset) |
|---|------------------------------|---------------------------------|--------------|------------------------|--------------------------|--------------|---------------------------|
| | Accelerated tax depreciation | Assets subject to finance lease | TOTAL | Provision for gratuity | Tax losses carry forward | TOTAL | |
| | ----- (R u p e e s) ----- | | | | | | |
| Balance as at 01 July 2005 | 138,753,367 | 1,764,350 | 140,517,717 | (86,800) | (13,420,669) | (13,507,469) | 127,010,248 |
| Charged/(credited) to profit and loss account | (5,878,445) | 1,358,000 | (4,520,445) | (782,600) | 3,688,667 | 2,906,067 | (1,614,378) |
| Balance as at 30 June 2006 | 132,874,922 | 3,122,350 | 135,997,272 | (869,400) | (9,732,002) | (10,601,402) | 125,395,870 |
| Charged/(credited) to profit and loss account | 11,825,505 | 4,388,594 | 16,214,099 | (3,871,707) | 520,737 | (3,350,970) | 12,863,129 |
| (Credited) to revaluation surplus | (48,749,725) | - | (48,749,725) | | | - | (48,749,725) |
| Balance as at 30 June 2007 | 95,950,702 | 7,510,944 | 103,461,646 | (4,741,107) | (9,211,265) | (13,952,372) | 89,509,274 |

| | 2007 | Restated |
|---------------------------------------|-------------------|------------------|
| | Rupees | 2006 |
| | | Rupees |
| 9. DEFERRED MARK UP | | |
| Opening balance | 9,210,152 | 8,372,865 |
| Amortization of interest for the year | 921,015 | 837,287 |
| | <u>10,131,167</u> | <u>9,210,152</u> |

MCB Bank Limited (MCB) has deferred payment of mark-up capitalized of Rupees 12.455 million (2006: Rupees 12.455 million) which will be repaid in 20 equal half yearly installments with effect from September 01, 2009, after the principal repayment of original demand finance. The deferred mark-up has been stated at present value .

| | NOTE | 2007 | 2006 |
|-------------------------------------|-------------|--------------------|--------------------|
| | | Rupees | Rupees |
| 10. TRADE AND OTHER PAYABLES | | | |
| Secured creditors: | | | |
| Against letters of credit | | 55,931,542 | 26,650,242 |
| Un-secured creditors: | | | |
| For goods | 10.1 | 93,651,519 | 87,839,439 |
| For services | | 2,414,201 | 735,643 |
| | | 96,065,720 | 88,575,082 |
| Advances from customers | | 19,963,920 | 19,952,563 |
| Other payables | 10.2 | 757,368 | - |
| Accrued expenses | | 9,997,049 | 11,874,009 |
| Short term employees benefits | | 403,486 | 425,939 |
| Withholding tax payable | | 615,460 | 319,372 |
| Unclaimed dividend | | 145,175 | 145,283 |
| Workers' profit participation fund | 10.3 | - | 1,775,253 |
| | | <u>183,879,720</u> | <u>149,717,743</u> |

- 10.1 This includes Rupees 19,535,240 (2006:Rupees 1,312,318) payable to Bilal Textiles (Private) Limited, an associated company.

10.2 This includes Rupees 257,368 (2006 : Nil) payable to chief executive of the Company .

| | NOTE | 2007 Rupees | 2006 Rupees |
|--|------|----------------|----------------|
| 10.3 Workers' profit participation fund | | | |
| Balance at the beginning of the year | | 1,775,253 | 1,054,387 |
| Allocation for the year | 28 | - | 1,775,253 |
| Interest on funds utilized in the Company's business | 30 | 98,440 | 87,068 |
| | | 98,440 | 1,862,321 |
| | | 1,873,693 | 2,916,708 |
| Less: Payments to the fund | | (1,873,693) | (1,141,455) |
| | | - | 1,775,253 |

10.4 The Company retains workers' profit participation fund for its business operations till the date of its allocation to workers. Mark-up is paid at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on the funds utilized by the Company till the date of its allocation to workers.

11. ACCRUED MARK-UP

| | | | |
|-----------------------|--|-----------|-----------|
| Long term financing | | 1,941,867 | 2,042,801 |
| Finance leases | | 230,954 | - |
| Short term borrowings | | 6,409,833 | 2,663,162 |
| | | 8,582,654 | 4,705,963 |

12. SHORT TERM BORROWINGS - secured

From banking companies:

| | | | |
|-----------------|------|-------------|-------------|
| Cash finances | 12.1 | 135,804,077 | 125,907,593 |
| Running finance | 12.2 | 9,999,535 | 9,966,069 |
| Book overdraft | | 5,068,774 | 8,768,036 |
| | | 150,872,386 | 144,641,698 |

12.1 These are secured against pledge of stock of raw materials, finished goods and personal guarantees of sponsor directors. Rate of mark-up on these finances ranges from 29 paisa to 42 paisa (2006: from 27 paisa to 34 paisa) per thousand per day. The total sanctioned limits of these facilities obtained from Four (2006: Three) financial institutions is Rupees 400 million (2006: Rupees 220 million).

12.2 This represents running finance facility of Rupees 10 million (2006: Rupees 10 million) obtained from PICIC Commercial Bank Limited. It is secured against first equitable charge on land, building and machinery, hypothecation on current assets and personal guarantees of three sponsor directors. Rate of mark up on this finance ranges from 36 paisa to 40 paisa (2006: 31 to 38 paisa) per thousand per day.

13. CURRENT PORTION OF NON-CURRENT LIABILITIES

| | | | |
|----------------------|---|------------|------------|
| Long term financing: | 6 | | |
| Current | | 16,072,668 | 16,072,668 |
| Over Due | | 17,708,335 | 7,083,334 |
| | | 33,781,003 | 23,156,002 |
| Finance leases: | 7 | | |
| Current | | 41,243,517 | 28,742,046 |
| Over Due | | 235,084 | - |
| | | 41,478,601 | 28,742,046 |
| | | 75,259,604 | 51,898,048 |

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Taxation

- (a) Income tax demand for assessment year 2002-2003 was raised for Rupees 774,582 out of which 15% amounting to Rupees 116,188 was paid. The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore who decided the case in the Company's favour on April 11, 2005, but the Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 which has decided the case in the Company's favour. The Company has applied for the appeal effects.
- (b) The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore against the assessment order for assessment year 1998-1999, in which Rupees 44.306 million were treated as income of the Company. The appeal was decided in Company's favour on May 02, 2005. The Company applied for appeal effects to the concerned taxation officer but benefit of Rupees 44.306 million has not yet been given. The Company has filed rectification application in this regard but income tax department has filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT (A). The appeal has been decided in Company's favour accordingly the Company has applied for appeal effects.
- (c) Collector of customs, Rawalpindi has filed a case against the Company for recovery of 5% custom duty under SRO 452(1)/2004 dated 12 June 2004 to avail exit scheme on imported machinery. The Company has however paid Rupees 3.5 million on 30 June 2007 to avail amnesty announced by Central Board of Revenue vide SRO 485(1)07 dated 09 June 2007 in this connection. The Company is hopeful that the case against the Company in customs, excise and sales tax Appellate Tribunal Karachi Bench, Karachi will be withdrawn on receipt of amnesty certificate from Central Board of Revenue.

14.2 Commitments

Letters of credit for capital expenditure amount to Rupees 59.127 million (2006: Rupees 46.692 million).

| | NOTE | 2007 Rupees | 2006 Rupees |
|--|------|--------------------|--------------------|
| 15. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 15.1 | 980,765,636 | 589,945,308 |
| Capital work in progress - Buildings | | - | 9,811,140 |
| | | <u>980,765,636</u> | <u>599,756,448</u> |
| 15.3 Borrowing cost utilized for acquisition of plant and machinery amounting to Rupees 1.354 million (June 2006: Rupees 0.338 million) has been capitalized and included in the cost of machinery . | | | |
| 15.4 Depreciation charge for the year has been allocated as follows : | | | |
| Cost of sales | 25 | 19,158,816 | 14,495,297 |
| Administrative expenses | 27 | 3,072,630 | 2,469,732 |
| | | <u>22,231,446</u> | <u>16,965,029</u> |

- 15.6 The revaluation of fixed assets was carried out by an independent valuer Messrs Projects (Private) Limited as on 30 June 2007 on the basis of depreciated replacement value method. Had there been no revaluation the cost, accumulated depreciation and book values of revalued fixed assets would have been as follows:

| Description | June 2007 | | | June 2006 |
|------------------------------------|--------------------|--------------------------|--------------------|--------------------|
| | Historical Cost | Accumulated Depreciation | Book Value | Book Value |
| | (R U P E E S) | | | |
| Owned | | | | |
| Factory building on free hold land | 43,092,613 | 23,188,164 | 19,904,449 | 6,056,207 |
| Colony, godowns and offices | 12,505,884 | 3,569,820 | 8,936,064 | 2,277,414 |
| Plant and machinery | 276,034,139 | 144,308,812 | 131,725,327 | 89,072,563 |
| Air condition installations | 5,227,581 | 2,719,638 | 2,507,943 | 2,864,009 |
| Equipment and installations | 7,076,236 | 4,465,396 | 2,610,840 | 2,142,208 |
| Electric installations | 8,813,908 | 5,972,828 | 2,841,080 | 2,147,467 |
| Furniture and Fixture | 2,274,875 | 1,369,133 | 905,742 | |
| Vehicles | 8,164,822 | 5,600,621 | 2,564,201 | 565,948 |
| Leased | | | | |
| Plant and machinery | 215,775,933 | 29,502,817 | 186,273,116 | 42,525,872 |
| | <u>578,965,991</u> | <u>220,697,229</u> | <u>358,268,762</u> | <u>147,651,688</u> |

16. LONG TERM INVESTMENTS - Held to Maturity

These represent Investments in Defence Saving Certificates. Return on these investments will be paid on maturity at the rates ranging from 16% to 20% per annum for a period of 10 years. These certificates are deposited with the banks as securities against guarantees given on behalf of the Company.

| | NOTE | 2007 Rupees | 2006 Rupees |
|---|------|--------------------|--------------------|
| 17. LONG TERM DEPOSITS | | | |
| Deposit against finance leases | | 24,615,780 | 21,455,780 |
| Less : Current portion | 21 | (4,633,190) | - |
| | | <u>19,982,590</u> | <u>21,455,780</u> |
| Security deposits | | 3,020,406 | 3,020,406 |
| | | <u>23,002,996</u> | <u>24,476,186</u> |
| 18. STORES, SPARES AND LOOSE TOOLS | | | |
| Stores | | 2,058,060 | 2,742,607 |
| Spares | | 2,534,273 | 2,094,657 |
| Loose tools | | 10,633 | 16,177 |
| | | <u>4,602,966</u> | <u>4,853,441</u> |
| 19. STOCK-IN-TRADE | | | |
| Raw materials including in transit Rupees 742,500 (2006 : Nil) | | 126,600,875 | 161,655,863 |
| Work-in-process | | 11,146,800 | 12,150,308 |
| Finished goods | | 17,976,323 | 1,913,887 |
| Wastes | | 249,378 | 459,844 |
| | | <u>155,973,376</u> | <u>176,179,902</u> |

- 19.1 The carrying value of stock in trade pledged as security against short term borrowings is Rupees 135.804 million (2006: Rupees 125.908 million).

| | NOTE | 2007 Rupees | 2006 Rupees |
|---------------------------------------|------|-------------------|--------------------|
| 20. ADVANCES - considered good | | | |
| Advances : | | | |
| -To employees | | 325,766 | 78,137 |
| -To suppliers | 20.1 | 11,870,191 | 15,276,821 |
| -For purchase of property | | 51,150,000 | 51,150,000 |
| | | <u>63,345,957</u> | <u>66,504,958</u> |
| Letters of credit | | 4,404,854 | 72,618,105 |
| | | <u>67,750,811</u> | <u>139,123,063</u> |

20.1 This includes Rupees 1,718,986 (2006 : Nil) as advance paid to Bilal Textile (Private) Limited - an associated company.

21. DEPOSITS

| | | | |
|--|------|------------------|------------------|
| Current portion of deposit against lease finance | 17 | 4,633,190 | - |
| Deposit for acquisition of machinery | 21.1 | 2,000,000 | 2,000,000 |
| | | <u>6,633,190</u> | <u>2,000,000</u> |

21.1 It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favour of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honourable Lahore High Court, Rawalpindi Bench, against the aforesaid order, and provided bank guarantee of Rupees 2 million to the Honourable Court. Honourable High Court remanded the case to the Civil Court who decided against the Company. The Company has filed petition in Lahore High Court Rawalpindi Bench.

22. OTHER RECEIVABLES - considered good

| | | | |
|--------------------------|--|-------------------|-------------------|
| Income tax | | 6,421,845 | 11,696,729 |
| Sales tax | | 5,157,136 | 3,559,287 |
| Export rebate receivable | | 1,156,984 | - |
| Others | | 163,350 | 97,750 |
| | | <u>12,899,315</u> | <u>15,353,766</u> |

23. CASH AND BANK BALANCES

| | | | |
|-----------------------|--|------------------|------------------|
| Cash in hand | | 493,163 | 443,459 |
| Cash at bank: | | | |
| - On current accounts | | 531,812 | 3,148,311 |
| - On deposit accounts | | 284,418 | 17,335 |
| | | <u>816,230</u> | <u>3,165,646</u> |
| | | <u>1,309,393</u> | <u>3,609,105</u> |

The balances in deposit accounts carry interest ranging from 2.5 to 4.75 percent (2006 : 2.5 to 4.75 percent) per annum.

24. SALES

| | | | |
|--------------|--|--------------------|--------------------|
| Local Sale | | | |
| Yarn | | 776,974,243 | 758,367,122 |
| Waste | | 2,278,681 | 2,150,486 |
| Raw material | | 64,025,409 | 7,535,430 |
| Cloth Export | | 26,115,133 | - |
| | | <u>869,393,466</u> | <u>768,053,038</u> |

| | NOTE | 2007 Rupees | Restated 2006 Rupees |
|--|------|---------------------------|----------------------------|
| 25. COST OF SALES | | | |
| Raw materials consumed | 25.1 | 540,663,154 | 490,004,040 |
| Stores and spares consumed | | 11,116,861 | 11,915,181 |
| Salaries, wages and other benefits | | 64,844,031 | 54,302,133 |
| Fuel and power | | 71,803,166 | 84,140,258 |
| Insurance | | 1,616,711 | 1,103,604 |
| Packing material | | 12,525,012 | 10,963,784 |
| Labour welfare | | 1,125,555 | 1,538,253 |
| Depreciation | 15.4 | 19,158,816 | 14,495,297 |
| | | <u>722,853,306</u> | <u>668,462,550</u> |
| Work-in-process | | | |
| Opening stock | | 12,150,308 | 8,209,301 |
| Closing stock | | (11,146,800) | (12,150,308) |
| | | <u>1,003,508</u> | <u>(3,941,007)</u> |
| Cost of goods manufactured | | <u>723,856,814</u> | <u>664,521,543</u> |
| Finished goods including waste | | | |
| Opening stock | | 2,373,731 | 6,852,409 |
| Closing stock | | (18,225,701) | (2,373,731) |
| | | <u>(15,851,970)</u> | <u>4,478,678</u> |
| Cost of yarn sold | | <u>708,004,844</u> | <u>669,000,221</u> |
| Cost of raw material sold | | 63,923,986 | 6,942,701 |
| Cost of cloth sold | | 23,573,052 | - |
| Cost of goods sold | | <u><u>795,501,882</u></u> | <u><u>675,942,922</u></u> |
| 25.1 Raw materials consumed | | | |
| Opening stock | | 161,655,863 | 46,500,188 |
| Add : Purchases | | <u>569,532,152</u> | <u>612,102,416</u> |
| | | 731,188,015 | 658,602,604 |
| Cost of raw material sold | | (63,923,986) | (6,942,701) |
| Less : Closing stock | | <u>(126,600,875)</u> | <u>(161,655,863)</u> |
| | | <u><u>540,663,154</u></u> | <u><u>490,004,040</u></u> |
| 26. SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries, wages and other benefits | | 583,161 | 602,241 |
| Outward freight and handling | | 892,417 | 867,069 |
| Export expenses | | 3,065,474 | - |
| Commission to selling agents | | 1,131,762 | 842,238 |
| Postage and telephone | | - | 250,965 |
| | | <u>5,672,814</u> | <u>2,562,513</u> |

| | NOTE | 2007 Rupees | 2006 Rupees |
|---|--|-------------------|-------------------|
| 27. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and other benefits | | 5,715,912 | 4,836,542 |
| Rent, rates and taxes | | 2,095,268 | 1,978,568 |
| Printing and stationery | | 446,718 | 400,325 |
| Postage and telephone | | 861,653 | 696,422 |
| Traveling and conveyance | | 1,118,824 | 1,324,097 |
| Vehicles' running | | 1,414,348 | 1,372,134 |
| Entertainment | | 437,429 | 576,009 |
| Advertisement | | 102,100 | 121,700 |
| Legal and professional | | 240,480 | 406,963 |
| Fees and subscriptions | | 602,176 | 482,300 |
| Depreciation | 15.4 | 3,072,630 | 2,469,732 |
| | | <u>16,107,538</u> | <u>14,664,792</u> |
| 28. OTHER OPERATING EXPENSES | | | |
| Auditors' remuneration | 28.1 | 255,672 | 260,820 |
| Donations | 28.2 | 56,900 | 1,443,365 |
| Loss on sale and lease back transactions | | 3,351,092 | - |
| Loss on sale of fixed assets | | 17,538,206 | 21,345 |
| Workers' profit participation fund | 10.3 | - | 1,775,253 |
| | | <u>21,201,870</u> | <u>3,500,783</u> |
| 28.1 Auditors' remuneration | | | |
| Statutory audit fee | | 125,000 | 125,000 |
| Half yearly review | | 34,000 | 35,000 |
| Consultancy services | | 30,000 | 70,000 |
| Out of pocket expenses | | 66,672 | 30,820 |
| | | <u>255,672</u> | <u>260,820</u> |
| 28.2 | None of the directors or their spouses had any interest in the donee's fund. | | |
| 29. OTHER OPERATING INCOME | | | |
| Income from financial assets: | | | |
| Return on bank deposits and investments | | 137,642 | 132,665 |
| Income from non-financial assets: | | | |
| Gain on disposal of property, plant and equipment | | - | 2,047,186 |
| Rental Income | | 669,675 | 68,850 |
| Scrap sales | 29.1 | 1,242,765 | - |
| Research and development support | | 851,505 | - |
| Miscellaneous | | 150,651 | 94,272 |
| | | <u>2,914,596</u> | <u>2,210,308</u> |
| | | <u>3,052,238</u> | <u>2,342,973</u> |

29.1 This represents scrap sales made to Bilal Textiles (Private) Limited, an associated company.

| | NOTE | 2007 Rupees | Restated 2006 Rupees |
|---|------|------------------------|----------------------------|
| 30. FINANCIAL AND OTHER CHARGES | | | |
| Mark-up/finance charges /interest on : | | | |
| Long term financing | | 11,268,527 | 11,575,729 |
| Finance leases | | 18,742,005 | 8,580,736 |
| Short term borrowings | | 24,185,248 | 12,694,106 |
| Workers' profit participation fund | 10.3 | 98,440 | 87,068 |
| | | <u>54,294,220</u> | <u>32,937,639</u> |
| Other charges | | | |
| Bank charges and commissions | | 2,139,712 | 1,236,422 |
| Sales tax penalty and additional tax | | - | 141,515 |
| Excise duty receivable written off | | - | 5,679,617 |
| Amortization of interest on deferred mark up | | 921,015 | 837,287 |
| | | <u>3,060,727</u> | <u>7,894,841</u> |
| | | <u>57,354,947</u> | <u>40,832,480</u> |
| | | 2007 Rupees | 2006 Rupees |

31. STAFF RETIREMENT BENEFITS

The amounts recognized in financial statements are determined as follows :

Reconciliation of amount recognized in the balance sheet

| | | |
|--|-------------------|-------------------|
| Present value of unfunded defined benefit obligation | 13,546,019 | 12,883,562 |
| Liability in the balance sheet | <u>13,546,019</u> | <u>12,883,562</u> |

Amount recognized in the profit and loss account

| | | |
|---|------------------|------------------|
| Current service cost/provision for the year | 3,414,074 | 4,041,610 |
| Interest cost | - | 399,720 |
| Total included in salaries and benefits | <u>3,414,074</u> | <u>4,441,330</u> |

Movement in liability recognized in the balance sheet

| | | |
|-----------------------------------|-------------------|-------------------|
| At the beginning of the year | 12,883,562 | 10,399,417 |
| Amount recognized during the year | 3,414,074 | 4,441,330 |
| Benefit payments | (2,751,617) | (1,957,185) |
| At the end of the year | <u>13,546,019</u> | <u>12,883,562</u> |

Principal actuarial assumptions used

| | | |
|--|---------|---------|
| Discount rate | 9% | 9% |
| Expected rate of increase in salary | 8% | 8% |
| Average expected remaining working life of employees | 5 years | 5 years |

The latest actuarial valuation was carried out for the nine months period ended 30 June 2005, using the projected unit credit method.

32. PROVISION FOR TAXATION

Current year

| | | | |
|----------|------|---------------------|--------------------|
| Current | 32.1 | (4,542,831) | (3,853,714) |
| Deferred | | (12,863,129) | 1,614,378 |
| | | <u>(17,405,960)</u> | <u>(2,239,336)</u> |

32.1 The provision for taxation in these financial statements represents the minimum tax liability under section 113 of the Income Tax Ordinance, 2001, in view of available tax losses of Rupees 9.211 million (2006: Rupees 27.806 million), consequently tax expense reconciliation is not being presented.

| | NOTE | 2007 Rupees | Restated 2006 Rupees |
|--|--------|---------------------|----------------------------|
| 33. EARNING PER SHARE - Basic and diluted | | | |
| Net profit / (loss) for the year | Rupees | <u>(40,799,307)</u> | <u>30,653,185</u> |
| Weighted average ordinary shares in issue | Number | <u>3,052,429</u> | <u>3,052,429</u> |
| Basic earning per share | Rupees | <u>(13.37)</u> | <u>10.04</u> |

No figure for diluted earnings per share has been presented as the company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

34. CASH GENERATED FROM OPERATIONS

| | | | |
|--|------|--------------------|----------------------|
| Profit / (loss) before taxation | | (23,393,347) | 32,892,521 |
| Adjustments for non cash charges and other items: | | | |
| Depreciation | | 22,231,446 | 16,965,029 |
| Gratuity | | 3,414,074 | 4,441,330 |
| Gain / (loss) on sale of property, plant and equipment and lease back transactions | | 20,889,298 | (3,008,953) |
| Workers' profit participation fund | | - | 1,775,253 |
| Financial charges | | 56,433,932 | 41,815,592 |
| Interest income | | (93,650) | - |
| Working capital changes | 34.1 | <u>110,783,529</u> | <u>(143,272,314)</u> |
| | | <u>190,265,282</u> | <u>(48,391,542)</u> |

34.1 Working capital changes

(Increase)/decrease in current assets

| | | | |
|--------------------------------|--|--------------------|------------------|
| Stores, spares and loose tools | | 250,475 | (906,011) |
| Stock-in-trade | | 20,206,526 | (114,618,004) |
| Trade debts | | (14,162,629) | 608,640 |
| Advances | | 71,372,252 | (115,070,834) |
| Other receivables | | <u>(2,820,433)</u> | <u>2,036,090</u> |
| | | 74,846,191 | (227,950,119) |

Increase/(decrease) in current liabilities

| | | | |
|--------------------------|--|--------------------|----------------------|
| Trade and other payables | | <u>35,937,338</u> | <u>84,677,805</u> |
| | | <u>110,783,529</u> | <u>(143,272,314)</u> |

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and directors of the Company are as follows:

| | CHIEF EXECUTIVE | | DIRECTORS | |
|-------------------|-----------------------|------------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Number of persons | 1 | 1 | 3 | 3 |
| | -----R u p e e s----- | | | |
| Remuneration | 2,100,000 | 845,455 | 510,274 | 686,343 |
| House rent | - | 270,000 | 200,302 | - |
| Utilities | - | 84,545 | 51,027 | 68,637 |
| Bonus | - | - | - | 63,575 |
| Total | <u>2,100,000</u> | <u>1,200,000</u> | <u>761,603</u> | <u>818,555</u> |

- 35.1 The Company also provides to chief executive and directors free use of the Company maintained cars, residence and residential telephone facility. The Company has charged gratuity for above mentioned directors.
- 35.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 1 (2006: 1) director was Rupees 4,000 (2006: Rupees 3,000).

36. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors of the company and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | 2007 (R u p e e s) | 2006 |
|--|-----------------------|-----------|
| Bilal Textiles (Private) Limited - associated company | | |
| Sale of goods and services | 6,531,025 | 9,016,860 |
| Purchase of goods and services | 39,446,382 | 1,874,574 |
| Trade debt receivable | 113,810 | 113,810 |
| Bilal Fibers Limited - associated company | | |
| Purchase of goods and services | - | 60,000 |

37. PLANT CAPACITY AND ACTUAL PRODUCTION

| | (Numbers) | |
|---|-------------|------------|
| Spindles installed/ worked; | 34,188 | 34,188 |
| | (Kilograms) | |
| 100% plant capacity converted into 20s count based on 3 shifts per day for 1095 shifts (2006: 1095 shifts) | 11,141,643 | 11,141,643 |
| Actual production of P.C yarn after conversion into 20's count based on 3 shifts per day for 1095 shifts (2006:1095 shifts) | 15,949,638 | 15,757,495 |

- 37.1 Conversion of actual production of cotton and blended yarn of various mix and counts into cotton yarn of 20s depicts production efficiency attained since it fluctuates with changes in count of yarn spun and blend mix in a particular production period.

38.1 Financial risk management objectives and policies

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company's all borrowings and significant transactions are in Pak Rupees, hence foreign exchange rates risk are considered minimal.

b) Interest rate risk

Interest/mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term/short term Rupee based facilities at variable and fixed rates. The Company is exposed to interest/mark-up rate risk in respect of long term/short term Rupee based facilities. Out of the total risk based instruments of Rupees 550,190,896 (2006: Rupees 531,803,337), the instruments which are subject to interest rate risk amounted to Rupees 352,306,883 (2006:Rupees 222,558,364).

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The company's credit risk is primarily attributable to its receivable and its bank balances. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. Out of total financial assets of Rupees 25,886,308 (2006: Rupees 12,707,157), the financial assets which are subject to credit risk amounted to Rupees 506,997 (2006 : Rupees 3,391,317). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the company applies credit limits to its customers. Exports are mainly against banks' letter of credit.

d) Liquidity risk

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

38.2 Fair value of financial assets and liabilities

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

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 4th October,2007 by the Board of Directors of the Company.

40. FIGURES

40.1 Pursuant to the change in accounting policy regarding recognition and measurement of financial instruments (IAS-39) the comparative figures have been restated as mentioned in Note 3.11. Further no significant reclassification/rearrangement of comparative figures has been made except the following.

| Particulars | From | To | Rupees |
|--------------------------|-------------|------------------|---------------|
| Trade and other payables | Others | Accrued expenses | 11,874,009 |

40.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR