

VISION

*A Company providing quality textile
Products and maintaining
An excellent Level of ethical and
Professional standards*

MISSION STATEMENT

*To become a leader of textile products
In the local and
International markets
And to achieve
The highest level of success*

COMPANY INFORMATION

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Wednesday 24th October 2007 at 3:30 PM., at the registered office of the company i.e. Umer Chambers, 10/2, Bilmoria Street, Off: I. I. Chundrigar Road, Karachi, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 29th December 2006.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2007 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 10% (i.e. PKR 1 per share) for the year ended 30th June, 2007, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2007-2008 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(by the order of the Board)

KARACHI:

Dated: 27th September, 2007

Syed Asshraf Ali

ACA, AAIM (Aus)

Company Secretary

NOTES:

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Overview

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

Current crisis and economic challenge

Textile is the lifeline of our economy. The textile industry invested around USD 6.0 billion between 2001-06 to modernise and expand its capacity in the hope of substantially increasing its share in the world markets after removal of quota restrictions from January 2005. Half of the above mentioned amount was invested in the spinning sector and the remainder in the value added sector, but the industry found itself in deep trouble when the State Bank of Pakistan started to tighten monetary expansion by hiking the interest rates from early 2005. Moreover, the government is not supporting textile industry as it is being supported by the Indian, Chinese and Bangladesh governments. The Pakistan textile industry is facing tough competition from the Indian, Bangladeshi and Chinese textile industries.

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

According to the Pakistan Ministry of Textiles, an export target of 13 billion USD has been fixed for the year 2007-08. In the absence of any government support to textile industry the export target of USD 13 billion does not seem to be achieved.

Operating Results

By the grace of Al-Mighty Allah your company continued to perform well and posted profit after taxation for the year ended 30th June 2007 PKR 87.357 Million (30th June 2006: PKR 88.839 Million). Financial results of the company for the year ended 30th June 2007 is summarized as under;

	2007 Rupees	2006 Rupees
Profit before taxation	112,985,100	132,636,977
Taxation	(25,627,533)	(43,797,907)
Profit after taxation	87,357,567	88,839,070
Un-appropriated profit brought forward	108,057,732	166,718,662
Profit available for appropriation	195,415,299	255,557,732
Appropriations:		
Dividend paid	(7,500,000)	(7,500,000)
Transferred to General Reserve	(100,000,000)	(140,000,000)
Un-appropriated profit carried forward	87,915,299	108,057,732
	<u>8.74</u>	<u>8.88</u>
Basic and diluted earning per share		

During the year under review, net sales revenue registered a growth of 5.03% over the last year. The increase in turnover is mainly due to addition of new 20 air jet looms which started production in mid of the year.

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

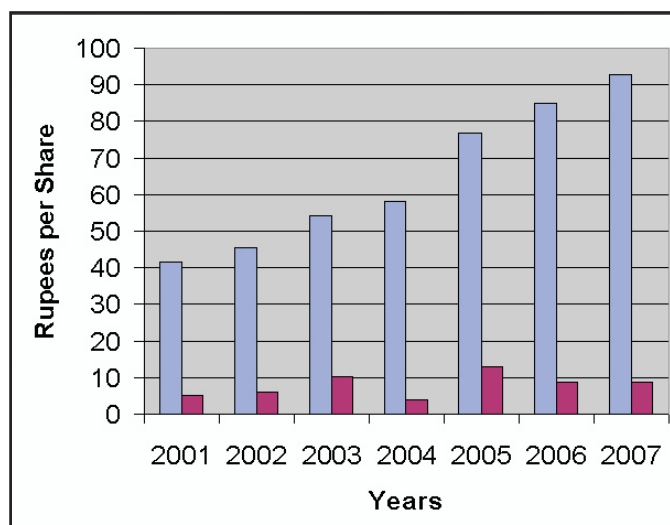
During the year company availed the State Bank of Pakistan Scheme of Long Term Finance for Export Oriented Project (LTF-EOP) and converted its eligible loan under LTF-EOP. Under the scheme the rate of markup is 7% per annum.

Dividend

The board of directors is pleased to recommend a final cash dividend of 10% i.e PKR 1 per share (June 2006: 7.5% i.e. PKR 0.75 per share) for the approval of shareholders at the forthcoming annual general meeting.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2007 is PKR 92.79 (30th June 2006: PKR 84.80). The Earning per Share (EPS) of your company for the year ended 30th June 2007 is PKR 8.74 (30th June 2006: PKR 8.88).


Statement on Corporate and Financial Reporting Framework

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

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

Proper books of account of the company have been maintained.

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

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

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

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

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

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

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

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

Statement of pattern of shareholding has been given separately.

Statement of shares held by associated undertakings and related persons.

Statement of the Board meetings held during the year and attendance by each director has been given separately.

Key operating and financial statistics for last six years.

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

Election of Directors

Election of Directors was held on 29th December 2006 and all eight retiring directors, were elected unopposed whose term of office will expire on 29th December 2009.

Related Party transaction and Transfer Pricing

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

Audit Committee

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

Financial statements

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

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

Pattern of Shareholding

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

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

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 23rd annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 23rd annual general meeting until the conclusion of 24th annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2008. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Safety, Health and Environment

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

Expansion Plan

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

However, normal BMR will continue as and when required.

Cotton Expectation

It is expected that in the coming year 2007-2008 the prices of cotton would be high based on negative trend of ending world stock. Government has set the cotton target for the year 2007-2008 as 14.1 million bales. Due to supportive weather and the growth of BT cotton in some areas, it is expected that the production will be close to this

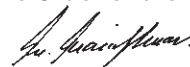
target. But on the other hand the consumption is estimated as around 16.0 million bales. Pakistan is facing 2.0 million shortfall of cotton even if the target is achieved. International cotton market is also at high tune. The New York future has touched to 70 US cent per pound. Due to lower estimated production in USA this year and negative trend of ending world stock, it is expected that New York will remain high. We are fully cognizant of the possible shortage of cotton with high prices and are prepared to do everything possible to mitigate the adverse impact of such an event. But your management is not hopeful to have goods results until the attitude of government is not changed for textile sector.

Acknowledgement

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

Karachi: September 27 2007

By the Order of the Board



Mohammad Sharif
Chief Executive / Director

YEAR WISE OPERATING DATA

SPINNING UNIT	June 30			September 30		
	2007	2006	2005	2004	2003	2002
Spindles Installed	30,720	30,720	30,720	20,640	20,640	20,640
Spindles Worked	30,720	30,720	24,000	20,640	20,640	20,640
No. Of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count. (Kgs.)	11,434,172	11,434,172	5,866,157	6,143,971	6,143,971	6,143,971
Actual Production after conversion into 20/s Count (Kgs.)	11,551,967	11,419,194	6,792,313	7,590,239	7,636,180	7,511,214
WEAVING UNIT						
Air Jet Looms Installed	243	223	223	199	199	114
Air Jet Looms Worked	243	223	223	199	199	114
No. of shifts worked per day	3	3	3	3	3	3
Installed Capacity after conversion into 50 picks - sq. Meter	41,107,384	38,406,182	31,233,657	35,614,875	35,614,875	23,071,453
Actual Production after conversion into 50 picks - sq. Meter	44,583,051	48,423,203	36,986,910	35,458,290	24,268,949	21,505,309

YEAR WISE FINANCIAL DATA	June 30			September 30		
	2007	2006	2005	2004	2003	2002
	Rupees In Thousands					
Fixed Assets	1,725,274	1,671,963	1,722,893	1,590,732	1,084,774	719,160
Investments Long Term Loans & Deposits	138,766	119,084	93,729	17,263	17,531	17,506
Current Assets	1,105,826	851,288	1,020,306	667,574	630,923	297,042
Share Holders Equity	927,915	848,058	766,719	582,472	542,222	474,194
Long Term Liabilities	638,184	971,302	740,615	879,773	524,664	328,822
Deferred Liabilities	35,643	26,085	24,494	20,438	16,887	12,565
Current Liabilities	1,268,123	796,890	1,301,024	792,888	649,459	218,127
Turnover (Net)	3,361,109	3,199,877	2,339,080	2,860,233	1,842,713	1,665,327
Gross Profit	356,212	393,309	303,250	207,846	254,954	200,160
Operating Profit	274,265	297,917	223,836	124,058	184,046	147,931
Financial Charges	180,938	189,281	82,960	51,527	57,627	70,639
Share of profit of associate	19,658	24,001	16,182	-	-	-
Profit Before Taxation	112,985	132,637	157,058	73,252	122,415	76,675
Profit After Taxation	87,357	88,839	130,718	40,249	103,028	58,816
Cash Dividend	7,500	7,500	7,500	-	15,000	20,000
Transfer To Reserves	100,000	140,000	70,000	75,900	-	38,800
Profit C/F	87,915	108,058	166,719	52,472	88,122	94

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

Directors	2006			2007			
	07th Oct	30th Oct.	18th Nov	6th Jan	26th Feb	27th Apr	
Mr. Mohammad Salim	✓	✓	✓	✓	✓	✓	6/6
Mr. Mohammad Sharif	✓	✓	✓	✓	✓	✓	6/6
Mr. Mohammad Shaheen	✓	✓	✓	✓	✓	✓	6/6
Mr. Mohammad Shakeel	✓	✓	✓	✓	✓	✓	6/6
Mr. Khurram Salim	✗	✓	✓	✓	✓	✓	5/6
Mr. Bilal Sharif	✗	✓	✓	✓	✓	✓	5/6
Mr. Mohammad Amin	✗	✓	✓	✓	✓	✓	5/6
Mr. Adil Shakeel	✗	✓	✓	✓	✓	✓	5/6
CHIEF FINANCIAL OFFICER:							
Mr. Anwar Hussain	✓	✓	✓	✓	✓	✓	6/6
COMPANY SECRETARY:							
Mr. .Asif Mahmood	✓	✓	✓	✓	✓	✓	6/6
	10/10	10/10	10/10	10/10	10/10	10/10	56/60

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

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

Tel: 850834, 5865618

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit

KARACHI:
Dated : 27th September 2007

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

MUSHTAQ & CO.

CHARTERED ACCOUNTS

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

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

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

Tel: 850834, 5865618

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,
 - (ii) the expenditure incurred during the period 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;

KARACHI:
Dated : 27th September 2007

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

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

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

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

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred during the year.
6. The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFI. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their

duties and responsibilities and briefed them regarding amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.

9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.
14. The Company has complied with all the corporate and financial reporting requirements of the



Mohammad Sharif
Chief Executive / Director

BALANCE SHEET

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,725,274,198	1,671,963,088
Long-term investment	4	130,085,811	111,319,339
	5		
Long-term loans	6	4,302,784	5,069,144
Long-term deposits		4,377,095	2,695,725
	7		
	8		
CURRENT ASSETS			
	9		
	10		
Stores, spare parts and loose tools	11		
Stock-in-trade	12	35,437,734	28,895,504
Trade debts	13	685,830,829	588,086,858
	14	293,439,063	160,238,276
Loans and advances		37,476,160	17,990,927
Trade deposits		9,108,000	4,814,165
Other receivables		2,751,572	269,852
Taxation		17,631,115	21,502,569
Bank balances		24,151,839	29,489,883
		1,105,826,312	851,288,034
		2,969,866,200	2,642,335,330

The ~~annexed notes~~ from 1 to 41 form an integral part of these financial statements.

Mohammad Sharif
Chief Executive / Director

AS AT JUNE 30, 2007

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,000,000 (June 30, 2006: 12,000,000) ordinary shares of Rs.10 each		<u>120,000,000</u>	<u>120,000,000</u>
	15	100,000,000	100,000,000
Issued, subscribed and paid up share capital		<u>740,000,000</u>	<u>640,000,000</u>
Reserves		87,915,299	108,057,732
Unappropriated profit	16	927,915,299	848,057,732
Loan from sponsors		100,000,000	-
NON-CURRENT LIABILITIES			
Long term financing	17	618,133,345	967,012,984
Obligation under finance lease	18	13,255,413	-
Infrastructure fee payable	19	6,795,302	4,289,495
Deferred liabilities	20	35,643,365	26,085,350
	21	<u>673,827,425</u>	<u>997,387,829</u>
	22		
	23		
	24		
CURRENT LIABILITIES			
Trade and other payables	25	149,653,142	158,997,461
Mark-up accrued on loans		30,188,947	31,433,072
Short term borrowings		<u>794,000,000</u>	<u>360,000,000</u>
Current portion of long term financing		<u>294,281,387</u>	<u>246,459,236</u>
		1,268,123,476	796,889,769
CONTINGENCIES AND COMMITMENTS			
		-	-
		2,969,866,200	2,642,335,330



Mohammad Salim
Director


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

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
Sales – net	26	3,361,109,697	3,199,876,653
Cost of sales	27	(3,004,897,618)	(2,806,567,784)
Gross profit	28	356,212,079	393,308,869
Other operating income		771,352	1,078,566
	29	356,983,431	394,387,435
	30		
Distribution cost	31	(52,509,648)	(59,463,691)
Administrative expenses	32	(25,259,248)	(31,243,770)
Other operating expenses		(4,949,256)	(5,762,659)
Finance expenses	4	(180,938,521)	(189,281,477)
		(263,656,673)	(285,751,597)
	33	93,326,758	108,635,838
Share of profit of associated undertaking		19,658,342	24,001,139
Profit before taxation		112,985,100	132,636,977
	34		
Provision for taxation		(25,627,533)	(43,797,907)
Profit after tax		87,357,567	88,839,070

Earnings per share – basic and diluted

8.74

8.88



Mohammad Sharif

Chief Executive / Director



Mohammad Salim

Director

The annexed notes from 1 to 41 form an integral part of these financial statements.


CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	June 30, 2007 Rupees	June 30, 2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	112,985,100	132,636,977
Adjustments for:		
Depreciation on property, plant and equipment	179,010,614	180,395,243
Provision for employee benefits	14,687,204	7,950,299
Provision for doubtful debts and other receivables	–	6,215,392
Share of profit of associated undertaking	(19,658,342)	(24,001,139)
Infrastructure fee	2,505,807	212,439
Gain on disposal of property, plant and equipment	(389,878)	(973,596)
Finance cost	(180,938,521)	189,281,477
Cash flows before changes in working capital	108,201,984	491,717,092
Decrease/(increase) in stores, spare parts and loose tools	(6,542,230)	1,906,149
Decrease/(increase) in stock-in-trade	(97,743,971)	79,475,152
Decrease/(increase) in trade debts	(133,200,787)	8,218,725
Decrease/(increase) in loans and advances	(1,581,796)	47,403,879
Decrease/(increase) in trade deposits	(4,293,835)	137,360
Decrease/(increase) in other receivables	(2,481,720)	3,988,131
Decrease in trade and other payables	(9,385,589)	(7,867,374)
Cash generated from/(used in) operations	(255,229,928)	133,262,022
Financial expenses paid	(47,027,944)	624,979,114
Employee benefits paid	179,694,396	(181,338,124)
Income taxes paid	(5,129,189)	(6,358,754)
Decrease/(increase) in taxation	(43,147,158)	(43,807,847)
Long-term loans	3,871,454	33,516,120
Long-term deposits	382,548	1,202,787
	(1,681,370)	(1,638,910)
Net cash from / (used in) operating activities	133,990,681	(198,424,728)
	(13,037,263)	426,554,386

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	June 30, 2007 Rupees	June 30, 2006 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	16,965,000	20,777,406
Purchase of property, plant and equipment	(248,896,846)	(149,268,863)
Dividend received	891,870	891,870
Net cash used in investing activities	<u>(231,039,976)</u>	<u>(127,599,587)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term financing		
Proceeds from finance lease	60,592,224	430,000,000
Loan from sponsor and relatives	19,883,120	-
Payment of long-term financing	100,000,000	-
(Decrease) / increase in short-term bank borrowings	(368,277,419)	(190,744,950)
Dividend paid	<u>434,000,000</u>	<u>(517,089,808)</u>
	(7,458,730)	(7,477,768)
Net cash (used in)/from financing activities		
	<u>238,739,195</u>	<u>(285,312,526)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
CASH AND CASH EQUIVALENTS AT END OF YEAR	(5,338,044)	13,642,273
	29,489,883	15,847,610
	24,151,839	29,489,883

The annexed notes from 1 to 41 form an integral part of these financial statements.



Mohammad Sharif
Chief Executive / Director





Mohammad Salim
Director

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

	SHARE CAPITAL	RESERVES		SUB TOTAL RESERVES	UN-APPROPRIATED PROFIT	TOTAL
		Capital reserve- Share premium	General reserve			
RUPEES						
Balance as at June 30, 2005 - as restated	100,000,000	24,150,000	475,850,000	500,000,000	166,718,662	766,718,662
Profit for the year ended June 30, 2006	-	-	-	-	88,839,070	88,839,070
Transfer to general reserves	-	-	140,000,000	140,000,000	(140,000,000)	-
Final dividend paid for nine months ended June 30, 2005 @ PKR 0.75 per share	-	-	-	-	(7,500,000)	(7,500,000)
Balance as at June 30, 2006	100,000,000	24,150,000	615,850,000	640,000,000	108,057,732	848,057,732
Profit for the year ended June 30, 2007	-	-	-	-	87,357,567	87,357,567
Transfer to general reserves	-	-	100,000,000	100,000,000	(100,000,000)	-
Final dividend paid for the year ended June 30, 2006 @ PKR 0.75 per share	-	-	-	-	(7,500,000)	(7,500,000)
Balance as at June 30, 2007	100,000,000	24,150,000	715,850,000	740,000,000	87,915,299	927,915,299

The annexed notes from 1 to 41 form
an integral part of these financial statements.


Mohammad Sharif
 Chief Executive / Director


Mohammad Salim
 Director

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

1.1 STATUS AND ACTIVITIES

Faisal Spinning Mills Limited ("the Company") was incorporated in Pakistan on January 31, 1985 as a Public limited company under the Companies Ordinance, 1984. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The company is principally engaged in manufacturing and sale of yarn and fabrics.

- 1.2 These financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Significant estimates

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

2.3.1 Employee retirement benefits

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

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

2.3.2 Property, plant and equipment

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

2.3.3 Taxation

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

2.3.4 Trade debts and other receivables

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

2.3.5 Future estimation of export sales

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

2.3.6 Interest rate and cross currency swap

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

2.4 Employee benefits

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

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

IAS – 1 Presentation of Financial Statements – amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS – 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS – 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS – 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS – 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

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

2.6 Property, plant and equipment

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007****2.7 Accounting for finance lease**

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

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

2.8 Capital work in progress

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

2.9 Foreign currency transactions

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

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

2.10 Borrowing costs

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

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

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

2.11 Investments**Regular way purchase or sale of investments**

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date the Company commits to purchase or sell the investment.

Investments in equity instruments of associated companies

These investments are initially recognized at cost and subsequently accounted for using equity method of accounting

Derecognition

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

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and i r r e c o v e r a b l e a r e w r i t t e n o f f w h e n i d e n t i f i e d .

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, cash in transit and balances with banks.

2.14 Borrowings

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

2.15 Trade and other payables

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

2.16 Financial instruments

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

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

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

Derivative financial instruments

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

2.17 Stores, spares and loose tools

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

2.18 Stock in trade

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

Raw material	At weighted average cost
Work in progress	A v e r a g e m a n u f a c t u r i n g c o s t
Finished goods	A v e r a g e m a n u f a c t u r i n g c o s t
Waste	Net realizable value

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**
3 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	COST				DEPRECIATION			Book value as at 30-06-07	Annual rate of dep. %
	As at 01-07-06	Additions/ (Deletions)	Transfer	As at 30-06-07	As at 01-07-06	Charge for the year (Accumulated depreciation on disposals)	As at 30-06-07		
RUPEES									
Freehold land	9,454,028	-	-	9,454,028	-	-	-	9,454,028	-
Leasehold land	2,994,885	-	-	2,994,885	-	-	-	2,994,885	-
Factory building on freehold land	212,662,228	12,523,839	-	225,186,067	72,696,452	14,973,821	87,670,273	137,515,794	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	46,013,230	3,577,202	49,590,432	32,194,816	10
factory building on Leasehold extension	45,883,296	1,651,657	-	47,534,953	5,620,703	4,026,698	9,647,401	37,887,552	10
Non factory building on freehold land	73,713,394	957,042	-	74,670,436	13,128,388	3,077,102	16,205,490	58,464,946	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	10,739,931	810,806	11,550,737	15,405,318	5
Non factory building on Leasehold extension	9,169,108	290,731	-	9,459,839	567,339	444,625	1,011,964	8,447,875	5
Plant and machinery	1,790,145,641	182,533,149	-	1,953,365,182	506,262,136	139,206,082	642,392,515	1,310,972,667	10
		(19,313,608)				(3,075,703)			
Electric equipment and fitting	49,482,833	21,248,607	-	70,731,440	14,753,438	4,575,158	19,328,596	51,402,844	10
Gas line and pipe fitting	3,892,577	4,050,602	-	7,943,179	1,122,626	577,193	1,699,819	6,243,360	10
Factory equipment	11,693,380	276,500	-	11,969,880	6,335,221	553,137	6,888,358	5,081,522	10
Office equipment	2,164,707	153,500	-	2,318,207	1,096,271	113,423	1,209,694	1,108,513	10
Furniture and fixtures	6,651,890	175,804	-	6,827,694	2,569,553	421,419	2,990,972	3,836,722	10
Equipment and other assets	18,987,004	7,156,802	-	26,143,806	9,809,742	4,601,618	14,411,360	11,732,446	35
Vehicles	22,262,509	1,055,300	-	21,830,904	14,861,083	1,408,860	15,120,255	6,710,649	20
		(1,486,905)				(1,149,688)			
	2,367,898,783	232,073,533	-	2,579,171,803	705,576,113	178,367,144	879,717,866	1,699,453,937	
		(20,800,513)				(4,225,391)			
ASSETS SUBJECT TO FINANCE LEASE:									
Plant and machinery	-	21,240,332	-	21,240,332	-	643,470	643,470	20,596,862	10
	2,367,898,783	253,313,865	-	2,600,412,135	705,576,113	179,010,614	880,361,336	1,720,050,799	
		(20,800,513)				(4,225,391)			
Capital work in progress									
Building and other civil work	2,443,774	2,404,625	-	4,848,399	-	-	-	4,848,399	
Plant and machinery	6,778,927	(6,403,927)	-	375,000	-	-	-	375,000	
Unallocated capital expenditure	417,717	(417,717)	-	-	-	-	-	-	
	9,640,418	(4,417,019)	-	5,223,399	-	-	-	-	
2007 (Rupees)	2,377,539,201	248,896,846	-	2,605,635,534	705,576,113	179,010,614	880,361,336	1,671,963,088	
2006 (Rupees)	2,264,895,849	149,268,864	-	2,377,539,201	542,002,572	180,395,243	705,576,113	1,671,963,088	
The depreciation charge for the year has been allocated as follows:									
Cost of sales		(36,625,512)			27	(16,821,708)		178,042,733	
Administrative expenses					30	1,930,517		2,352,510	
						179,010,614		180,395,243	

3.2 Disposal of property, plant and equipment

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
RUPEES							
Plant and machinery							
Gas Generator	19,313,608	3,075,703	16,237,905	16,500,000	262,095	Negotiation	Blessed Textiles Limited Umer Chamber 10/2 Bilmoria Street, Off I.I Chundrigar Road, Karachi. (Related party)
Vehicles							
Suzuki Mehran (LXR-8398)	339,300	273,777	65,523	165,000	99,477	Negotiation	Mr. Muhammad Aamir 2-A, Sanda Road, Lahore
Honda Civic (AB-7114)	1,147,605	875,911	271,694	300,000	28,306	Negotiation	Mr. Atiq ur Rehman Plot # SA-17, 11, C/2 North Karachi. Karachi.
2007 (Rupees)							
2006 (Rupees)	20,800,513	4,225,391	16,575,122	16,965,000	389,878		
	36,625,512	16,821,702	19,803,810	20,774,406	973,596		

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

	2007 Rupees	2006 Rupees
4 LONG-TERM INVESTMENT		
<i>Investment in associates</i>		
Investment in shares of Blessed Textiles Limited (1,189,160 ordinary shares of Rs. 10 each)	<u>130,085,811</u>	<u>111,319,339</u>
Cost of investment	11,891,600	11,891,600
Accumulated share of post acquisition profit – net of dividends received	<u>99,427,739</u>	<u>76,318,470</u>
Share of profit for the year	<u>19,658,342</u>	<u>24,001,139</u>
Dividend received during the year	<u>(891,870)</u>	<u>(891,870)</u>
4.1	<u>118,194,211</u>	<u>99,427,739</u>
	130,085,811	111,319,339
Summarized financial information of Blessed Textiles Limited is set out below:	_____	_____
Total assets	2,564,847,046	2,440,626,442
Total liabilities	1,861,231,103	1,838,515,717
Net assets	703,615,943	602,110,725
Company's share of associate's net assets	130,085,811	111,319,339
	=====	=====
	=====	=====
	=====	=====
	June 30 2007	June 30 2006
4.2	Rupees	Rupees
Sales– net	2,676,741,739	2,927,425,775
Profit for the year	106,329,218	129,818,803
5	19,658,342	24,001,139
Company's share of associate's profit for the year		
Market value per share	71	77
Percentage of holding	18.49%	18.49%
6	10	
	_____	_____
	=====	=====
LONG-TERM LOANS		
Un-secured; considered good		
Loan to:	_____	_____
– employees	<u>7,307,157</u>	<u>7,689,705</u>
Current portion shown in current assets	<u>(3,004,373)</u>	<u>(2,620,561)</u>
	4,302,784	5,069,144
LONG-TERM DEPOSITS		
Security deposits		

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

		2007 Rupees	2006 Rupees
7	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	29,356,325	14,690,323
	Chemicals and lubricants	2,989,102	6,019,116
	Spare parts and loose tools	<u>3,092,307</u>	<u>8,186,065</u>
		<u>35,437,734</u>	<u>28,895,504</u>

8
STOCK-IN-TRADE

	Raw material	8.1	415,378,136	322,626,992
	Work in process		<u>47,162,005</u>	<u>48,498,636</u>
	Finished goods		<u>218,596,819</u>	<u>213,632,599</u>
8.1	Waste		<u>4,693,869</u>	<u>3,228,103</u>
	Finished goods costing PKR 8,614,907 (June 30, 2006 : PKR 550,410) are carried at net realizable value of		685,830,829	588,086,858

9
TRADE DEBTS

	Foreign secured through letters of credit			
	Local; unsecured, considered good		34,830,532	17,823,236
10	Considered doubtful:		<u>258,608,531</u>	<u>142,415,040</u>
	Export			
	Local		13,087,779	13,087,779
			870,000	870,000
	Provision for doubtful debts		307,396,842	174,196,055
			(13,957,779)	(13,957,779)
			293,439,063	160,238,276

LOANS AND ADVANCES

	Current portion of long term loans to;	5		
	- employees			
10.1	Advances to suppliers - unsecured, considered good		3,004,373	2,620,561
	Letters of credit	10.1	13,200,892	13,605,933
	Advance income tax		2,850,828	485,054
	Others		18,195,775	676,150
			224,292	603,229
			<u>37,476,160</u>	<u>17,990,927</u>

11.1 Effective mark up rate on these deposits range from 3% to 7% (June 30, 2006: 1.57% to 3%) per annum.

11 TRADE DEPOSITS

Deposit against infrastructure fee payable	11.1
Trade deposits	

7,500,000	4,750,000
1,608,000	64,165
9,108,000	4,814,165

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

		2007 Rupees	2006 Rupees
12 OTHER RECEIVABLES			
Interest receivable from related party—considered doubtful	12.1	6,215,392	6,215,392
Other receivables		<u>2,751,572</u>	<u>269,852</u>
		8,966,964	6,485,244
Provision for interest receivable from related party		<u>(6,215,392)</u>	<u>(6,215,392)</u>
		<u>2,751,572</u>	<u>269,852</u>

12.1 This represents interest receivable from related party, M/S. Synergy Synthetic Limited. The maximum aggregate amount outstanding at the end of any month during the year was Rs. 6,215,392 (June 30, 2006: Rs. 6,215,392)

13

TAXATION

Sales tax refundable		<u>17,631,115</u>	<u>20,712,519</u>
13.1 Octroi refundable	13.1	–	125,681
Income tax refundable		–	664,369
14		17,631,115	21,502,569

These represents accumulated difference of input tax and sales tax payable.

BANK BALANCES

14.1	14.1	<u> </u>	<u> </u>
14.2 Balances with banks on:	14.2	<u> </u>	<u> </u>
Current accounts			
15 Deposit accounts		20,673,498	26,202,612
		3,478,341	3,287,271

ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

This includes No. of Shares June 30, 2007 : 24,151,839 (June 30, 2006 : 29,489,883) in foreign currency accounts.
 Effective mark up rate in respect of these balances ranges from 3% to 7% (June 30, 2006: 1.50% to 3.0%) per annum.
 Ordinary shares of Rs. 10 each

	6,300,000	6,300,000	– fully paid in cash	63,000,000	63,000,000
	<u>3,700,000</u>	<u>3,700,000</u>	– issued as bonus shares	<u>37,000,000</u>	<u>37,000,000</u>
16	10,000,000	10,000,000		100,000,000	100,000,000

This represents loan received from sponsors and their relatives. It is interest free and unsecured loan. The

Loan from Sponsors and Relatives

100,000,000 –

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**
17 LONG TERM FINANCING
From financial institutions - secured

		L T F - (EOP) loans	NON-LTF loans	June 2007 Rupees	June 2006 Rupees
Term Finance Loan	17.1	-	-	-	11,250,000
Term Finance Loan	17.2	49,999,996	-	49,999,996	72,222,220
Term Finance Loan	17.3	90,909,091	-	90,909,091	109,090,911
Term Finance Loan	17.4	59,090,909	-	59,090,909	82,727,272
Term Finance Loan	17.5	-	40,909,089	40,909,089	68,181,817
Term Finance Loan	17.6	-	100,000,000	100,000,000	140,000,000
Term Finance Loan	17.7	-	71,428,572	71,428,572	100,000,000
Term Finance Loan	17.8	-	71,428,572	71,428,572	100,000,000
Term Finance Loan	17.9	30,451,378	40,977,194	71,428,572	100,000,000
Term Finance Loan	17.10	-	-	-	140,000,000
Term Finance Loan	17.11	87,588,448	202,411,552	290,000,000	290,000,000
Term Finance Loan	17.12	60,592,224	-	60,592,224	-
Term Finance Loan	17.1	378,632,046	527,154,979	905,787,025	1,213,472,220
Term Finance Loan	17.2	-	-	-	-
Term Finance Loan	17.3	-	-	-	-
Term Finance Loan	17.4	-	-	-	-
Less: Current Maturity	17.5	-	-	-	11,250,000
Term Finance Loan	17.6	16,666,668	-	16,666,668	22,222,224
Term Finance Loan	17.7	36,363,636	-	36,363,636	36,363,636
Term Finance Loan	17.8	23,636,364	-	23,636,364	23,636,364
Term Finance Loan	17.9	-	27,272,728	27,272,728	27,272,728
Term Finance Loan	17.10	-	40,000,000	40,000,000	40,000,000
Term Finance Loan	17.11	-	28,571,428	28,571,428	28,571,428
Term Finance Loan	17.12	-	28,571,428	28,571,428	28,571,428
Term Finance Loan	17.1	12,180,552	16,390,876	28,571,428	28,571,428
Term Finance Loan	17.2	17,517,690	40,482,310	58,000,000	-
Term Finance Loan	17.3	106,364,910	181,288,770	287,653,680	246,459,236
Term Finance Loan	17.4	272,267,136	345,866,209	618,133,345	967,012,984

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**
17 LONG TERM FINANCING

	Security	Repayment	Markup up LTF	Markup up Non-LTF
17.1	First equitable mortgage charge over entire present and future immovable property , hypothecation of plant and machinery Unit-II amounting to Rs. 430 million.	The loan has been repaid in sixteen equal quarterly installments, commenced from September 04, 2003.	-	Six months T-Bill cutoff rate plus 2% (2006: Six months T-Bill cutoff rate plus 2%)
17.2				
17.3	First equitable mortgage charge over entire present and future immovable property , hypothecation of plant and machinery Unit-II amounting to Rs. 430 million.	The loan is repayable in eighteen equal quarterly installments commencing from June 01, 2005.	6.00%	(2006: Three month KIBOR plus one percent)
17.4	First pari passu charge over plant and machinery of Nooriabad Spinning Unit to the extent of Rs. 419 million and first pari passu charge over plant and machinery of Weaving Unit (Sheikhupura) to the extent of Rs. 236 million.	The loan is repayable in eleven equal semi annual installments, commencing from June 30, 2004.	6.00%	(2006: Six months T-Bill cutoff rate plus 2.50%)
17.5				
17.6	First pari passu charge over plant and machinery of Nooriabad Spinning Unit to the extent of Rs. 419 million and first pari passu charge over plant and machinery of Weaving Unit (Sheikhupura) to the extent of Rs. 236 million.	The loan is repayable in eleven equal semi annual installments commencing from July 16, 2003.	6.00%	(2006: Six months T-Bill cutoff rate plus 2.50%)
17.7	First pari passu charge over plant and machinery of Nooriabad Spinning Unit to the extent of Rs. 419 million and first pari passu charge over plant and machinery of Weaving Unit (Sheikhupura) to the extent of Rs. 236 million.	The loan is repayable in eleven equal semi annual installments commencing from August 11, 2004.	-	Six months T-Bill cutoff rate plus 2.50% (2006: Six months T-Bill cutoff rate plus 2.50%)
17.8				
17.9	First Equitable mortgage of property by way of Memorandum of Deposit of Title for bearing No. A/150 i.e. spinning unit at Nooriabad, Sindh along with present and future construction, fixture, fittings therein machinery installed thereon to Rs. 707 million.	The loan is repayable in twenty equal quarterly installments, commencing from March 29, 2005.	-	Six months T-Bill cutoff rate plus 1.5% (2006: Six months T-Bill cutoff rate plus 1.5%)
17.10				
17.11				
17.12	First equitable mortgage charge over present and future plant and machinery and immovable assets of the Company amounting to Rs. 707 million.	The loan is repayable in seven equal semi annual installments, commencing from August 26, 2006.	-	Six months KIBOR plus 1% (2006: Six month KIBOR plus 1%)
			6.00%	Six months KIBOR plus 1% (2006: Six month KIBOR plus 1%)
	Covered under securities for term finance 17.7.	The loan is repayable in seven		Six months KIBOR plus 1% (2006: Six month

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

17.13 The company has entered into four **interest rate swap** agreements with various banks for a notional amount of PKR 500.0 Million (2006: 500 Million), maturing upto October 22, 2010. The outstanding balance of these arrangements is PKR 314.286 Million (2006: 500.0 Million) as at the balance sheet date. Under the swap arrangements, the company would receive six months T-Bill (cut off) and six months KIBOR rates and pay fixed rates of mark-up ranging between 8.27% to 10.35% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR 64,194 (2006: PKR (788,454) in favour / (contrary) to the company.

17.14 The Company has entered into a cross currency swaps against long term finances for a notional amount of PKR 400.0 million, maturing upto April 15, 2010. The outstanding balance of this arrangement is PKR 400.0 million (2006: Nil) as at the balance sheet date. Under the swap arrangement the principal payable amount of Rs. 400.0 million is swapped with USD component at PKR 60.69 per USD making the loan amount to USD 6.593 million

	2007 Rupees	2006 Rupees
18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments		
Up to one year	8,410,500	-
More than one year but less than five years	14,910,256	-
	23,320,756	-
Financial charges not yet due		
Up to one year	(1,782,793)	-
More than one year but less than five years	(1,654,843)	-
	(3,437,636)	-
Present value of minimum lease payments		
Up to one year	6,627,707	-
More than one year but less than five years	13,255,413	-
	19,883,120	-
Current portion shown under current liabilities	(6,627,707)	-
Present value of total minimum lease payments	13,255,413	-

This represents finance lease entered into with a banking institution for lease of plant and machinery and is payable later than one year but not later than 5 years

This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of **INFRASTRUCTURE FEE PAYABLE**. The Company has filed appeal before the Honorable Sindh High Court ("SHC") against levy of said fee on imports by the Company. Pending the decision on appeal, SHC has directed that imports of the Company be released against furnishing of bank guarantees. The Company has provided guarantees

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

20	DEFERRED LIABILITIES		2007 Rupees	2006 Rupees		
	Employee benefits	20.2	35,643,365	26,085,350		
20.1 The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions						
20.2						
Movement in liability recognized in the balance sheet						
	Balance at beginning of year		26,085,350	24,493,805		
	Charged to profit and loss account		14,687,204	7,950,299		
20.2.1	Benefits paid during the year		(5,129,189)	(6,358,754)		
	Balance at the end of the year		35,643,365	26,085,350		
The following amounts have been charged to the profit and loss account during the year						
	Current service cost					
	Interest cost		5,927,945	4,799,200		
20.2.2	Actuarial loss / (gain) recognized during the year		2,453,567	1,757,572		
	Net amount chargeable to profit and loss account		6,305,692	1,393,527		
20.2.3	There is no unrecognised actuarial loss / gain.		14,687,204	7,950,299		
20.2.4	Historical information					
		2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees	2003 Rupees
		35,643,365	26,085,350	24,493,805	20,437,595	16,887,760
	Present value of defined benefits obligation					
		6,305,692	1,393,527	(14,549)	832,980	1,913,919
	Experience adjustments on plan liabilities					
21	TRADE AND OTHER PAYABLES		2007 Rupees	2006 Rupees		
	Creditors		86,765,038	95,658,162		
	Accrued liabilities		48,606,180	42,869,186		
	Payable to contractors	21.1	1,236,861	3,922,169		
	Workers' profit participation fund		9,961,409	10,677,793		
	Unclaimed dividend		1,964,505	1,923,235		
	Others		1,119,149	3,946,916		
21.1			149,653,142	158,997,461		
	Workers' profit participation fund	21.2				
	Balance at beginning of year		10,677,793	9,605,592		
	Interest on funds utilized in the Company's business		709,096	854,677		
	Paid during the year		11,386,889	10,460,269		
21.2			(6,374,736)	(5,545,135)		
	Allocation / expense for the year		5,012,153	4,915,134		
			4,949,256	5,762,659		
			9,961,409	10,677,793		

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

	2007 Rupees	2006 Rupees
22 MARK-UP ACCRUED ON LOANS		
Mark-up accrued on :		
– long-term financing	18,724,389	20,459,893
– short-term borrowings	11,464,558	10,253,875
– interest rate swapping arrangements	<u> </u>	<u>719,304</u>
23	<u><u>30,188,947</u></u>	<u><u>31,433,072</u></u>

SHORT TERM BORROWINGS
From banking companies-secured

Short term money market loan	<u>794,000,000</u>	<u>360,000,000</u>
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23.1 The aggregate approved short term borrowing facilities amounted to PKR 1,460.0 million (2006: PKR 1,260.0 million).

23.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.25% to 1.5 %

24 CURRENT PORTION OF LONG TERM FINANCING

Long term loans	287,653,680	246,459,236
Obligations under finance lease	<u>6,627,707</u>	<u> </u>
	<u><u>294,281,387</u></u>	<u><u>246,459,236</u></u>

25 CONTINGENCIES AND COMMITMENTS
Contingencies

25.1 In normal course of business, the Company has issued indemnity bonds amounting to Rs. 52.71 (June 30, 2006 : 52.71) million in favour of collectors of custom and sales tax department in lieu of custom and sales tax levies against various statutory notification and the indemnity bond furnished by the Company are likely to be released after fulfillment of the terms of related SRO's.

Commitments

Letters of credit for:	102,135,343	65,010,831
Civil works	<u> </u>	<u>6,000,000</u>
	<u><u>102,135,343</u></u>	<u><u>71,010,831</u></u>

	Year ended June 30, 2007			Year ended June 30, 2006
	LOCAL	EXPORT	TOTAL	
26 SALES - NET				
	RUPEES			
Gross sales:				
Yarn	119,869,131	1,278,275,767	1,398,144,898	1,259,202,780
Fabric	1,321,649,187	595,238,532	1,916,887,719	1,908,286,884
Waste	<u>81,432,862</u>	<u> </u>	<u>81,432,862</u>	<u>60,186,969</u>
	1,522,951,180	1,873,514,299	3,396,465,479	3,227,676,633
Add: Export rebate	<u> </u>	<u>567,948</u>	<u>567,948</u>	<u>8,845,429</u>
	1,522,951,180	1,874,082,247	3,397,033,427	3,236,522,062
	<u><u>(7,341,581)</u></u>	<u><u>(28,582,149)</u></u>	<u><u>(35,923,730)</u></u>	<u><u>(36,645,409)</u></u>
Commission				
	1,515,609,599	1,845,500,098	3,361,109,697	3,199,876,653

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

27	COST OF SALES	Note	Year ended June 2007 Rupees	Year ended June 2006 Rupees
	Raw material	27.1	2,290,629,681	2,189,998,745
	Packing material		39,577,173	32,417,693
	Yarn and fabric processing charges	27.2	11,198,193	5,967,276
	Salaries, wages and benefits		142,339,815	122,936,968
	Stores and spare parts		85,527,269	82,755,118
	Fuel, power and water		214,599,469	225,499,612
	Insurance	3.1	6,762,567	5,597,609
	Repair and maintenance		2,967,329	5,650,119
	Depreciation		177,080,097	178,042,733
	Others		5,868,187	8,390,924
			<u>2,976,549,780</u>	<u>2,857,256,797</u>
	Work in process			
	Opening stock		48,498,636	39,840,577
	Closing stock		(47,162,005)	(48,498,636)
			1,336,631	(8,658,059)
	Cost of goods manufactured		<u>2,977,886,411</u>	<u>2,848,598,738</u>
	Finished stocks			
27.1	Opening stock		<u>216,961,230</u>	<u>106,200,214</u>
	Finished goods purchased for export		<u>28,466,545</u>	<u>22,453,728</u>
	Yarn purchased		<u>4,874,120</u>	<u>46,276,334</u>
	Closing stock		(223,290,688)	(216,961,230)
			<u>27,011,207</u>	<u>(42,030,954)</u>
			3,004,897,618	2,806,567,784
	Raw material consumed			
27.2	Salaries, wages and benefits includes employees retirement benefits amounting to PKR 13,960,304 (June 30, 2006: PKR 6,328,875).		<u>522,626,992</u>	<u>521,521,219</u>
	Purchases		2,388,302,864	2,155,535,015
			<u>2,710,929,856</u>	<u>2,677,056,234</u>
28	Raw material sold		(4,922,039)	(164,430,497)
	Closing stock		(415,378,136)	(322,626,992)
			<u>2,290,629,681</u>	<u>2,189,998,745</u>
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>

OTHER OPERATING INCOME
Income from financial assets

Interest on bank deposits

Income from assets other than financial assets

Gain on disposal of property, plant and equipment

Doubtful debts recovered

381,474	29,165
389,878	973,596
–	75,805

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

			year ended June 2007 Rupees	year ended June 2006 Rupees
29	DISTRIBUTION COST	Note		
	Export			
	Steamer freight		27,377,236	26,907,287
	Trailer freight		8,538,389	7,138,200
	Clearing and forwarding		5,458,230	5,753,999
	Export development surcharge		3,165,670	3,418,228
	Sales promotion expenses		296,212	1,441,166
	Adhesive stamps		3,677,289	3,604,960
	Testing charges		6,190	84,418
	Claim settlement		-	6,005,000
	Other export expenses		2,483,456	3,048,052
			51,002,672	57,401,310
	Local			
	Freight on local sales		213,365	1,315,570
	Sales office expenses		710,946	303,505
	Letters of credit discounting charges		129,987	349,534
30	Advertisement expenses		-	43,680
	Quality claim		452,678	50,092
		36	1,506,976	2,062,381
		30.1	52,509,648	59,463,691
	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		2,880,000	2,880,000
	Staff salaries and benefits	30.2	12,096,842	13,590,335
	Traveling, conveyance and entertainment		1,856,226	1,516,685
	Printing and stationery		402,876	391,021
	Communication expenses	3.1	1,066,596	1,114,389
	Vehicles running and maintenance		1,665,956	1,330,402
	Legal and professional		419,700	350,400
	Auditors' remuneration		340,000	310,000
30.1	Fee and subscription		741,741	441,752
	Repair and maintenance		491,047	70,240
30.2	Office expenses		262,476	379,842
	Depreciation		1,930,517	2,352,510
	Provision for doubtful debts		-	6,215,392
	Others		1,105,271	300,802
31			25,259,248	31,243,770
	Staff salaries and benefits includes employee retirement benefits amounting to PKR 726,900 (June 30, 2006: PKR 1,621,424) .			
	Auditors' remuneration			
	Annual statutory audit			
	Half yearly review	36	225,000	195,000
	Out of pocket expenses		80,000	80,000
			35,000	35,000
	OTHER OPERATING EXPENSES		340,000	310,000

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

32	FINANCE EXPENSES	Note	year ended June 2007 Rupees	year ended June 2006 Rupees
	Mark-up on:			
	– long term financing		95,330,275	97,560,075
	– short term borrowings		69,826,722	76,309,551
	– workers' profit participation fund		709,096	854,677
	Bank charges and commission		<u>14,500,394</u>	<u>10,976,466</u>
		17.13	<u>180,366,487</u>	<u>185,700,769</u>
	Derivatives financial instrument		<u><u>572,034</u></u>	<u><u>3,580,708</u></u>
			180,938,521	189,281,477
33				
	PROVISION FOR TAXATION	33.1		
	Current			
	– for the year		<u>25,627,533</u>	<u>43,779,786</u>
33.1	The provision for Workers Welfare Fund is recognised as provided under section 4(1) of Workers Welfare Fund Ordinance 1971.		<u>–</u>	<u>18,121</u>
			25,627,533	43,797,907
33.3				

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

	Applicable tax rate	<u>35.00</u>
	Tax effect of amounts that are:	
	The numerical reconciliation between the average tax rate and the applicable tax rate of previous year has not been presented in these financial statements as provision for taxation was calculated under Section 169 of the Income Tax Ordinance, 2001. Relationship between tax expense and accounting profit for the year ended 30 June 2006 has not been presented as the Company was taxed under the Final Tax Regime in respect of the said year.	<u>(14.98)</u>
	Income charged under FTR	<u>7.89</u>
	Deferred tax	<u>(6.82)</u>
	Financial expenses	<u>2.79</u>
33.4	Effective tax rate	(11.12)
	Deferred	23.88

No provision for deferred tax has been made in these financial statements based on the Technical Release "TR-27" issued by the Institute of Chartered Accountants of Pakistan which prescribe that deferred tax accounting does not apply to those companies whose entire sales are covered under section 169 of the Income Tax Ordinance, 2001 as there will be no major timing differences. In previous years the assessment of the company has been finalised under Final Tax Regime, therefore no deferred taxation was provided based on the Technical Release "TR-27" issued by the Institute of Chartered Accountants of Pakistan. However, in current year tax liability of the company

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

	Year ended June 30 2007 Rupees	Year ended June 30 2006 Rupees
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34 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data:

Earnings

Earnings for the purpose of basic earnings per share (After tax profit for the year)	<u>87,357,567</u>	<u>88,839,070</u>
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Number of shares

Weighted average number of ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>
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Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

Basic earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on earnings per share when exercised.

35 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE
26 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	CHIEF EXECUTIVE OFFICER		DIRECTOR			
	Year ended June 30,2007	Year ended June 30,2006	Year ended June 30,2007	Year ended June 30,2006	Year ended June 30,2007	Year ended June 30,2006
	R U P E E S					
Remuneration	662,064	662,064	1,324,128	1,324,128	1,986,192	1,986,192
Allowances	<u>297,936</u>	<u>297,936</u>	<u>595,872</u>	<u>595,872</u>	<u>893,808</u>	<u>893,808</u>
	<u>960,000</u>	<u>960,000</u>	<u>1,920,000</u>	<u>1,920,000</u>	<u>2,880,000</u>	<u>2,880,000</u>
Number of persons	1	1	2	2	3	3

36.1 In addition to the above, the Chief Executive Officer and all directors are provided with free use of Company maintained cars and telephone for business use amounting to PKR 761,627 (June 30, 2006: PKR 633,116).

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2007 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**
Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / mark-up rate risk is as under:

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2007 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

Long term deposits does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materially different and readily exchangeable.

Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different

	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	- 293,439,063	-	-	293,439,063	293,439,063	
Loans and advances	-	-	- 16,276,012	-	-	16,276,012	16,276,012	
Trade deposits	7,500,000	-	7,500,000	1,608,000	-	1,608,000	9,108,000	3 to 7
Other receivables	-	-	- 2,751,572	-	-	2,751,572	2,751,572	
Bank balances	3,478,341	-	3,478,341	20,673,498	-	20,673,498	24,151,839	
Long-term loans	-	-	-	3,004,373	4,302,784	7,307,157	7,307,157	
Long-term deposits	-	-	-	-	4,377,095	4,377,095	4,377,095	
Long term investments	-	-	-	-130,085,811	-	130,085,811	130,085,811	
	10,978,341	-	10,978,341	337,752,518	38,765,690	476,518,208	487,496,549	
Financial liabilities								
Long-term financing	-	-	-	-	-	-	905,787,025	7 and KIBOR + 1
Trade and other payables	287,653,680	18,133,345	905,787,025	-	-	-	137,727,228	
Mark-up accrued on loans	-	-	- 137,727,228	-	-	137,727,228	137,727,228	
Short-term borrowings	-	-	- 30,188,947	-	-	30,188,947	30,188,947	
	794,000,000	-	794,000,000	39	-	-	794,000,000	KIBOR + .25 to 1.5
On balance sheet gap	1,081,653,680	18,133,345	699,787,025	167,916,175	-	167,916,175	1,867,703,200	
	(1,070,675,336)	(1,133,345)	(688,808,684)	169,836,343	38,765,690	308,602,033	(1,380,206,651)	

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

2006								Effective Interest Rate %
Interest / Markup bearing			Non Interest / Markup bearing			SUB Total	Total Rupees	
Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity Upto One year Rupees				
Financial assets								
Trade debts	-	-	-	160,238,276	-	160,238,276	160,238,276	
Loans and advances	-	-	-	17,314,777	-	17,314,777	17,314,777	
Trade deposits	4,750,000	-	4,750,000	64,165	-	64,165	4,814,165	1.5
Other receivables	-	-	-	269,852	-	269,852	269,852	
Bank balances	3,287,271		3,287,271	26,202,612	-	26,202,612	29,489,883	
Long-term loans			-	2,620,561	5,069,144	7,689,705	7,689,705	
Long-term deposits			-		2,695,725	2,695,725	2,695,725	
Long term investments	-	-	-	111,319,339	111,319,339	111,319,339	111,319,339	
	8,037,271	-	8,037,271	206,710,243	119,084,208	325,794,451	333,831,722	

Financial liabilities
Long-term financing

Trade and other payables 246,459,236 67,012,984 313,472,220 1,213,472,220 KIBOR + 1

Mark-up accrued on loans - 146,396,433 146,396,433 146,396,433

Short-term borrowings - 31,433,072 31,433,072 31,433,072

37.1 **Interest rate risk management** 360,000,000 360,000,000 - 360,000,000 KIBOR + .25 to 1.5

On balance sheet gap 606,459,236 67,012,984 573,472,220 177,829,505 - 177,829,505 751,301,725
 Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

37.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 487,208,524 (June 30, 2006: PKR 333,831,722), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 312,466,647 (June 30, 2006: PKR 177,822,905) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

37.3 Liquidity risk

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

37.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2007, the total foreign currency risk exposure was PKR 34,830,532 (June 30, 2006: PKR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**
OFF BALANCE SHEET ITEMS
Contingencies -

Indemnity bond issued

Guarantees

**June 30 2007
Rupees**
**June 30 2006
Rupees**

52,710,000

52,710,000

49,732,000

41,800,000

Commitments

Letters of credit

102,135,343

65,010,831

Civil work

6,000,000

- 38 The related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out sale and purchase of goods and services transactions with

		Year Ended June 30 2007 Rupees	Year Ended June 30 2006 Rupees
Nature of relationship	Nature of transactions		
Associated undertaking	Sales of raw material	8,762,240	131,753,340
	Sales of fabric	104,852,749	387,726,395
	Sales of stores, spare parts and loose tools	489,713	613,093
	Sales of property, plant and equipment	16,500,000	20,427,406
	Purchase of raw material	263,411,009	318,072,020
	Purchase of fabrics	3,488,700	5,954,448
	Services rendered	2,498,650	-
	Services received	4,553,000	1,910,500
	Dividend received	891,870	891,870
	Electricity purchased	33,303,828	144,133,479
Retirement benefits	Provision for gratuity	14,687,204	7,950,299
39 Key management	Remuneration	2,880,000	2,880,000

39.1
PLANT CAPACITY AND ACTUAL PRODUCTION
Spinning unit

Number of spindles installed

Number of spindles worked (Average)

Number of working days

Number of shifts per day

30,720

30,720

30,720

30,720

365

365

3

3

39.2

 Installed capacity in kilograms, after conversion into 20/s count
(based on actual number of working days)

11,434,172

11,434,172

 Actual production of yarn in kilograms, after conversion into 20/s count
(based on actual number of working days)

11,551,967

11,419,194

Weaving unit

Number of looms installed

Number of looms worked

Number of working days

Number of shifts per day

39.2.1

243

223

243

223

365

365

 Installed capacity in sq. meters, after conversion into 50 picks
(based on number of actual working days)

3

3

Actual production of fabric in sq. meters, after conversion into 50 picks

41,107,384

38,406,182

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

39.2.1 Additional twenty looms worked only for six months.

39.3 It is difficult to precisely describe production capacity and the resultant production in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed, twist etc in case of spinning. In case of weaving fluctuation depends on factors such as loom width, width of fabric produced, type of yarn used etc. It would vary accordingly to the pattern of production adopted in a particular year.

39.4 The difference between installed capacity and actual production is in normal course of business.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and

PATTERN OF SHAREHOLDING AS AT 30-06-2007

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
112	1 - 100	10,860
440	101 - 500	209,840
37	501 - 1000	36,200
42	1001 - 5000	113,800
11	5001 - 10000	74,700
2	10001 - 15000	24,200
2	25001 - 30000	57,692
1	30001 - 35000	32,692
2	45001 - 50000	98,077
2	95001 - 100000	194,923
1	105001 - 110000	109,500
1	125001 - 130000	129,231
1	135001 - 140000	136,919
1	180001 - 185000	184,200
1	195001 - 200000	199,055
1	200001 - 205000	200,380
1	205001 - 210000	206,400
1	210001 - 215000	211,500
1	220001 - 225000	222,700
1	230001 - 235000	235,000
1	235001 - 240000	237,577
2	270001 - 275000	546,500
1	275001 - 280000	280,500
1	310001 - 315000	312,688
2	330001 - 335000	669,910
1	395001 - 400000	395,216
1	450001 - 455000	451,000
1	460001 - 465000	460,923
1	530001 - 535000	533,960
1	660001 - 665000	661,500
2	735001 - 740000	1,479,457
1	1280001 - 1285000	1,282,900
676		10,000,000

CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30-06-2007

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Individuals	667	8,273,200	82.73
2 Investment Companies	-	-	-
3 Insurance Companies	1	222,700	2.23
4 Joint Stock Companies	3	1,489,800	14.90
5 Financial Institutions	4	11,700	0.12
6 Modaraba Companies	1	2,600	0.02
7 Foreign Investors	-	-	-
8 Co-Operative Society	-	-	-
9 Charitable Institutions	-	-	-
10 Others	-	-	-
TOTAL	676	10,000,000	100.00

The above two statements include 213 shareholders holding 2,120,100 shares through the Central Depository Company of Pakistan Limited (CDC)

PATTERN OF SHAREHOLDINGS

AS AT 30-06-2007

		PERCENTAGE	NO. OF SHARES
1	Associated companies undertaking and related parties	-	-
2	NIT / ICP	-	-
	National Bank of Pakistan Trustee Department		3,100
	Investment Corporation of Pakistan		1,000
3	CEO, Directors and their spouse and minor children		
	Mr. Muhammad Sharif		28,846
	Mr. Muhammad Salim		28,846
	Mr. Muhammad Shaheen		32,692
	Mr. Muhammad Shakeel		48,077
	Mr. Khurram Salim		200,380
	Mr. Bilal Sharif		334,995
	Mr. Muhammad Amin		460,923
	Mr. Adil Shakeel		661,500
	Mrs. Yasmeen Begum		237,577
	Mrs. Anjum Begum		739,480
	Mrs. Seema Begum		334,915
	Mrs. Nazli Begum		129,231
	Mrs. Amna Khurram		109,500
	Mrs. Samia Bilal		533,960
	Mrs. Fatima Amin		451,000
	Master Abdullah Bilal		272,500
	Master Umer Khurram		97,000
	Master Hamza Shakeel		280,500
	Miss Noor Shakeel		50,000
4	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds		
	National Bank of Pakistan		3,600
	State Life Insurance Corporation of Pakistan		222,700
	First Tri Star Modaraba		2,600
	SME Bank Limited		4,000
5	Details of Trading in the Shares by the Directors, CEO, CFO, Company Secretary and their spouse and minor children		-
6	Shareholders Holding Ten Percent or more Voting Interest		
	Admiral (Private) Limited	12.83%	1,282,900

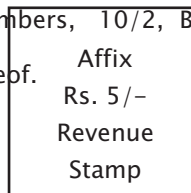
PROXY FORM

I/We _____
 of _____
 being a member of FAISAL SPINNING MILLS LIMITED and holder of _____
 ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
 ID No. _____ and Sub Account No. _____ hereby appoint
 Mr./Mrs./Miss _____ of _____ or failing
 him/her _____ of _____ as my / our
 proxy to act on my/our behalf at the 23rd Annual General Meeting of the Company to be held on
 Wednesday October 24th, 2007 at 3:30 a.m. at Umer Chambers, 10/2, Bilmoria Street Off.
 I.I. Chundrigar Road, Karachi and/or at any adjournment thereof.

Signature _____
 Name _____
 Address _____

 CNIC/Passport # _____

Signed this _____ day of _____ 2007



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

Notes:

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

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