INDUS DYEING & MANUFACTURING CO. LIMITED
BALANCE SHEET
AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
SHARE CAPITAL AND RESERVES			
Authorised			
45,000,000 ordinary shares of Rs. 10 each		450,000,000	450,000,000
Issued, subscribed and paid-up	3	180,737,310	180,737,310
Reserves	4	1,322,432,090	1,322,432,090
Unappropriated profits		798,475,849	787,836,456
		2,301,645,249	2,291,005,856
NON CURRENT LIABILITIES			
Long-term financing	5	1,567,581,358	1,808,709,476
Long-term murabaha finance	6	10,000,000	25,000,000
Liabilities against assets subject to finance lease	7	-	17,959,838
Deferred liabilities	8	355,867,437	267,556,318
		1,933,448,795	2,119,225,632
CURRENT LIABILITIES			
Trade and other payables	9	292,549,697	245,560,363
Interest / mark-up payable	10	66,941,680	71,552,671
Short-term borrowings	11	1,472,610,823	1,166,253,792
Current portion of:			
long-term financing	5	744,286,655	675,091,939
long-term murabaha finances	6	15,000,000	14,945,847
liabilities against assets subject to finance lease	7	17,959,838	44,452,345
Taxation - income tax		72,820,931	64,173,571
		2,682,169,624	2,282,030,528
CONTINGENCIES AND COMMITMENTS	12		
		6,917,263,668	**6,692,262,016**

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
NON CURRENT ASSETS			
Property, plant and equipment	13	3,258,315,875	3,457,489,705
Long term investments	14	927,983,506	940,129,006
Long term deposits	15	623,250	5,986,652
		4,186,922,631	4,403,605,363
CURRENT ASSETS			
Stores, spares and loose tools	16	98,538,969	61,944,566
Stock-in-trade	17	1,511,144,167	1,251,553,221
Trade debts	18	861,126,794	764,183,674
Loans and advances	19	115,944,429	96,159,219
Trade deposits and short-term prepayments	20	12,860,929	15,941,430
Other receivables	21	9,573,407	18,384,215
Other financial assets	22	38,988,977	2,832,715
Tax refunds	23	32,839,083	24,855,578
Cash and bank balances	24	49,324,282	52,802,035
		2,730,341,037	2,288,656,653
		6,917,263,668	**6,692,262,016**

The annexed notes from 1 to 44 form an integral part of these financial statements.

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **INDUS DYEING & MANUFACTURING CO. LIMITED** (the Company) as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion :

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 o that Ordinance.

Chartered Accountants

Date: 9th October, 2008
Karachi.

INDUS DYEING & MANUFACTURING COMPANY LIMITED

Company Profile

51st Annaul Report 2007 - 2008

Board of Directors

1. Mian Mohammad Ahmed
   Chairman
2. Mr. Shahzad Ahmed
   Chief Executive
3. Mian Riaz Ahmed
4. Mr. Naveed Ahmed
5. Mr. Imran Ahmed
6. Mr. Kashif Riaz
7. Mr. Irfan Ahmed
8. Mr. Shafqat Masood
9. Mr. Farooq Hassan
   (Nominee NIT)

Audit Committee

1.	Mian Riaz Ahmed	**(Chairman)**
2.	Mr. Kashif Riaz	**(Member)**
3.	Mr. Irfan Ahmed	**(Member)**

Chief Financial Office

Mr. Arif Abdul Majeed

Company Secretary

Mr. Ahmed Fahim Niazi

Registered office

Mr. Ahmed Fahim Niazi
Office # 508
5th floor, Beaumont Plaza,
Civil Lines Quarters, Karachi

Tel. 111-404-404
Fax. 5693593

Website www.indus-group.com

Auditors

M/s. Yousuf Adil Saleem & Co.
Chartered Accountants

Factory Location

1.	P 1 S.I.T.E. Hyderabad, Sindh.	**Tel.** 0223-880219 & 252
2.	Plot # 3 & 7. Sector - 25, Korangi Industrial Area, Karachi.	**Tel.** 021-5061576 - 8
3.	Muzaffergarh, Bagga Sher, District Multan.	**Tel.** 0662-490202 - 205

DIRECTORS' REPORT

The Directors have pleasure in presenting the 51st Annual Report of your Company, along with Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2008. Briefs of financial results for the period under review are as under:

Financial Review	Rs.'000
Profit after taxation	37,472
Un-appropriated profit brought forward	787,836
Profit available for appropriation	825,586
Transfer to General reserve	---
Dividend	27,110
Un-appropriated profit carried forward	798,476
Earning per share Rs	2.07

Present Year assessment.
The company has earned a net profit before tax Rs. 37.472 million. Depreciation of Rs 323.812 million and financial charges of Rs. 389,893 have been charged.

Dividend.
Your Directors are pleased to recommend 10% cash divined for the year.

Future Outlook
Your company achieved the highest level of net sale of Rs 7.200 billions but due to overall depressed performance of sector fails to maintain last year performance. Due to abnormal hike in crude oil prices our economy is facing very difficult times. Devaluation of our currency had directly increased the import costs of raw materials. Due to increase in cotton prices and other input costs like power, wages & mark-up rates our textile industry is facing tough competition from its neighboring countries India, China and Bangladesh. Energy crises had adversely affected the industrial growth & resulting in overall slow down in the manufacturing activities.

It seems difficult to achieve significant good performance in the next year. But the management will try its best to achieve the optimal results by prudent planning to buy cotton at right time to lower down its cost, strong marketing strategy to achieve better price of yarn, continue balancing & modernization process and focus on value-added products.

Our Government should take necessary measures to remove side effects of these international crises & our internal political situation to strengthen the industry.

Corporate and Financial Reporting Framework:

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

a. The Financial Statement prepared by the Management, present fairly its state of affairs, the result of its operations, Cash Flows and changes in equity;
b. Proper books of accounts have been maintained;
c. Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.
e. Internal Auditors is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the management.

f. There are no significant doubts upon the company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
h. Key operating and financial data for last six years is annexed.
i. The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
j. During the period under review the trading in shares of the Company by the CEO, Directors and their spouses as follows:

		Purchase	Sales
1)	Mian Mohammed Ahmed	NIL	12,000
2)	Mian Mohammed Ahmed	NIL	4,000
3)	Mian Mohammed Ahmed	NIL	100
4)	Mian Mohammed Ahmed	2,650	NIL

During the year under review six (6) meetings were held.
Attendance by each Director is as follows:

	Name of Director	Attendance
1.	Mian Mohammad Ahmed	6
2.	Mian Riaz Ahmed	4
3.	Mr. Shahzad Ahmed	6
4.	Mr. Naveed Ahmed	5
5.	Mr. Imran Ahmed	6
6.	Mr. Irfan Ahmed	6
7.	Mr. Kashif Riaz	6
8.	Mr. Shafqat Masood	6
9.	Mr. Mansoob A. Akhtar (Nominee N.I.T. Resigned)	2
10.	Mr. Farooq Hassan (Nominee N.I.T.) (Appointed in place of Mr. Mansoob A. Akhtar w.e.f. 18-01-2008)	3

Pattern of shareholding
The pattern of shareholding as at June 30, 2008 is annexed.

Thanks & Gratitude
Your Directors are pleased to put on record their appreciation and gratitude to the executives, officers, staff members and workers of the company in performance of their duties. Your Directors would also like to put on record their profound and sincere gratitude to valued customers, regulators, external auditors, bankers and our shareholders.

For and behalf of the Board
Karachi: 9th October , 2008.

Shahzad Ahmad
Chief Executive

INDUS DYEING & MANUFACTURING CO. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
Continuing Operations			
Sales	25	7,200,533,401	6,411,377,139
Cost of goods sold	26	(6,301,606,049)	(5,466,377,334)
		898,927,352	944,999,805
Other operating income	27	19,293,263	74,078,390
		918,220,615	1,019,078,195
Distribution cost	28	(180,265,756)	(149,524,584)
Administrative expenses	29	(78,732,131)	(78,059,311)
Other operating expenses	30	(96,158,072)	(21,599,880)
Finance cost	31	(389,893,418)	(369,583,432)
Share of profit from Associate - net of tax	14	208,512	102,068,076
Share of (loss)/profit from Joint Venture - net of tax	14	(12,631,930)	45,678,710
		(757,472,795)	(471,020,421)
Profit before taxation		160,747,820	548,057,774
Taxation for continuing operations	32	(123,275,748)	(140,908,509)
Profit after tax from continuing operations for the year		37,472,072	407,149,265
Discontinued Operations			
Profit after tax for the period from discontinued operations	34	-	31,973,814
Profit for the year		37,472,072	439,123,079
			Restated
Earnings per share-Basic and diluted			
From continuing operations	35	2.07	22.53
From discontinued operations		-	1.77

The annexed notes from 1 to 44 form an integral part of these financial statements.

SHAHZAD AHMED	**NAVEED AHMED**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**

INDUS DYEING & MANUFACTURING CO. LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	586,609,688	977,351,437
Income taxes paid - net		(55,229,934)	(10,699,594)
Finance cost paid		(396,444,039)	(382,580,473)
Gratuity paid		(10,346,304)	(11,564,396)
Net cash from operating activities		124,589,411	572,506,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(129,332,247)	(579,986,587)
Proceeds on disposal of property, plant and equipment		5,404,050	1,033,313,464
Interest in Joint Venture		-	(747,499,970)
Investment in Associate		-	(42,382,250)
Long-term deposits		5,363,402	4,143,900
Purchase of HFT Investment		(42,610,537)	-
Net cash used in investing activities		(161,175,332)	(332,411,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing acquired		503,158,537	1,128,529,620
Repayment of long-term financing		(690,037,787)	(1,039,123,712)
Repayment to Director		(3,187,375)	(69,239,174)
Repayment of long-term murabaha		(14,945,847)	(7,500,000)
Repayment of liabilities against assets subject to finance lease		(44,452,345)	(45,518,236)
Short term borrowings		309,544,406	(168,697,322)
Dividend paid		(26,971,421)	(26,024,735)
Net cash from / (used in) financing activities		33,108,168	(227,573,559)
Net increase in cash and cash equivalents		(3,477,753)	12,521,972
Cash and cash equivalents at the beginning of the year		52,802,035	40,280,063
Cash and cash equivalents at the end of the year		49,324,282	52,802,035

The annexed notes from 1 to 44 form an integral part of these financial statements

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

INDUS DYEING & MANUFACTURING CO. LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

		Reserves				
		Capital		Revenue		
	Issued,subscribed and paid up capital	* Share Premium	Merger Reserve (Note 4)	General Reserve	Unappropriated Profit	Total
	……. Rupees …….					
Balance as at June 30, 2006	180,737,310	10,919,880	11,512,210	800,000,000	875,823,974	1,878,993,374
Change in equity for the year 2006-2007						
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of - incremental depreciation and disposals net of deferred tax - as restated (Note 14.1.2)	-	-	-	-	-	-
Net income recognized directly in equity - as restated (Note 14.1.2)	-	-	-	-	-	-
Profit for the year - as restated (Note 14.1.2)					439,123,079	439,123,079
Total recognized income and expense for the year - as restated (Note 14.1.2)	-	-	-	-	439,123,079	439,123,079
Transfer to General Reserve	-	-	-	500,000,000	(500,000,000)	-
Final Cash dividend for the year ended June 30,2006 @ Rs.1.5 per share	-	-	-	-	(27,110,597)	(27,110,597)
Balance as at June 30, 2007 - as restated	180,737,310	10,919,880	11,512,210	1,300,000,000	787,836,456	2,291,005,856
Change in equity for the year 2007-2008						
Share of associate's reversal of deferred tax on of deferred tax on account of incremental depreciation	-	-	-	-	277,918	277,918
Net income recognized directly in equity	-	-	-	-	277,918	277,918
Profit for the year					37,472,072	37,472,072
Total recognized income and expense for the year	-	-	-	-	37,749,990	37,749,990
Transfer to General Reserve						
Final Cash dividend for the year ended June 30,2007 @ Rs.1.5 per share	-	-	-	-	- (27,110,597)	- (27,110,597)
Balance as at June 30, 2008	180,737,310	10,919,880	11,512,210	1,300,000,000	798,475,849	2,301,645,249

Note: * Share premium received in year 2001 in respect of 7th issue of 3,639,960 right shares at the rate of Rs.3 per share.

The annexed notes from 1 to 44 form an integral part of these financial statements.

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Indus Dyeing & Manufacturing Co. Limited (The company) was incorporated in Pakistan on 23rd July, 1957 as a public limited company under the Companies Ordinance, 1984. Registered office of the company is situated at 5th Floor, Office No. 508, Beaumont Plaza, Civil Lines, Karachi. The company is currently listed on Karachi Stock Exchange (Guarantee) Limited. The principal activity of the company is to manufacture and sale of yarn. The manufacturing facilities of the company are located in Hyderabad, Karachi and Muzaffargarh, District Multan. The company is also operating four ginning units including three on leasing arrangements and two ice factories on leasing arrangements in District Multan.

1.2 The financial statement are presented in Pak 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 shall prevail.

2.2 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

IFRS 7 - Financial Instruments: Disclosures April 28, 2008

IFRS 7 requires extensive disclosures about the significance of financial instruments for the company's financial position and performance and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously prescribed in IAS 32 - Financial Instruments : Presentation. The Company plans to apply this standard from the financial year beginning July 01, 2008 and its initial application is expected to have extensive disclosures in the Company's financial statements.

IFRS 8 - Operating Segments January 01, 2009

IFRS 8 replaces IAS 14 and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard will have no material impact on the financial statements in the year of application.

IAS 29 - Financial Reporting in Hyperinflationary Economies April 28, 2008

IAS-29 form part of the financial reporting framework applicable in Pakistan with effect from the accounting periods beginning on or after the date of relevant notification, however the standard would not have any implications in Pakistan in view of the fact that the economic environment in Pakistan is not considered hyperinflationary.

2.2.1 Interpretations:

The following interpretations have been approved by International Financial Reporting Interpretations Committee and are only effective for accounting periods, beginning on or after the date mentioned against each of them:

IFRIC 12 - Service Concession Agreements January 01, 2008

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the company is not involved in public sector services, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 13 - Customer Loyalty Programs July 01, 2008

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The company is not offering any such incentive to its customers.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction January 01, 2008

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this Interpretation will have no material impact on the financial statements in the year of application.

IFRIC 15 - Agreements for the Construction of Real Estate January 01, 2009

IFRIC 15 will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete. It provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and when revenue from the construction should be recognised. Since the company is not involved in Construction of Real Estate, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation October 1, 2008

IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. Since the Company has no investment in a foreign operation, the implementation of this interpretation is unlikely to affect its financial statements.

2.3 Basis for Preparation

The financial statements have been prepared under the historical cost convention as modified by:

- recognition of certain employee retirement benefits at present value
- certain investments have been included at fair value
- investment in associate and investment in joint venture under equity method

The principal accounting policies adopted are set out below:

2.4 Taxation

Current

Taxation is based on applicable tax rates under such regime. The provision for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and available rebates. However, for income covered under final tax regime, taxation is based on applicable tax rate under such regime.

Deferred

Deferred tax is recognised using balance sheet liability method for all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The effect of deferred taxation of the portion of the income subject to final tax regime is also considered in accordance with the requirement of Technical Release -27 of Institute of Chartered Accountants of Pakistan.

2.5 Staff retirement benefits

Defined benefit plan

The company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in accordance with the requirements of International Accounting Standard (IAS)-19 "Employee Benefits". The detail of which have been given in note 8.2 to the financial statements.

2.6 Trade and other payables

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

2.7 Property, plant and equipment

2.7.1 Company owned

Operating fixed assets owned by the company are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method whereby cost of an asset is written-off over its estimate useful life at the rate specified in the property, plant and equipment in note no.13.

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

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

Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate, at each balance sheet date.

2.7.2 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during the installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

2.7.3 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.7.4 Impairment

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.8 Leases

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

As Lessee

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

2.9 Stores, spares and loose tools

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

2.10 Stock in trade

Stock in trade, except in transit which is valued at cost accumulated to the balance sheet date, is valued at lower of cost and net realizable value applying the following basis:

	Basis of valuation
Raw material	On average cost
Packing material	On moving average cost
Work in progress	Average cost of material and share of applicable factory overheads
Finished goods	Lower of average cost or net realizable value
Waste	Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

2.11 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 irrecoverable are written off when identified.

2.12 Interest in a joint venture

The company has an interest in a joint venture which is a jointly controlled entity . A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The company recognises its interest in the joint venture using equity method of accounting and initially are recognised at cost. When the company's share of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has an obligation or has made payments.

2.13 Investment in associates

Associates are all entities over which the company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are accounted for using equity method of accounting and initially are recognized at cost. When the Company's share of losses exceeds its interest in the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has an obligation or has made payments on behalf of the investee.

2.14 Financial asset at fair value through profit and loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of Financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking;or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are recognized on the trade date basis and stated at fair value, with any resultant gain or loss recognized in profit or loss.

Fair value of quoted marketable securities is determined by reference to the stock exchange rates prevailing at the balance sheet date.

2.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use 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.

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

2.16 Foreign currency translation

Transactions in other than Pakistani Rupee are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. 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 for those covered by forward contracts, which are stated at contracted rates.

Exchange gains and losses are included in income currently.

2.17 Provisions

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

2.18 Revenue recognition

Sales are recorded on dispatch of goods to customers.
Income on bank deposits are recorded on time proportionate basis using effective interest rate.
Dividend income is recorded when the right to receive the dividend is established.

2.19 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes party to the contractual provisions of the instrument and derecognised when the company losses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged cancelled or expired. These are initially measured at cost, which is the fair value of the consideration received and given respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period to which it relates.

2.20 Financial liability at fair value through profit or loss

Financial liability are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or

- it is a part of an identified portfolio of Financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking;or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial liability at fair value through profit or loss are recognized on trade date basis and stated at fair value, with any resultant gain or loss recognized in profit or loss.

2.21 Offsetting of financial assets and financial liabilities

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

2.22 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, demand drafts in transit and balances with banks on current and deposits accounts.

2.23 Dividend

Dividend is recognized as a liability in the period in which it is declared.

2.24 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Assumptions and estimates used in the area of property plant and equipment (refer note 13) are significant to the financial statements and it involves management estimates.

Estimates and judgments, if any, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. ISSUED, SUBSCRIBED AND PAID-UP

June 30, 2008	June 30, 2007		Note	June 30, 2008	June 30, 2007
….. No. of shares …..				………. Rupees ……….	
9,637,116	9,637,116	Ordinary shares of Rs.10 each fully paid in cash		96,371,160	96,371,160
		Other than cash			
5,282,097	5,282,097	Issued to the shareholders of YTML	3.1	52,820,970	52,820,970
3,154,518	3,154,518	As bonus shares		31,545,180	31,545,180
18,073,731	18,073,731			180,737,310	180,737,310

3.1 5,292,097 ordinary shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation in accordance with the share-swap ratio therein less 10,000 ordinary shares of Rs. 10 each held by Yusuf Textile Mills Limited (YTML) as at October 01, 2004.

	June 30, 2008	June 30, 2007
	52,820,970	52,820,970

3.2 Reconciliation of number of ordinary shares of Rs. 10 each

	June 30, 2008	June 30, 2007
At the beginning of the year	18,073,731	18,073,731
Add: Issued during the year as bonus shares	-	-
At the end of the year	18,073,731	18,073,731

3.3 The Company has one class of ordinary shares which carry no rights to fixed income.

3.4 The Company has no reserved shares for issuance under options and sales contracts.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
4. RESERVES			
Capital			
Share premium		10,919,880	10,919,880
Merger reserve	4.1	11,512,210	11,512,210
		22,432,090	22,432,090
Revenue			
General reserve		1,300,000,000	1,300,000,000
		1,322,432,090	1,322,432,090

4.1 Merger reserve represents excess of (a) assets of YTML over its reserves and liability of YTML merged with the company over (b) consideration to shareholders of YTML as per the Scheme of Amalgamation approved by honorable High Court of Sindh.

5. LONG-TERM FINANCING

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
Secured			
Banking companies and financial institutions	5.1	2,311,868,013	2,483,801,415
Less: Current maturities shown under current liabilities		(744,286,655)	(675,091,939)
		1,567,581,358	1,808,709,476

5.1 The particulars of above long-term loans are as follows:

Type and nature of loan	June 30, 2008			June 30, 2007		
	Limit Rupees	Mark up rate per annum	Terms of Repayments	Limit Rupees	Mark up rate per annum	Terms of Repayments
Demand finance loan	805,000,000	10.62% to 14.32%	Quarterly and half yearly	865,000,000	10% to 11.83%	Quarterly and half yearly
Fixed assets finance	328,022,594	10.83% to 15.65%	Half yearly	508,022,594	10.83% to 12.05%	Half yearly
Term finance	2,260,000,000	10.69% to 15.44%	Quarterly and half yearly	1,990,000,000	10.74% to 12.18%	Quarterly and half yearly
LTF-EOP	362,795,255	5% to 7%	Quarterly and half yearly	329,636,718	5% to 7%	Quarterly and half yearly

5.2 The above finances are secured by:

i) an equitable mortgage upon the immovable property of the company; and
ii) hypothecation of the current and future movable property of the company inclusive of 5% to 25% margin.

6. LONG-TERM MURABAHA FINANCE

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
Banking companies		25,000,000	39,945,847
Less: Current maturities shown under current liabilities		(15,000,000)	(14,945,847)
		10,000,000	25,000,000

6.1 These are payable in quarterly installments of Rs. 2.5 million and half yearly installments of Rs. 5 million (2007: Rs 2.5 million and Rs. 5 million) with markup at the rate of 11% to 12.12% (2007:10% to 11.43%) per annum, and are secured by first pari passu charge on plant and machinery of the company.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The future minimum lease payments to which the company is committed as at balance sheet date is as follows:

	June 30, 2008		June 30, 2007	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	………. Rupees ……….		………. Rupees ……….	
Within one year	18,666,563	17,959,838	48,244,507	44,452,345
After one year but not more than five years	-	-	18,542,101	17,959,838
Total minimum lease payments	18,666,563	17,959,838	66,786,608	62,412,183
Less: Amount representing finance charges	(706,725)	-	(4,374,425)	-
Present value of minimum lease payments	17,959,838	17,959,838	62,412,183	62,412,183
Less: Current portion	(17,959,838)	(17,959,838)	(44,452,345)	(44,452,345)
	-	-	17,959,838	17,959,838

7.1 These represent finance lease entered into with leasing companies for Plant & Machinery and Vehicles. Lease rentals are payable in equal monthly and quarterly installments upto February 2009. Interest rates ranging from 5.2 % to 15.14 % (2007: 5.20 % to12.91 %) per annum have been used as discounting factors.

7.2 The company intends to exercise the option to purchase the leased assets upon completion of the leased period.

7.3 Liabilities are secured against demand promissory notes and security deposits.

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	

8. DEFERRED LIABILITIES

	Note	June 30, 2008	June 30, 2007 Restated
Deferred taxation	8.1	257,272,642	206,380,072
Gratuity	8.2	50,835,795	44,821,644
Excise levy payable	8.3	-	16,354,602
Infrastructure fee payable	8.4	47,759,000	-
		355,867,437	267,556,318

8.1 Deferred taxation

	June 30, 2008	June 30, 2007 Restated
Deferred tax liability on taxable temporary differences of:		
Accelerated tax depreciation allowance	261,934,648	200,337,929
Leased assets	13,442,425	17,594,665
Share of profit from:		
Associate	48,642	50,323
Joint Venture	3,304,678	2,283,936
	278,730,393	220,266,853
Deferred tax assets on deductible temporary differences of:		
Provision for gratuity	(9,046,130)	(5,804,403)
Liability against leased assets	(3,195,918)	(8,082,378)
Unrealised exchange loss	(1,265,145)	-
Fair value loss on derivative financial liability	(6,413,053)	-
Fair value loss on other financial asset	(929,232)	-
Provision for Doubtful debts	(608,273)	-
	(21,457,751)	(13,886,781)
	257,272,642	206,380,072

8.2 Gratuity

The company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement of gratuity is 6 months continuous service with the company. The scheme is unfunded and provision is made in accordance with the recommendations of the actuarial valuation of the scheme, which was carried out at June 30, 2007, but the valuation also included the recommendations of the actuarial valuation for June 30, 2008 which has been incorporated in the financial statements.

The Projected unit Credit actuarial cost method based on following significant assumptions was used for the valuation of scheme. The basis of recognition together with details as per actuarial valuation is as under:

Defined benefit plan

	June 30, 2008	June 30, 2007
	………. Rupees ……….	
(a) Movement in liability		
Opening balance	44,821,644	29,721,839
Charge for the year	16,360,455	26,664,201
Paid during the year	(10,346,304)	(11,564,396)
Closing balance	50,835,795	44,821,644

		Note	June 30, 2008	June 30, 2007
			………. Rupees ……….	
(b)	Reconciliation			
	Present value of defined benefit obligation		50,835,795	46,661,680
	Unrecognized actuarial loss		-	(1,840,036)
			50,835,795	44,821,644
(c)	Charge for the year:			-
	Current service cost		11,536,839	9,488,035
	Interest cost		4,823,616	2,571,640
	Past service cost		-	14,604,526
	Actuarial loss recognised		-	-
			16,360,455	26,664,201
(d)	Changes in the present value of the defined benefit obligation:			
	Opening defined benefit obligation		44,821,644	29,721,839
	Current service cost		11,536,839	9,488,035
	Past service cost		-	14,604,526
	Interest cost		4,823,616	2,571,640
	Benefits paid		(10,346,304)	(11,564,396)
	Closing defined benefit obligation		50,835,795	44,821,644

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

Discount rate	10%	10%
Expected rate of salary increase	9%	9%
Average expected remaining working life of employees	5 years	5 years

Amounts for the current and previous four periods are as follows:

	2008	2007	2006	2005	2004
Present value of the defined benefit obligation	50,835,795	44,821,644	29,721,839	28,319,929	29,743,343
Plan assets	-	-	-	-	-
Deficit	50,835,795	44,821,644	29,721,839	28,319,929	29,743,343

8.3 The company had filed an appeal in the Supreme Court against the levy of central excise duty on borrowings. During the year, the company has paid the levied excise duty on borrowings to comply with the order of Court as passed against the company.

8.4 It represent infrastructure fee / cess payable to Excise and taxation Officer (ETO) in respect of dues claimed on imported goods under Sindh Finance Ordinance 2001.An amount of Rs 21.82 million in this respect has also been included in accrued liabilities in note. 9.The company had made provision on account of dismissal of case by the single bench of Sindh High Court and the matter was pending in the said divisional bench of the court.Subsequent to the year end, the Sindh High Court has passed an order allowing the appeals partly in respect of infrastructure fee / cess payable on goods imported before December 28,2006 in favor the company.However the company has not reversed the provision in respect of the infrastructure fee pertaining to period before December 28, 2006, considering the possible future legal action by the ETO against the order and has classified such provision under non current liabilities.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

9. TRADE AND OTHER PAYABLES

	Note	June 30, 2008	June 30, 2007
Creditors		64,250,519	34,813,956
Derivative financial liability		36,038,909	-
Accrued liabilities	8.4	158,133,541	158,856,072
Workers' Profit Participation Fund	9.1	9,399,307	22,985,906
Workers' welfare fund expense		5,095,020	-
Withholding tax payable		-	63,737
Advance from customer		6,603,869	16,087,807
Unclaimed dividends		6,537,277	6,398,101
Others		6,491,255	6,354,784
		292,549,697	245,560,363

9.1 Workers' Profit Participation Fund

	June 30, 2008	June 30, 2007
Balance as at beginning of year	22,985,906	25,083,685
Allocation for the year	9,399,307	22,985,906
Interest charged during the year on the funds utilized by the company	1,555,485	1,785,870
	33,940,698	49,855,461
Payments made during the year	(24,541,391)	(26,869,555)
Balance at end of year	9,399,307	22,985,906

10. INTEREST / MARK-UP PAYABLE

	June 30, 2008	June 30, 2007
From Banking companies		
Long-term financing	29,090,515	39,871,651
Long-term morabaha finances	664,865	1,171,291
Short-term borrowings	37,186,300	30,509,729
	66,941,680	71,552,671

11. SHORT-TERM BORROWINGS

	Note	June 30, 2008	June 30, 2007
From banking companies - Secured			
Running finances	11.1	1,154,152,204	262,492,316
Finance against imported merchandise	11.2	287,263,265	641,980,326
Finance against export	11.3	29,232,751	256,631,172
		1,470,648,220	1,161,103,814
Related party - Unsecured			
Loan from Directors	11.4	1,962,603	5,149,978
		1,472,610,823	1,166,253,792

11.1 The company has aggregated running finance facilities amounting to Rs. 3,254 million (2007: Rs. 2,984 million) from various commercial banks. These are subject to mark-up ranging from 10.12% to 15.13% (2007: 9.98 % to 11.13%). These are secured against hypothecation charge over raw material, finished goods, store and spares and receivables.

11.2 The company has aggregated finance facilities amounting to Rs. 1,200 million (2007: Rs.1,657 million) from various commercial banks. These are subject to mark-up ranging from 4.25% to 5.76% (2007: 5.85 % to 6.08%).These arrangements are secured against pledge of stock, foreign currency deposits, lien on export documents and letter of credits and pari passu charge over current assets.

11.3 The company has aggregated finance facilities amounting to Rs. 250 million (2007: Rs.1,937 million) from various commercial banks. These are subject to mark-up ranging from 3.57% to 6.45% (2007: 5.82 % to 6.16%).These are secured against charge over stocks and book debt.

11.4 This represent unsecured finance obtained from directors on interest free basis and is repayable within one year.

	June 30, 2008	June 30, 2007
	………. Rupees ……….	
12. CONTINGENCIES AND COMMITMENTS		
12.1 Contingencies		
12.1.1 Claim of arrears of social security contribution not acknowledged, appeal is pending in Honorable High Court of Sindh. The management is hopeful for favorable outcome.	452,997	452,997

12.1.2 The income tax of the company has been finalized upto tax year 2007, based on the return filed. Tax authorities has served a notice u/s 122 (9) requiring the company to show cause as to why the deemed assessment made u/s 120 for the tax year 2007 should not be amended, raising an additional tax demand of Rs.7.089 million. The company has filed reply to the notice served for initiating the proceedings u/s 122 (9) citing the errors in the notice issued by the tax authorities. The management has not made any provision in this respect, as it is confident that additional tax liability will not arise in respect of aforementioned. There is no other matters/appeals pending before appellate authorities.

	June 30, 2008	June 30, 2007
12.1.3 Bank guarantees	121,702,000	122,759,757
12.2 Commitments		
12.2.1 Letter of credits for raw material, stores and spares and machinery	714,131,881	246,498,273

12.2.2 DERIVATIVE FINANCIAL INSTRUMENTS

	No. of Contracts	Notional Principal Rs	Maturity
Interest rate swaps	3	543,275,335	March 11, 2010 to April 09, 2010
Forward exchange contracts - Purchase US $	10	259,160,000	July 28, 2008 to January 10, 2009

13. PROPERTY, PLANT AND EQUIPMENT	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
Operating assets	13.1	3,258,315,875	3,440,878,755
Capital work in progress	13.2	-	16,610,950
		3,258,315,875	3,457,489,705

13.1 OPERATING ASSETS

Following is a statement of property, plant and equipment.

	Owned											Leased		
			Building On Leasehold Land											
	Freehold Land	Leasehold Land	Factory Building	Non-Factory Building	Plant And Machinery	Electric Installations	Power Generator	Office Equipments	Furniture And Fixtures	Vehicles	Factory Equipments	Plant and Machinery	Vehicles	Total
Year ended June 30, 2007														
Net book value a at July 01, 2006	17,130,423	3,682,197	483,331,259	35,951,115	2,276,750,323	57,220,067	100,495,443	5,042,168	11,512,885	31,896,325	620,540	150,217,629	775,539	3,174,625,913
Additions	214,712	-	-	-	434,001,919	8,053,752	34,484,859	55,250	80,843	12,535,585	-	-	-	489,426,920
Disposals														
- Cost	(5,738,771)	-	-	-	(29,477,841)	-	(11,676,286)	-	-	(3,877,439)	-	-	(1,169,000)	(51,939,337)
- Depreciation	-	-	-	-	17,223,103	-	7,378,835	-	-	2,302,151	-	-	535,114	27,439,203
Transfers														
- Cost	3,295,509	-	69,016,481	31,460,934	5,878,347	-	-	-	-	1,169,000	-	-	-	110,820,271
- Depreciation	-	-	-	-	-	-	-	-	-	(535,114)	-	-	-	(535,114)
Depreciation charge	-	-	(25,720,379)	(4,644,212)	(237,978,669)	(5,764,147)	(11,596,068)	(484,424)	(1,104,242)	(7,063,501)	(110,318)	(14,351,488)	(141,653)	(308,959,101)
Net book value as at June 30, 2007	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
At June 30, 2007														
Cost	14,901,873	3,682,197	672,740,947	102,331,758	3,801,373,956	91,526,153	168,238,145	14,487,068	20,673,449	58,604,201	1,576,064	180,503,051	-	5,130,638,862
Accumulated depreciation	-	-	(146,113,586)	(39,563,921)	(1,334,976,774)	(32,016,481)	(49,151,362)	(9,874,074)	(10,183,963)	(22,177,194)	(1,065,842)	(44,636,910)	-	(1,689,760,107)
Net book value	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
Year ended June 30, 2008														
Net book value as at July 01, 2007	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
Additions	-	-	20,787,270	3,580,148	90,161,180	2,953,639	23,875,356	-	420,150	4,165,450	-	-	-	145,943,193
Disposals										-				
- Cost	-	-	-	-	(11,045,815)	-	-	-	-	(2,848,700)	-	-	-	(13,894,515)
- Depreciation	-	-	-	-	7,236,724	-	-	-	-	1,963,629	-	-	-	9,200,353
Transfers														
- Cost	-	-	-	-	43,235,000		39,000,000	-	-	-	-	(82,235,000)	-	-
- Depreciation	-	-	-	-	(14,874,535)	-	(14,973,076)	-	-	-	-	29,847,611	-	-
Depreciation charge	-	-	(27,001,638)	(6,631,120)	(252,664,227)	(6,085,472)	(14,358,473)	(461,299)	(1,080,916)	(7,489,265)	(102,045)	(7,937,456)	-	(323,811,911)
Net book value as at June 30, 2008	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	-	3,258,315,875
At June 30, 2008														
Cost	14,901,873	3,682,197	693,528,217	105,911,906	3,923,724,321	94,479,792	231,113,501	14,487,068	21,093,599	59,920,951	1,576,064	98,268,051	-	5,262,687,540
Accumulated depreciation	-	-	(173,115,224)	(46,195,041)	(1,595,278,812)	(38,101,953)	(78,482,911)	(10,335,373)	(11,264,879)	(27,702,830)	(1,167,887)	(22,726,755)	-	(2,004,371,665)
Net book value	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	-	3,258,315,875
Depreciation Rate	-	-	**5%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**20%**	**20%**	**10%**	**20%**	

13.1.1 Allocation of Depriciation

	Note	June 30, 2008	June 30, 2007
Manufacturing expenses	26	315,241,730	300,638,962
Administrative expense	29	8,570,181	8,320,139
		323,811,911	**308,959,101**

13.1 OPERATING ASSETS

Following is a statement of property, plant and equipment.

	Owned											Leased		
			Building On Leasehold Land											
	Freehold Land	Leasehold Land	Factory Building	Non-Factory Building	Plant And Machinery	Electric Installations	Power Generator	Office Equipments	Furniture And Fixtures	Vehicles	Factory Equipments	Plant and Machinery	Vehicles	Total
Year ended June 30, 2007														
Net book value a at July 01, 2006	17,130,423	3,682,197	483,331,259	35,951,115	2,276,750,323	57,220,067	100,495,443	5,042,168	11,512,885	31,896,325	620,540	150,217,629	775,539	3,174,625,913
Additions	214,712	-	-	-	434,001,919	8,053,752	34,484,859	55,250	80,843	12,535,585	-	-	-	489,426,920
Disposals														
- Cost	(5,738,771)	-	-	-	(29,477,841)	-	(11,676,286)	-	-	(3,877,439)	-	-	(1,169,000)	(51,939,337)
- Depreciation	-	-	-	-	17,223,103	-	7,378,835	-	-	2,302,151	-	-	535,114	27,439,203
Transfers														
- Cost	3,295,509	-	69,016,481	31,460,934	5,878,347	-	-	-	-	1,169,000	-	-	-	110,820,271
- Depreciation	-	-	-	-	-	-	-	-	-	(535,114)	-	-	-	(535,114)
Depreciation charge	-	-	(25,720,379)	(4,644,212)	(237,978,669)	(5,764,147)	(11,596,068)	(484,424)	(1,104,242)	(7,063,501)	(110,318)	(14,351,488)	(141,653)	(308,959,101)
Net book value as at June 30, 2007	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
At June 30, 2007														
Cost	14,901,873	3,682,197	672,740,947	102,331,758	3,801,373,956	91,526,153	168,238,145	14,487,068	20,673,449	58,604,201	1,576,064	180,503,051	-	5,130,638,862
Accumulated depreciation	-	-	(146,113,586)	(39,563,921)	(1,334,976,774)	(32,016,481)	(49,151,362)	(9,874,074)	(10,183,963)	(22,177,194)	(1,065,842)	(44,636,910)	-	(1,689,760,107)
Net book value	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
Year ended June 30, 2008														
Net book value as at July 01, 2007	14,901,873	3,682,197	526,627,361	62,767,837	2,466,397,182	59,509,672	119,086,783	4,612,994	10,489,486	36,427,007	510,222	135,866,141	-	3,440,878,755
Additions	-	-	20,787,270	3,580,148	90,161,180	2,953,639	23,875,356	-	420,150	4,165,450	-	-	-	145,943,193
Disposals										-				
- Cost	-	-	-	-	(11,045,815)	-	-	-	-	(2,848,700)	-	-	-	(13,894,515)
- Depreciation	-	-	-	-	7,236,724	-	-	-	-	1,963,629	-	-	-	9,200,353
Transfers														
- Cost	-	-	-	-	43,235,000		39,000,000	-	-	-	-	(82,235,000)	-	-
- Depreciation	-	-	-	-	(14,874,535)	-	(14,973,076)	-	-	-	-	29,847,611	-	-
Depreciation charge	-	-	(27,001,638)	(6,631,120)	(252,664,227)	(6,085,472)	(14,358,473)	(461,299)	(1,080,916)	(7,489,265)	(102,045)	(7,937,456)	-	(323,811,911)
Net book value as at June 30, 2008	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	-	3,258,315,875
At June 30, 2008														
Cost	14,901,873	3,682,197	693,528,217	105,911,906	3,923,724,321	94,479,792	231,113,501	14,487,068	21,093,599	59,920,951	1,576,064	98,268,051	-	5,262,687,540
Accumulated depreciation	-	-	(173,115,224)	(46,195,041)	(1,595,278,812)	(38,101,953)	(78,482,911)	(10,335,373)	(11,264,879)	(27,702,830)	(1,167,887)	(22,726,755)	-	(2,004,371,665)
Net book value	14,901,873	3,682,197	520,412,993	59,716,865	2,328,445,509	56,377,839	152,630,590	4,151,695	9,828,720	32,218,121	408,177	75,541,296	-	3,258,315,875
Depreciation Rate	**-**	**-**	**5%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**20%**	**20%**	**10%**	**20%**	

13.1.1 Allocation of Depriciation

	Note	June 30, 2008	June 30, 2007
Manufacturing expenses	26	315,241,730	300,638,962
Administrative expense	29	8,570,181	8,320,139
		323,811,911	**308,959,101**

13.1.2 **Disposals of operating fixed assets - by negotiation**

Particulars	Cost	Accumulated Depreciation	Net Book value	Sale Proceed	Gain / (loss)	Sold to
	………………………………		Rupees		………………………………	
Plant & Machinery	991,815	(745,535)	246,280	(265,000)	18,720	Sunrays Textile Mills Ltd. Office # 508, 5th, Floor, Beaumont Plaza, Civil Lines, Karachi.
Plant & Machinery	300,000	(283,841)	16,159	(20,000)	3,841	Akhtar Brothers Shop # 28, Paria Street, Karachi.
Plant & Machinery	5,954,000	(2,692,872)	3,261,128	(3,801,050)	539,922	Adamjee Insurance Co. Ltd. 6th, Floor, Adamjee Insurance Building, I.I. Chundrigar Road, Karachi.
Plant & Machinery	2,200,000	(1,954,055)	245,945	(255,000)	9,055	Mr. Lal Mohammad Chot Ki Gitti, Hyderabad.
Plant & Machinery	1,600,000	(1,560,421)	39,579	(100,000)	60,421	Mr. Mohammad Imran Shershah, Karachi.
Vehicle	396,000	(240,895)	155,105	(210,000)	54,895	Mr. Khalid Malik Employee.
Vehicle	48,000	(23,347)	24,653	(18,000)	(6,653)	Mr. Zahid Ali Akbar Road, Karachi.
Vehicle	1,245,700	(786,485)	459,215	(475,000)	15,785	Mr. Omer Ataullah 47 / 2, Street 14, D.H.A., Karachi.
Vehicle	1,159,000	(912,902)	246,098	(260,000)	13,902	Mr. Omer Ataullah 47 / 2, Street 14, D.H.A., Karachi.
Total	**13,894,515**	**(9,200,353)**	**4,694,162**	**5,404,050**	**709,888**	

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

13.2 CAPITAL WORK-IN-PROGRESS

	Note	June 30, 2008	June 30, 2007
Civil work and construction	13.2.1	-	6,961,400
Plant and machinery under erection	13.2.2	-	9,649,550
		-	16,610,950

13.2.1 Civil work and construction

		2008	2007
Opening balance as at year		6,961,400	70,797,638
Addition during the year		5,749,357	36,641,177
		12,710,757	107,438,815
Less: Transfer during the year		(12,710,757)	(100,477,415)
Closing balance as at year		-	6,961,400

13.2.2 Plant and machinery under erection

		2008	2007
Opening balance as at year		9,649,550	637,407
Addition during the year		13,577,906	14,890,490
		23,227,456	15,527,897
Less: Transfer during the year		(23,227,456)	(5,878,347)
Closing balance as at year		-	9,649,550

14. LONG TERM INVESTMENTS

	Note	2008	2007
Investment in Associate	14.1	144,936,756	144,450,326
Investment in Joint Venture	14.2	783,046,750	795,678,680
		927,983,506	940,129,006

14.1 Investment in Sunrays Textile Mills Limited - an associate

	Note	2008	2007
Cost		42,382,250	42,382,250
Share of post acquisition profit			
Opening		102,068,076	-
Share of associate's reversal of			
- Deferred tax liability		277,918	-
on account of incremental depreciation			-
Share of profit from associate	14.1.3	208,512	102,068,076
		102,554,506	102,068,076
		144,936,756	144,450,326
Number of shares held		1,695,290	1,695,290
Cost of investments (Rupees)		42,382,250	42,382,250
Ownership interest		24.57%	24.57%

The share of assets, liabilities, of the associate at June 30, 2008.

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
Current assets		287,982,696	151,559,252
Non - current assets		227,232,982	231,740,659
		515,215,678	383,299,911
Current liabilities		268,483,161	150,977,560
Non - current liabilities		101,795,761	87,872,025
		370,278,922	238,849,585
		144,936,756	144,450,326

14.1.1 The market value of investment is Rs. 50,858,700.

14.1.2 Summarized financial highlights of Sunrays Textile Mills Limited as at June 30, 2008 are as follows:

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
Total assets as at		2,096,979,386	1,560,069,006
Total liabilities as at		1,507,072,281	972,141,719
Revenue		1,889,389,771	1,688,924,101
(Loss)/Profit for the year		848,664	8,192,856

	As per audited accounts-June 30,2007	Effect of prior year adjustment	Restated amount
	------------------------Rs in '000'----------------------------		
Restatement in Balance sheet			
Long term investment	135,801,355	8,648,971	144,450,326
Deferred Taxation	206,337,942	42,130	206,380,072
Restatement in Profit and Loss Account			
Share of profit of associate -net of tax	93,350,985	8,717,091	102,068,076
Taxation for continiung operations	140,866,379	42,130	140,908,509
Restatement in Statement of changes in equity			
Share of associate transfer from surplus on -revaluation of property ,plant and equipment on account of incremental depreciation and disposal - net of deferred tax	68,120	(68,120)	-
Net income recognised directly in equity	68,120	(68,120)	-
Profit for the year ended December 31, 2007	430,448,118	8,674,961	439,123,079
Total recognized income and expense for the year	430,516,238	8,606,841	439,123,079

14.1.3 This amount includes fair value adjustment of Rs. Nil (2007:Rs.101,564,842)

14.2 The company has a 49.99% interest in Indus Home Limited, a jointly controlled entity which is involved in the manufacturing, export and sale of greige and finished terry cloth and other textile products.

The share of assets, liabilities, of the jointly controlled entity at June 30, 2008.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
Current assets		579,355,989	294,122,424
Non - current assets		1,628,734,487	1,358,186,654
		2,208,090,476	1,652,309,078
Current liabilities		(628,436,464)	(122,090,154)
Non - current liabilities		(796,607,262)	(734,540,244)
	14.2.1	783,046,750	795,678,680

		June 30, 2008	June 30, 2007
14.2.1	Ownership interest	49.99%	49.99%
	Cost	749,999,970	749,999,970
	Share of post acquisition profit:		
	Opening	45,678,710	-
	Share of (loss)/profit for the year	(12,631,930)	45,678,710
	Total	783,046,750	795,678,680

14.2.2 Summarized financial highlights of Indus Home Limited as at June 30, 2008 are as follows:

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
Total assets as at		4,416,181,129	3,304,618,288
Total liabilities as at		2,850,087,568	1,713,260,864
Revenue		2,066,233,020	1,122,005,523
(Loss)/profit for the year		(25,263,863)	91,357,424

15. LONG-TERM DEPOSITS

	Note	June 30, 2008	June 30, 2007
Lease security deposits	15.1	5,413,402	9,525,152
Others		623,250	573,250
		6,036,652	10,098,402
Less: Current portion of lease security deposits	20	(5,413,402)	(4,111,750)
		623,250	5,986,652

15.1 It represents interest free refundable deposits paid at inception of lease and are realizable on maturities of lease arrangements.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

16. STORES, SPARES AND LOOSE TOOLS

	Note	June 30, 2008	June 30, 2007
Stores, spares and loose tools	16.1	98,538,969	61,944,566
		98,538,969	61,944,566

16.1 It includes stores and spares in transit amounting to Rs. 6,411,379 (2007: Rs 8,209,075).

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

17. STOCK-IN-TRADE

	Note	June 30, 2008	June 30, 2007
Raw material	17.1	1,192,142,321	1,021,858,737
Packing material		24,034,689	19,572,368
Work-in-process		90,600,549	74,608,941
Finished goods		198,143,686	130,272,352
Waste		6,222,922	5,240,823
		1,511,144,167	1,251,553,221

17.1 It includes raw material in transit amounting to Rs. 206,140,125 (2007: Rs. 52.72 million).

18. TRADE DEBTS

	Note	June 30, 2008	June 30, 2007
Considered good			
Foreign debtors - Secured		344,685,355	395,250,153
Local debtors; Unsecured			
associated undertaking		32,888,218	20,520,447
others		483,553,221	348,413,074
		516,441,439	368,933,521
		861,126,794	764,183,674
Considered doubtful		3,418,266	2,053,191
		864,545,060	766,236,865
Less: Provision for doubtful debts	18.1	(3,418,266)	(2,053,191)
		861,126,794	764,183,674

18.1 Provision for doutful debts

		June 30, 2008	June 30, 2007
Opening Balance		2,053,191	2,053,191
Charge for the year		1,742,435	-
Amount written off during the year		(377,360)	-
Closing Balance		3,418,266	2,053,191

19. LOANS AND ADVANCES

		June 30, 2008	June 30, 2007
Considered good			
Loans to staff		10,034,431	8,130,712
Advance income tax		57,051,148	73,540,538
Advances to			
Suppliers		36,588,867	6,590,049
Others		12,269,983	7,897,920
		48,858,850	14,487,969
		115,944,429	96,159,219

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	June 30, 2008	June 30, 2007
Lease security deposits	15	5,413,402	4,111,750
Other security deposits		1,956,562	823,062
Margin deposits		5,281,893	5,873,193
Prepayments		209,072	5,133,425
		12,860,929	15,941,430

21. OTHER RECEIVABLES

	Note	June 30, 2008	June 30, 2007
Rebate receivable		-	83,130
Cotton claim receivable		1,977,381	4,395,570
Due from associated undertaking		-	4,209,624
Others		7,596,026	9,695,891
		9,573,407	18,384,215

22. OTHER FINANCIAL ASSETS

	Note	June 30, 2008	June 30, 2007
Financial assets at fair value through profit and loss held for trading - listed equity securities		45,974,133	3,363,596
Fair value (loss) on listed securities		(6,985,156)	(530,881)
		38,988,977	2,832,715

23. TAX REFUNDS

	Note	June 30, 2008	June 30, 2007
Income tax refundable		13,355,896	4,048,201
Sales tax refundable		19,483,187	20,807,377
		32,839,083	24,855,578

24. CASH AND BANK BALANCES

	Note	June 30, 2008	June 30, 2007
With banks			
On deposit accounts:	24.1	13,491,853	11,610,000
On current accounts:		31,449,027	37,066,886
		44,940,880	48,676,886
Cash in hand		4,383,402	4,125,149
		49,324,282	52,802,035

24.1 This includes term deposit receipts amounting to Rs.11,610,000 on account of guarantees provided by the banks for a period of 12 months carrying markup at the rate of 6.15 to 9.80 % per annum received on quarterly basis. The banks have a lien on these term deposits.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
25. SALES			
Export sales	25.1	3,668,069,003	4,230,755,110
Less: Commission expense		(81,814,847)	(150,553,146)
		3,586,254,156	4,080,201,964
Local sales			
Yarn	25.2	3,495,261,079	2,267,102,471
Waste		148,641,325	83,991,281
Local sales net of sale tax		3,643,902,404	2,351,093,752
Less: Brokerage		(29,623,159)	(19,918,577)
		3,614,279,245	2,331,175,175
		7,200,533,401	6,411,377,139

25.1 It includes exchange gain amounting to Rs.10,028,951 (2007: Rs.45,921,621).

25.2 It includes sales to related parties amounting to Rs. 419,223,244 (2007: Rs.272,619,406).

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	
26. COST OF GOODS SOLD			
Raw material consumed	26.1	5,111,486,680	4,316,289,237
Stores and spares consumed		132,354,153	124,418,287
Manufacturing expenses	26.2	1,079,013,599	1,017,393,864
Outside purchases - yarn		63,596,658	41,115,815
		6,386,451,090	5,499,217,203
Work in process - Opening		74,608,941	58,576,073
- (Closing)		(90,600,549)	(74,608,941)
		(15,991,608)	(16,032,868)
Cost of goods manufactured		6,370,459,482	5,483,184,335
Finished goods - Opening		135,513,175	118,706,174
- (Closing)		(204,366,608)	(135,513,175)
		(68,853,433)	(16,807,001)
		6,301,606,049	5,466,377,334

26.1 Raw material consumed

	Note	June 30, 2008	June 30, 2007
Opening stock		988,708,228	1,118,081,267
Purchases	26.1.1	5,132,815,337	4,186,916,198
		6,121,523,565	5,304,997,465
Closing stock		(1,010,036,885)	(988,708,228)
		5,111,486,680	4,316,289,237

26.1.1 It includes purchases from associated undertaking amounting to Rs. NIL (2007: Rs.46,926,464).

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

26.2 Manufacturing expenses

	Note	June 30, 2008	June 30, 2007
Salaries, wages and benefits	26.2.1	339,196,079	314,693,483
Fuel, water and power		389,582,527	366,118,439
Rent, rates and taxes		2,087,280	1,711,425
Insurance expenses		6,621,548	11,081,532
Repairs and maintenance		15,028,277	11,162,676
Depreciation on property, plant and equipment	13.1.1	315,241,730	300,638,962
Other expenses		11,256,158	11,987,347
		1,079,013,599	1,017,393,864

26.2.1 It includes staff retirement benefits amounting to Rs. 15,435,532 (2007: Rs. 25,527,662).

27. OTHER OPERATING INCOME

	Note	June 30, 2008	June 30, 2007
Operating profit of ice factory	27.1	1,454,317	757,271
Operating profit on trading of raw cotton	27.2	11,216,213	1,325,458
Operating profit on trading of stores and spares	27.3	60,366	-
Other income	27.4	6,562,367	71,995,661
		19,293,263	74,078,390

27.1 Operating profit of ice factory

	Note	June 30, 2008	June 30, 2007
Sales		12,281,427	9,028,196
Cost of goods sold	27.1.1	(10,827,110)	(8,270,925)
Gross profit		1,454,317	757,271

27.1.1 Cost of goods sold

	June 30, 2008	June 30, 2007
Salaries, wages and benefits	1,564,596	1,320,919
Salt consumed	55,010	43,440
Ammonia gas consumed	133,894	106,250
Electricity	5,858,789	5,300,815
Repairs and maintenance	859,597	709,891
Stationery expenses	6,473	-
Lease rentals	250,000	300,000
Miscellaneous expenses	2,098,751	489,610
	10,827,110	8,270,925

27.2 Operating profit on trading of raw cotton

	Note	June 30, 2008	June 30, 2007
Sales	27.2.1	114,104,572	37,748,673
Less: Cost of sale		(102,888,359)	(36,423,215)
		11,216,213	1,325,458

27.2.1 It includes sales to related parties amounting to Rs.NIL (2007: Rs. 17,345,424).

		Note	June 30, 2008	June 30, 2007
			………. Rupees ……….	
27.3	**Operating profit on trading of stores and spares**			
	Sales		1,108,888	-
	Less: Cost of sale		(1,048,522)	-
			60,366	-
27.4	**Other income**			
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		709,888	65,778,066
	Insurance claim		-	931,815
	Scrap sale		5,038,223	2,661,035
	Profit on foxed deposits		-	2,171,663
	Income from financial assets			
	Profit on fixed deposits		199,520	288,322
	Dividend income		614,736	164,760
			6,562,367	71,995,661
28.	**DISTRIBUTION COST**			
	Freight and forwarding		168,510,096	136,919,766
	Export development surcharge		8,290,412	10,779,330
	Advertisement expenses		1,775,248	1,125,495
	Insurance expense		1,690,000	-
	Others		-	699,993
			180,265,756	149,524,584
29.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	29.1	31,035,229	31,861,385
	Repairs and maintenance		1,098,444	1,094,346
	Postage, telephone and telex		5,130,980	4,516,235
	Traveling and conveyance		10,948,617	10,526,901
	Vehicle running expenses		4,160,308	4,022,169
	Printing and stationary		1,948,384	3,534,651
	Rent and electricity		7,111,416	6,502,352
	Entertainment		1,412,558	997,662
	Fees and subscription		442,273	814,768
	Insurance expense		845,000	-
	Other expenses		2,758,643	3,474,240
	Bad debt expense		1,742,435	-
	Legal expenses		411,363	279,885
	Charity and donations	29.2	228,100	1,495,644
	Auditors' remuneration	29.3	888,200	618,934
	Depreciation on property, plant and equipment	13.1.1	8,570,181	8,320,139
			78,732,131	78,059,311

29.1 It includes staff retirement benefits amounting to Rs. 1,116,665 (2007: Rs.1,136,539).

29.2 None of the directors and their spouses have any interest in the donees.

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

29.3 Auditors' remuneration

Audit fee		500,000	300,000
Half year limited review fee		180,000	165,000
Fee for certifications		45,000	40,000
Out of pocket expenses		163,200	113,934
		888,200	618,934

30. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund		9,399,307	21,068,999
Workers' welfare fund		5,095,020	-
Fair value loss on other financial assets		6,985,156	530,881
Fair value loss on derivative financial liability		36,038,909	
Exchange loss		37,733,726	-
Operating loss on trading of polyester fibre	30.1	889,945	-
Loss due to fire		16,009	-
		96,158,072	21,599,880

30.1 Operating loss on trading of polyester fibre

Sales		(337,365)	-
Cost of Sales		1,227,310	-
Loss		889,945	-

31. FINANCE COST

Mark-up			
long-term financing (including long term murabaha)		226,867,077	232,051,864
assets subject to finance lease		3,846,033	8,201,001
short-term borrowings		125,697,899	104,303,843
Interest on Workers' Profit Participation Fund		1,555,485	1,785,870
Bank charges		31,926,924	23,240,854
		389,893,418	369,583,432

32. TAXATION

Current			
For the year		72,383,179	59,726,158
Prior year		-	(2,427,690)
Deferred		50,892,569	83,610,041
		123,275,748	140,908,509

	Note	June 30, 2008	June 30, 2007
		………. Rupees ……….	

33. RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND TAX EXPENSE

Profit before tax	160,747,820	584,479,001
Tax calculated at the rate of 35%	56,261,737	204,567,650
Effect of applicability of lower tax rate on certain incomes	1,241,540	5,103,403
Effect of tax under presumptive tax regime	(26,236,138)	(112,715,710)
Tax liability under presumptive tax regime	37,356,041	63,942,094
Effect of taxable/(deductible)differences	53,895,693	(29,491,735)
Others	756,875	9,502,807
Tax charge for the year	123,275,748	140,908,509

34. DISCONTINUED OPERATIONS

The results relating to weaving unit for the year ended June 30, 2007 are as follows:

Sales - net	-	413,559,069
Cost of sales	-	(344,930,730)
Gross profit	-	68,628,339
Other operating income	-	577,111
	-	69,205,450
Distribution cost	-	(9,900,368)
Administrative expenses	-	(7,081,819)
Other operating expenses	-	(1,916,907)
Finance cost	-	(13,885,129)
	-	(32,784,223)
Profit before taxation	-	36,421,227
Taxation for discontinuing operations	-	(4,447,413)
Profit from discontinuing operations for the period / year	-	31,973,814

During 2007, the weaving unit contributed Rs. 31.973 million to the net operating cash flows, inflow / outflow Rs. 1,075 million in respect of investing activities and paid Rs. 508 million in respect of financing activities.

35. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the company, which is based on:

		Note	June 30, 2008	June 30, 2007 Restated
			………. Rupees ……….	
Continuing operations				
Profit for the year	Rupees		37,472,072	407,149,265
Average number of ordinary shares	No. of shares		18,073,731	18,073,731
Earnings per share - Basic	Rupees		2.07	22.53
Discontinued operations				
Profit for the period	Rupees		-	31,973,814
Average number of ordinary shares	No. of shares		-	18,073,731
Earnings per share - Basic	Rupees		-	1.77

36. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in the accounts for remuneration, including all benefits to chief executive officer and directors of the company are given below:

Particulars	June 30, 2008			June 30, 2007		
	Chief Executive Officer	Directors	Total	Chief Executive Officer	Directors	Total
	……………………………………………. Rupees …………………………………………….					
Remuneration	720,000	3,240,000	3,960,000	720,000	3,600,000	4,320,000
House rent	480,000	2,160,000	2,640,000	480,000	2,400,000	2,880,000
Total	1,200,000	5,400,000	6,600,000	1,200,000	6,000,000	7,200,000
Number of persons	1	5	6	1	5	6

36.1 Company maintained cars and cellular phones are provided to Chief Executive Officer and directors.

37. CASH GENERATED FROM OPERATIONS

	Note	June 30, 2008	June 30, 2007 Restated
		………. Rupees ……….	
Profit before taxation		160,747,820	584,479,001
Adjustment for			
Depreciation		323,811,911	330,906,517
Provision for gratuity		16,360,455	26,664,201
Provision for doubtful debts		1,742,435	-
Provision written off		(377,360)	-
Fair value loss on derivative financial liability		36,038,909	
Fair value loss / (gain) on other financial assets		6,985,156	530,881
(Gain) / loss on disposal of property, plant and equipment		(709,888)	(65,778,066)
Finance cost		389,893,418	383,468,560
Share of profit from Associate		(208,512)	(102,068,076)
Share of loss/(profit) from Joint Venture		12,631,930	(45,678,710)
Cash generated before working capital changes		946,916,274	1,112,524,308
Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(36,594,403)	6,721,009
Stock in trade		(259,590,946)	215,405,991
Trade debts		(98,308,195)	(347,330,145)
Loans and advances		(36,274,600)	(263,817)
Trade deposits and short term prepayments		3,080,501	3,763,412
Other receivables		8,810,808	(7,563,065)
Other financial assets		-	-
		(418,876,835)	(129,266,615)
Increase / (decrease) in current liabilities			
Trade and other payables		58,570,249	(5,906,256)
		586,609,688	977,351,437

38. TRANSACTION WITH RELATED PARTIES

The related parties comprise of associated undertaking, Joint venture (Indus Home limited), Riaz cotton factory, Silver seeds, MB Industries, Gailawala cotton company, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with related parties. Short term loan obtained from directors are disclosed in note 11 to the financial statement where as amount due from related party is shown under trade debt in note 18 to the financial statements. Remuneration of key management personnel is disclosed in note 36 to the financial statements and amount due in respect of staff retirement benefits is disclosed in note 8.2. Other significant transaction with related parties are as follows.

Name	**Relatiopnship with the Company**	**Nature of transactions**	**June 30, 2008**	**June 30, 2007**
			………. Rupees ……….	
	Associate	Sale of property, plant and equipment	265,000	12,405,590
		Sales of yarn	21,213,086	47,923,733
		Sales of waste	7,753,158	-
		Sales of stores and spares	1,108,888	1,184,701
		Purchase of yarn	63,596,658	41,115,815
		Purchase of machinery	12,200,000	16,166,000
		Purchase of waste	-	2,868
		Purchase of cotton	-	46,926,464
		Purchase of stores and spares	159,511	559,799
		Investment in associate	-	42,382,250
		Expenses incurred on behalf of associates	102,710	-
		Expenses incurred by the associates on behalf of the company	438,232	-
	Joint Venture	Sale of property, plant and equipment	-	1,115,818,401
		Sales of stores and spares	-	16,160,723
		Sales of yarn	390,257,000	249,716,126
		Investment in Joint Venture	-	747,500,000

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Financial assets and liabilities

	Interest / mark-up bearing			Non - interest / mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2008 Total	June 30, 2007 Total
	……………………………… Rupees ………………………………							
Financial Assets								
Long-term deposits			-	5,413,402	623,250	6,036,652	6,036,652	10,098,402
Trade debts			-	861,126,794		861,126,794	861,126,794	764,183,674
Trade deposits			-	12,651,857		12,651,857	12,651,857	10,808,005
Other receivables			-	9,573,407		9,573,407	9,573,407	18,384,215
Loans and advances			-	10,034,431		10,034,431	10,034,431	8,130,712
Other financial assets			-	38,988,977		38,988,977	38,988,977	2,832,715
Cash			-	49,324,282		49,324,282	49,324,282	52,802,035
	-	-	-	987,113,150	623,250	987,736,400	987,736,400	867,239,758
Financial Liabilities								
Long-term financing	744,286,655	1,567,581,358	2,311,868,013			-	2,311,868,013	2,483,801,415
Long-term morabaha finances	15,000,000	10,000,000	25,000,000			-	25,000,000	39,945,847
Liabilities against assets			-			-		
subject to finance lease	17,959,838	-	17,959,838			-	17,959,838	62,412,183
Interest/markup payable				66,941,680		66,941,680	66,941,680	71,552,671
Short-term borrowings	1,472,610,823		1,472,610,823			-	1,472,610,823	1,166,253,792
Trade and other payables			-	271,451,501		271,451,501	271,451,501	47,566,841
	2,249,857,316	1,577,581,358	3,827,438,674	338,393,181	-	338,393,181	4,165,831,855	3,871,532,749
Off balance sheet Items								
Derivatives							802,435,335	
Bank guarantees							121,702,000	122,759,757
Letter of credits							714,131,881	246,498,273
Civil works							-	-
	-	-	-	-	-	-	1,638,269,216	369,258,030
On balance sheet gap	(2,249,857,316)	(1,577,581,358)	(3,827,438,674)	648,719,969	623,250	649,343,219	(3,178,095,455)	(3,004,292,991)
Off balance sheet gap	-	-	-	-	-	-	(1,638,269,216)	(369,258,030)

39.2 FINANCIAL RISK MANAGEMENT

Risks arising from the company's financial assets and liabilities are limited. The company manages its exposure to financial risk in the following manner:

a) Interest rate / mark-up rate risk

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

b) Foreign exchange risk

Foreign Exchange Risk arises mainly due to conversion of foreign currency assets and liabilities into local currencies. This exists due to the company's exposure resulting from outstanding import payments and outstanding export debtors. The company takes the currency exposure for limited periods. Financial assets exposed to foreign exchange rate risk included in the above amounting to Rs. 344.685 million (2007: Rs. 395.250 million).

c) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.987.736 million (2007: Rs.867.239 million), the financial assets which are subject to credit risk amounted to Rs. 983.352 million (2007: Rs. 863.114 million). This risk is mitigated through regular monitoring of debtors outstanding beyond the normal credit period allowed, initiation of effective follow-up till realization, restriction on further business and provision for impairment losses, if any.

Concentration of credit risk on cash based financial assets is minimized by dealing with a variety of major banks.

d) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management of the company closely monitors the company's liquidity and cash flow position and believes that the company is not exposed to significant level of liquidity risk.

e) Fair value of financial instruments

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

40. CAPITAL DISCLOSURE

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The capital structure of the company consists of share capital and reserves as well as debts of the company. Share capital and reserves consist of share capital and unappropriated profit. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares. The company's overall strategy remains unchanged from 2007.

		June 30, 2008	June 30, 2007
		………. Rupees ……….	

41. CAPACITY AND PRODUCTION

	June 30, 2008	June 30, 2007
Spinning unit		
Total number of spindles installed	129,943	130,224
Total number of spindles worked per annum (average)	129,829	130,224
Number of shifts worked per day	3	3
Installed capacity of yarn converted into 20 counts (lbs.) based on 365 days	100,013,272	105,454,666
Actual production of the year after conversion into 20 counts (lbs.)	90,077,949	107,733,368

42. Cash and cash equivalents

	June 30, 2008	June 30, 2007
Cash and bank balances	49,324,282	52,802,035

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on 9th October, 2008 by the Board of Directors of the Company.

44. GENERAL

44.1 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflected more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Nature	Amount
Margin Deposits	Cash at bank - deposit accounts	Cash and bank	11,610,000
Cash at bank - deposit accounts	Cash at bank - current accounts	Cash and bank	4,831,419
Advances to suppliers	Advances to others	Loans and advances	387,489
Salaries, wages and other benefits	Fuel, water and power	Cost of sales	847,643
Salaries, wages and other benefits	Rent, rates and taxes	Cost of sales	1,197,492
Salaries, wages and other benefits	Repairs and maintenance	Cost of sales	1,518,177
Salaries, wages and other benefits	Other expenses	Cost of sales	1,124,473

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR