Financial Statements of

Chenab Limited

For the year ended June 30, 2008

Chenab
LIMITED

Contents

Company Information

Chief Executive Officer	Mian Muhammad Latif
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Rizwan Latif Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif Mst. Tehmina Yasmin
Bankers/Financial Institutions *(In Alphabetic Order)*	Allied Bank Limited Atlas Bank Limited Askari Bank Limited AlBaraka Islamic Bank, B.S.C. (E.C) Bank Alfalah Limited Citibank, N.A. Faysal Bank Limited First Credit & Investment Bank Limited First Punjab Modaraba Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited National Bank of Pakistan NIB Bank Limited Orix Investment Bank (Pakistan) Limited Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Commercial Bank Limited Saudi Pak Agricultural & Investment Company (Pvt.) Ltd. Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
Chief Financial Officer	Mr. Muhammad Arif Shaikh F.C.A.
Company Secretary	Mr. Muhammad Arshad
Audit Committee	Mr. Muhammad Farhan Latif – *Chairman* Mst. Shahnaz Latif – *Member* Mst. Tehmina Yasmin – *Member*
Auditors	Avais Hyder Liaquat Nauman Chartered Accountants
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Registered Office	Nishatabad, Faisalabad. Tel:041-8754472-8 Fax:041-8752400, 8752700
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	- Spinning Unit - Toba Tek Singh. - Weaving Unit - Kharianwala, District, Sheikhupura. - Weaving Unit - Shahkot, District, Nankana Sahib. - Weaving Unit - Gatti, Faisalabad. - Weaving Unit - Khurrianwala, Faisalabad. - Processing Unit & Stitching Units - Nishatabad, Faisalabad.

Vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mission Statement

- To be the business house of first choice for customers.
- To be a change leader.
- To produce innovative, relevant and cost effective products.
- Setting and maintaining high standards.
- To earn profits by achieving optimum level of production by using state of the art technologies.
- To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- To meet social and cultural obligations towards the society being a patriotic and conscientious corporate citizens.

Financial Highlights

Operational performance	2008	2007	2006	2005	2004	2003 (Rupees '000)
Sales-net	8,506,911	8,161,233	6,957,562	5,863,108	4,750,847	3,984,978
Cost of sales	6,827,606	6,613,983	5,389,463	4,707,025	3,881,999	3,174,084
Gross profit	1,679,305	1,547,250	1,568,099	1,156,083	868,848	810,894
Operating profit	1,100,978	996,406	953,013	654,165	468,639	470,474
(Loss) / Profit before taxation	(15,294)	160,439	216,078	232,622	142,433	117,809
(Loss) / Profit after taxation	(95,791)	74,782	150,165	186,245	103,952	84,189
Financial position						
Property, Plant and equipment	7,035,077	7,168,721	5,953,381	4,732,200	3,428,960	2,534,220
Intangible asset	–	–	1,625	3,250	41,059	66,073
Capital work in progress	577,962	287,246	153,566	141,300	94,854	166,794
Long term deposits	22,224	22,849	–	–	–	–
Fixed capital expenditure	7,635,263	7,478,816	6,108,572	4,876,750	3,564,873	2,767,087
Total assets	16,287,103	15,000,306	14,174,127	10,056,662	8,147,416	5,960,195
Current asset						
Store,spare parts and stocks in trade	5,618,142	5,093,302	4,833,445	3,636,398	3,318,558	2,429,935
Other current assets	2,973,840	2,362,941	3,104,245	1,454,078	1,202,355	731,415
Cash and cash equivalents	59,858	65,247	127,866	89,436	61,630	31,758
Total	8,651,840	7,521,490	8,065,555	5,179,912	4,582,543	3,193,108
Current liabilities						
Short term bank borrowing	6,880,563	5,473,669	4,971,835	3,604,661	3,150,126	2,309,919
Current portion of long term loans/morabaha	1,041,770	782,047	1,218,606	180,000	99,082	220,129
Other current liabilities	2,147,931	2,126,723	1,718,840	1,213,476	1,074,617	619,156
Total	10,070,264	8,382,439	7,909,281	4,998,137	4,323,825	3,149,204
Net working capital	(1,418,424)	(860,949)	156,274	181,775	258,718	43,904
Long term loans/Finance lease,Morabaha	2,296,571	2,550,142	2,228,194	2,310,856	2,080,504	1,268,615
Shareholder's equity	2,589,955	2,759,138	2,745,372	2,367,700	1,361,411	1,156,397
Profiability analysis						
Gross profit to sale (%)	19.74	18.96	22.54	19.72	18.29	20.35
(Loss)/Profit befor tax to sales (%)	(0.18)	1.97	3.11	3.97	3.00	2.96
(Loss)/Profit after tax to sales (%)	(1.13)	0.92	2.16	3.18	2.19	2.11
Return on investment (%)	(0.59)	0.50	1.06	1.85	1.28	1.41
Return on equity (%)	(3.70)	2.71	5.47	7.87	7.64	7.28
Earnings per share(Rupees)	(0.83)	0.01	0.67	1.25	1.04	2.28
Financial analysis						
Current ratio(time)	0.86	0.90	1.02	1.04	1.06	1.01
Debt to equity (time)	1.29	1.21	1.26	1.05	1.60	1.29
Total Debt to Total Assets	0.20	0.22	0.24	0.25	0.27	0.25
Total Debt to Fixed Assets	0.44	0.45	0.56	0.51	0.61	0.54

Notice of Annual General Meeting

Notice is hereby given that 24th Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Friday the 31st October, 2008 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

1 To confirm the minutes of the last meeting.

2 To consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2008 together with Directors and Auditors Reports thereon.

3 To appoint Auditors for the next financial year 2008-2009 and to fix their remuneration. The Retiring Auditors, M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad being eligible, offer themselves for re-Appointment.

4 To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

FAISALABAD
October 10, 2008

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

NOTES:

1 The Share Transfer Books of Ordinary/Preference Shares of the Company will remain closed from October 22, 2008 to October 31, 2008 (both days inclusive). Transfers received in order at Company's Registrar, M/s. Consulting One (Pvt.) Ltd, 478-D, Peoples Colony, Faisalabad upto close of business on October 21, 2008 will be considered in time.

2 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.

3 Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.

4 All other members should bring their Original National Identity Cards for identification purpose.

5 The shareholders are requested to notify the company immediately the change in their address, if any.

The Directors are pleased to place before you Report and Audited Accounts for the year ended June 30, 2008.

GENERAL CONDITONS

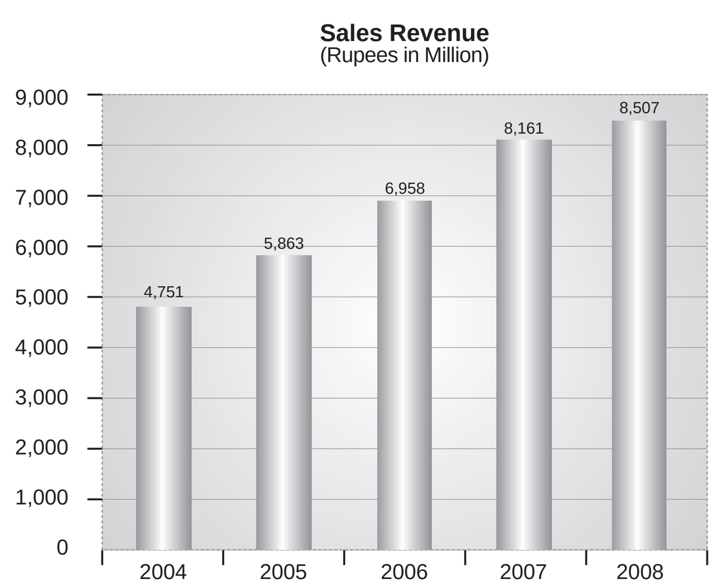
The year under report will be reckoned as the one during which worst economic and political developments took place in Pakistan. This year saw unveiling of economic failures due to flawed economic policies of the previous regime, which based their economic achievements on consumption based spending in order to stimulate economic growth. However, these policies were not in line with the economic realities of nascent and limited products range economies like Pakistan.

Murder of the most popular political leader, burgeoning oil prices, rampant inflation, increase in cost of utilities and other inputs, increase in labour cost, low cotton yield, almost 40% increase in raw cotton cost, higher financial costs, electricity & gas load shedding, and on top of it, spate of suicide bombing -a direct result of war on terror almost destroyed our economic order. Customers have been hesitant to visit Pakistan and some of them have even cancelled their lucrative orders placed on us. All these events have thrown the home textile and other textile industry into a deeper quagmire.

Future outlook looks bleak at least over next 2 years until some economic order is restored, power crisis is taken care of and there is a political stability in the country. Unfortunately, economic aid which was given as a consequence of our participation in war on terror has, in fact, damaged the economy with many multipliers. We need market access which is not there e.g. unjust antidumping duty in EU markets, we need level playing field but GSP preference is given to countries like Bangladesh which have no other edge except cheap labour.

SALES REVENUE

Sales revenue of your company has been cumulatively growing over last 5 years, as depicted in the chart.



Sales revenue for the year was Rs.8.507 billion as compared with Rs. 8.161 billion earned during the preceding year. Sales revenue increased by 4.24% only which hardly covers the impact of inflation. Slow down in US economy is one of the main reasons for limited sales growth. Oil prices shock has also put the world economic order under pressure.

OPERATING RESULTS

All the aforementioned factors have negatively contributed towards the financial performance of the company and the company has suffered loss of Rs. (95.791) million during the year under review. Major contributor for this loss is 34% increase in financial cost alone as compared to last year. The loss so sustained by the company was a unique nature of loss for the very first time in its history.

The financial results for the year ended June 30, 2007 with comparative figures are as follows;

	2008 (Rupees)	2007 (Rupees)
Sales	8,506,910,750	8,161,232,830
Cost of sales	6,827,605,550	6,613,982,924
Gross profit	1,679,305,200	1,547,249,906
Other operating income	8,318,792	2,888,745
	1,687,623,992	1,550,138,651
Selling and distribution expenses	400,213,310	367,092,927
Administrative expenses	178,106,782	168,635,898
Other operating expenses	6,666	15,114,318
Finance cost	1,124,591,364	838,856,464
	1,702,918,122	1,389,699,607
(Loss) / profit before taxation	(15,294,130)	160,439,044
Provision for taxation	80,497,144	85,656,748
(Loss) / profit for the year	(95,791,274)	74,782,296
Earnings per share – Basic	(0.83)	0.01

DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

In view of loss sustained by the company, the payment of dividend on non voting cumulative preference shares has been deferred.

PATTERN OF SHARHEOLDING

The pattern of shareholding as at June 30, 2008 including the information under the code of corporate governance for ordinary and non-voting cumulative preference shares are annexed.

BOARD OF DIRECTORS

There has been no change in the directorship of the company since last annual general meeting of the shareholders of the company.

BOARD MEETINGS

During the year under review six board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED
1.	Mian Muhammad Latif	5
2.	Mian Muhammad Javaid Iqbal	6
3.	Mr. Muhammad Naeem	6
4.	Mr. Muhammad Faisal Latif	6
5.	Mr. Muhammad Farhan Latif	6
6.	Mr. Muhammad Rizwan Latif	3
7.	Mr. Muhammad Zeeshan Latif	6
8.	Mst. Shahnaz Latif	6
9.	Mst. Tehmina Yasmin	6

Leaves of absence were granted to the directors who could not attend the meetings.

AUDIT COMMITTEE

The audit committee of the company comprising of the following in compliance with the code of corporate governance functioned accordingly around the whole year:-

(1)	Muhammad Farhan Latif	–	Chairman	(Non Executive)
(2)	Mst. Shahnaz Latif	–	Member	(Non Executive)
(3)	Mst. Tehmina Yasmin	–	Member	(Non Executive)

CODE OF CORPORATE GOVERNANCE

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

(i) The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the company have been maintained.

(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements.

(v) The system of internal control is sound and has been effectively implemented and monitored.

(vi) The board is satisfied that company is doing well and there is no concern as regard to going concern under the code.

(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

(viii) Key operating and financial data for the last six years is annexed.

(i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2007 except for those disclosed in the financial statements.

(i) No material changes 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.

AUDITORS

The External Auditors, M/S Avais Haider Liaquat Nauman, Chartered Accountants, Faisalabad retire and being eligible offer themselves for re-appointment. The Audit Committee and the Board has also recommended their re-appointment as External Auditors of the Company for the next financial year 2008-2009.

FUTURE OUTLOOK

We expect that with the lifting of anti-dumping duty in EU in March, 2009, creation of Resource Opportunity Zones (ROZ) in FATA and earthquake hit areas, stable political situation and focus of present political government on agriculture will help revive textile industry to its true potential. Your company has made necessary investment where needed and now it is in consolidation stage and has the capability and capacity to increase sales revenue by 50%.

We think that it is very hard time for Pakistan's economy and particularly for value added textile sector, which has made substantial investments during last 7 years. We expect a more pragmatic and problem solving approach from all stake holders including government and bankers. We have developed necessary expertise as one of the finest home textile producers in the world. With right direction and atmosphere your company has all the potential to earn proper value for the share holders, customers, bankers and employees.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

FAISALABAD
October 10, 2008

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework with best practices for good corporate governance. The Company has applied the principles contained in the Code in the following manner:-

(1) The Company encourages representation of independent non-executive directors representing minority interests on its Board of Directors. However, at present, the Board includes four Executive and five Non-executive and no Director representing minority shareholder.

(2) The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

(3) All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

(4) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

(5) No vacancy occurring in the Board during the financial year ended June 30, 2008.

(6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

(7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

(8) The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

(9) The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange. Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. They are also attending seminars on business and financial matters, and the Company has arranged orientation courses for the appraisement of their duties and responsibilities.

(10) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

(11) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

(12) The financial statements of the Company were duly endorsed by a Director and CFO before approval of the Board.

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

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

(15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors.

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

(17) The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function no a full time basis. The internal Audit Department reports to the Audit Committee.

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

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

(20) The Company has fully complied with the requirement of best practices on transfer pricing as contained in the Listing Regulation of the Stock Exchanges

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

On behalf of the Board

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

Review Report to the Members on Statement of Compliance

with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Chenab Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended June 30, 2008.

Date: October 10, 2008
Faisalabad

Avais Hyder Liaquat Nauman
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of Chenab Limited 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 loss, 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 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company as of June 30, 2007, were audited by another firm of chartered accountants whose report dated October 10, 2007 expressed an unqualified opinion on those statements.

Date: October 10, 2008
Faisalabad

Avais Hyder Liaquat Nauman
Chartered Accountants

Balance Sheet

as at June 30, 2008

	NOTE	2008 Rupees	2007 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Capital reserves	5	526,409,752	526,409,752
Revenue reserves	6	113,545,598	282,728,332
		2,589,955,350	2,759,138,084
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	1,160,265,688	1,160,874,228
NON-CURRENT LIABILITIES			
Long term financing	8	2,201,513,749	2,401,726,022
Liabilities against assets subject to finance lease	9	95,057,452	148,415,629
Deferred liability			
Staff retirement gratuity	10	170,046,540	147,712,318.
		2,466,617,741	2,697,853,969
CURRENT LIABILITIES			
Trade and other payables	11	1,698,605,437	1,866,433,641
Interest / markup payable	12	285,107,900	174,842,551
Short term borrowings	13	6,880,562,531	5,473,669,120
Current portion of :			
Long term financing	8	1,041,769,900	622,602,201
Liabilities against assets subject to finance lease	9	81,827,892	79,444,898
Long term murabaha		–	80,000,000
Provision for taxation - income tax		82,390,810	85,446,472
		10,070,264,470	8,382,438,883
CONTINGENCIES AND COMMITMENTS	14	–	–
		16,287,103,249	15,000,305,164

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

(MHAMMAD NAEEM)
DIRECTOR

	NOTE	2008 Rupees	2007 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	15	7,613,039,206	7,455,966,993
Long term deposits		22,223,563	22,848,563
		7,635,262,769	7,478,815,556
CURRENT ASSETS			
Stores, spares and loose tools	16	1,175,542,491	1,096,120,106
Stock in trade	17	4,442,600,098	3,997,183,255
Trade debts	18	2,429,040,820	1,820,814,162
Loans and advances	19	145,473,360	208,255,648
Deposits and prepayments	20	31,823,107	45,464,026
Other receivables	21	135,968,236	78,852,653
Tax refunds due from Government	22	231,534,410	209,553,036
Cash and bank balances	23	59,857,958	65,246,722
		8,651,840,480	7,521,489,608
		16,287,103,249	15,000,305,164

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

Profit and Loss Account

for the year ended June 30, 2008

	NOTE	2008 Rupees	2007 Rupees
Sales	24	8,506,910,750	8,161,232,830
Cost of sales	25	6,827,605,550	6,613,982,924
Gross profit		1,679,305,200	1,547,249,906
Other operating income	26	8,318,792	2,888,745
		1,687,623,992	1,550,138,651
Selling and distribution expenses	27	400,213,310	367,092,927
Administrative expenses	28	178,106,782	168,635,898
Other operating expenses	29	6,666	15,114,318
Finance cost	30	1,124,591,364	838,856,464
		1,702,918,122	1,389,699,607
(Loss) / profit before taxation		(15,294,130)	160,439,044
Provision for taxation	31	80,497,144	85,656,748
(Loss) / profit for the year		(95,791,274)	74,782,296
Earnings per share - Basic	36	(0.83)	0.01

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

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(15,294,130)	160,439,044
Adjustments for:		
Depreciation / impairment loss on property, plant and equipment	272,521,063	308,483,968
Amortisation of intangible asset	–	1,624,800
Provision for staff retirement gratuity	48,576,824	45,592,529
Loss on disposal of property, plant and equipment	6,666	37,728
Finance cost	1,124,591,364	838,856,464
Balances written back	(6,918,462)	(1,502,291)
Operating cash flows before working capital changes	1,423,483,325	1,353,532,242
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(79,422,385)	(33,617,456)
Stock in trade	(445,416,843)	(226,241,310)
Trade debts	(608,226,658)	(260,711,132)
Loans and advances	45,012,935	96,353,804
Deposits and prepayments	13,640,919	(12,900,657)
Other receivables	(57,115,583)	(23,609,797)
Tax refunds due from Government	(8,316,841)	83,945,530
	(1,139,844,456)	(376,781,018)
(Decrease) / increase in current liabilities		
Trade and other payables	(163,868,844)	362,824,120
	(1,303,713,300)	(13,956,898)
Cash generated from operating activities	119,770,025	1,339,575,344
Income tax paid	(79,447,986)	(83,710,147)
Finance cost paid	(1,014,326,015)	(831,309,604)
Staff retirement gratuity paid	(26,050,602)	(26,136,239)
Net cash (used in) / generated from operating activities	(1,000,054,578)	398,419,354
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(419,896,853)	(628,999,651)
Proceeds from disposal of property, plant and equipment	556,620	6,577,851
Long term deposits	625,000	–
Net cash used in investing activities	(418,715,233)	(622,421,800)

Cash Flow Statement

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	647,494,943	591,171,162
Repayment of:		
Long term financing	(428,539,517)	(785,384,858)
Liabilities against assets subject to finance lease	(58,475,183)	(71,939,245)
Long term murabaha	(80,000,000)	–
Increase in short term bank borrowings - net	1,412,896,502	495,830,999
Dividend paid	(73,992,607)	(74,297,924)
Net cash from financing activities	1,419,384,138	155,380,134
Net increase/(decrease) in cash and cash equivalents (a+b+c)	614,327	(68,622,312)
Cash and cash equivalents at the beginning of the year	59,243,631	127,865,943
Cash and cash equivalents at the end of the year (Note 32)	59,857,958	59,243,631

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

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

Statement of Changes in Equity

for the year ended June 30, 2008

	Share Capital		Capital Reserves			Revenue Reserves		
	Issued, subscribed and paid up capital	Cumulative preference shares	Premium on issue of ordinary shares	Book difference of capital unde scheme of arrangement for amalgamation	Preference shares redemption reserve	General Reserve	Unappropriated Profit	Total
	Rupees							
Balance as at July 01, 2006	1,150,000,000	800,000,000	120,000,000	63,552,610	228,571,428	276,432,834	106,815,472	2,745,372,344
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	12,983,444	12,983,444
Dividend to cumulative preference shareholders at 9.25% per annum	–	–	–	–	–	–	(74,000,000)	(74,000,000)
Profit for the year	–	–	–	–	–	–	74,782,296	74,782,296
Transferred to preference shares redemption reserve	–	–	–	–	114,285,714	–	(114,285,714)	–
Balance as at June 30, 2007	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	276,432,834	6,295,498	2,759,138,084
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	608,540	608,540
Dividend to cumulative preference shareholders at 9.25% per annum	–	–	–	–	–	–	(74,000,000)	(74,000,000)
Loss for the year	–	–	–	–	–	–	(95,791,274)	(95,791,274)
Transferred to unappropriated profit	–	–	–	–	–	(200,000,000)	200,000,000	–
Balance as at June 30, 2008	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	76,432,834	37,112,764	2,589,955,350

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

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

1. **STATUS AND ACTIVITIES**

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The cloth processing unit is located at Nishatabad, District Faisalabad, and stitching units are located at Nishatabad, District Faisalabad and Shorkot Road, District Toba Tek Singh. Weaving units are located at Sheikhupura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhupura Road, Kharrianwala, District Sheikhupura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.

1.2 Pursuant to schemes of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibers Limited were merged with the Company with effect from April 01, 2003.

1.3 These financial statements are presented in Pak Rupee, 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 the requirements of the Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

Amendments to published standard effective in current year

IAS 1 Presentation of Financial Statements - Amendments relating to capital disclosures are mandatory for the Company's accounting periods beginning on or after July 01, 2007. It requires the disclosure of Company's objectives, policies and processes for managing capital. These amendments only impact the format and extent of disclosures as presented in note 37.6 to the financial statements.

Standards and amendments to published standard not yet effective

The following International Accounting Standards have been published that are applicable in Pakistan from accounting periods beginning on or after the dates mentioned against the respective standards.

IAS	Particulars	Effective date
IAS 1	Presentation of Financial Statements (Revised in 2007)	January 01, 2009
IAS 7	Statement of Cash Flows - Amendments relating to changes in ownership interests in subsidiaries and other businesses	July 01, 2009
IAS 23	Borrowing Costs (Revised in 2007)	January 01, 2009

Adoption of the above standards have no impact on the Company's financial statements other than certain additional disclosures in the period of initial application.

2.2 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except:–

– revaluation of certain property, plant and equipment.
– recognition of employee retirement benefits at present value.

The principal accounting policies adopted are set out below:

2.3 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.

Asset held under finance lease is recognised as asset of the Company at its 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 liability against asset subject to finance lease. The liability is classified as current and non current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liability against asset 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 capitalised in accordance with the Company's general policy on borrowing costs.

2.4 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

Detail of the scheme is given in note 10.

2.5 Trade and other payables

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

2.6 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event and 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.

2.7 Provision for taxation

Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.8 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.9 Property, plant and equipment

Property, plant and equipment except land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations which are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

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

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

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

Gains or losses on disposal of property, plant and equipment are included in current income.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit. Surplus realised on disposal of revalued asset is transferred to unappropriated profit.

Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

2.10 Borrowing costs

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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which these are incurred.

2.11 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 amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost 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 carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.12 Stores, spares and loose tools

These are valued at moving average cost less allowances for obsolete or slow moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.13 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

2.14 Trade debts and other receivables

Trade debts 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 are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.15 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 consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.16 Foreign currency translation

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of 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.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions.

2.17 Financial instruments

Financial assets and financial 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 liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

2.18 Offsetting of financial asset and financial liability

A financial asset and a financial liability is off-set and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recorded on dispatch of goods.

2.20 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.21 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts 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, the results of which form the basis of making judgments about carrying values 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 the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, capitalisation of borrowing cost, provision for doubtful receivables and slow moving inventory and staff retirement gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Issued, subscribed and paid up capital

2007	2008		2008	2007
Number of Shares			Rupees	Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation.	51,447,390	51,447,390
115,000,000	115,000,000		1,150,000,000	1,150,000,000

4. Cumulative preference shares

2007	2008		2008	2007
Number of shares			Rupees	Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash.	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Karachi Stock Exchange (Guarantee) Limited. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

The preference shareholders will have right (put option) to get the shares redeemed in part to a maximum one third of their holding in one put exercise on yearly basis after four years from the date of issuance of cumulative preference shares.

The Company has also option (call option) to redeem 16 million cumulative preference shares after August 2008 and 64 million cumulative preference shares after September 2008 in multiples of 10% upto total value of shares respectively.

In case the Company fails to redeem cumulative preference shares upon exercise of put option by the holders for any two consecutive years, the holders will be entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or

b) 75% of book value (break up value) or

c) face value of shares

4.2 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984 and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

		Note	2008 Rupees	2007 Rupees
5.	**Capital reserves**			
	Premium on issue of ordinary shares		120,000,000	120,000,000
	Book difference of capital under schemes of arrangement for amalgamation		63,552,610	63,552,610
	Preference shares redemption reserve	5.1	342,857,142	342,857,142
			526,409,752	526,409,752

5.1 This represents reserve created for redemption of cumulative preference shares as per terms of the issue. The appropriation to the reserve was made on straight line basis over the term of cumulative preference shares. No appropriation has been made for the year due to insufficient unappropriated profits.

		2008 Rupees	2007 Rupees
6.	**Revenue reserves**		
	General reserve	76,432,834	276,432,834
	Unappropriated profit	37,112,764	6,295,498
		113,545,598	282,728,332
7.	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		
	Opening balance	1,160,874,228	1,163,023,827
	Net surplus on revaluation during the year	–	10,833,845
		1,160,874,228	1,173,857,672
	Incremental depreciation on revalued assets for the year transferred to unappropriated profit	(608,540)	(12,983,444)
		1,160,265,688	1,160,874,228

7.1 This represents surplus on revaluation of freehold land, building on freehold land and plant and machinery. Revaluation of freehold land on market value, building on freehold land and plant and machinery on depreciated replacement values was carried out by independent valuers M/S Inspectorates Corporation International (Private) Limited as at June 30, 1997, by M/S Bahauddin Siddiqui and Associates as at December 31, 1998 and by M/S Empire Enterprises as at June 30, 2007. Revaluation of freehold land on market value was carried out by independent valuer M/S BFA (Private) Limited as at May 19, 2006.

		Note	2008 Rupees	2007 Rupees
8.	**Long term financing**			
	Secured			
	From banking companies			
	Fixed assets finance	8.1	239,227,233	187,860,840
	Demand finances	8.1	355,238,984	417,532,316
	Term finances	8.1	917,425,409	485,245,409
	Long term finances	8.1	641,288,136	809,545,068
	Syndicated term finances	8.1	196,875,000	160,000,000
	From financial institutions			
	Term finances	8.1	441,666,667	425,389,730
	Long term finances	8.1	117,445,134	152,137,774
	Syndicated term finances	8.1	137,500,000	190,000,000
			3,046,666,563	2,827,711,137
	Less : Current portion			
	Installments due		136,330,957	–
	Payable within one year		905,438,943	622,602,201
			1,041,769,900	622,602,201
			2,004,896,663	2,205,108,936
	Unsecured			
	From directors	8.2	196,617,086	196,617,086
			2,201,513,749	2,401,726,022

8.1 The term of repayment of soome finances have been revised during the year. The terms of repayment of all finances are as under;

Nature of loans		Balance Rupees	Number of instalments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:							
Fixed assets finance		239,227,233	20	Quarterly	1–Oct–08	30–Jun–13	6 Months KIBOR + 2.25% p.a
Demand finances							
	I	270,238,984	20	Quarterly	31–Dec–08	30–Sep–13	3 Months KIBOR + 3.5% p.a
	III	85,000,000	20	Quarterly	26–Jun–07	26–Mar–12	6 Months KIBOR + 3% p.a with a floor of 6% p.a
		355,238,984					
Term finances							
	I	96,180,000	48	Monthly	01–Jul–07	01–Jun–11	3 Months KIBOR + 3.5% p.a with a floor of 12% p.a
	II	193,745,409	20	Quarterly	26–Mar–09	26–Dec–13	3 Months KIBOR + 2.28% p.a with a floor of 10% p.a
	III	127,500,000	8	Half yearly	20–Jun–07	20–Dec–10	6 Months KIBOR + 2.5% p.a
	IV	500,000,000	20	Quarterly	26–Feb–09	26–Nov–13	3 Months KIBOR + 2.5% p.a with a floor of 11% p.a
		917,425,409					
Long term finances							
	I	2,500,000	8	Quarterly	8–Jan–07	08–Oct–08	SBP rate + 2% p.a
	II	10,500,000	9	Quarterly	07–Feb–07	07–Feb–09	SBP rate + 2% p.a
	III	75,007,384	13	Quarterly	28–Jan–07	28–Jan–10	SBP rate + 2% p.a
	IV	122,511,229	20	Quarterly	30–Sep–07	30–Jun–12	SBP rate + 2% p.a
	V	86,250,000	24	Quarterly	31–Dec–07	30–Sep–13	SBP rate + 2% p.a
	VI	18,349,834	9	Quarterly	15–Jan–07	15–Jan–09	SBP rate + 2% p.a
	VII	60,000,000	8	Half yearly	20–Jun–07	20–Dec–10	SBP rate + 2% p.a
	VIII	85,432,436	14	Quarterly	01–Jan–07	28–Feb–10	SBP rate + 2% p.a
	IX	163,242,310	20	Quarterly	31–Dec–06	30–Sep–11	SBP rate + 2% p.a
	X	17,494,943	24	Quarterly	26–Dec–09	26–Sep–15	SBP rate + 2% p.a
		641,288,136					
Syndicated term finances		196,875,000	16	Quarterly	30–Jan–08	30–Oct–11	6 Months KIBOR + 3% p.a
From financial institutions:							
Term finances							
	I	300,000,000	16	–	02–Sep–08	30–Apr–09	6 Months KIBOR + 2.5% p.a
	II	93,750,000	60	Monthly	23–Jun–09	23–May–14	6 Months KIBOR + 3% p.a
	III	47,916,667	60	Monthly	27–Jun–09	27–May–14	6 Months KIBOR + 3% p.a
		441,666,667					
Long term finances							
	I	836,619	14	Monthly	19–Jan–07	19–Feb–08	SBP rate + 2% p.a
	II	11,741,173	36	Monthly	9–Jan–07	09–Dec–09	SBP rate + 2% p.a
	III	22,217,019	48	Monthly	28–Apr–07	28–Mar–11	SBP rate + 2% p.a
	IV	27,864,000	9	Half yearly	31–Dec–07	31–Dec–11	SBP rate + 2% p.a
	V	54,786,323	13	Quarterly	31–Mar–07	28–Feb–10	SBP rate + 2% p.a
		117,445,134					
Syndicated term finances		137,500,000	16	Quarterly	30–Jan–08	30–Oct–11	6 Months KIBOR + 3% p.a

The loans are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of export and running finances (Refer Note 13.2) and murabaha finances (Refer Notes 13.3). These are further secured by personal guarantee of directors of the Company.

8.2 It is interest free. The loan is subordinated to syndicated term finances and fixed assets finance (Refer Note 8.1). Terms of repayment have not bee decided so far.

	2008 Rupees	2007 Rupees
9. Liabilities against assets subject to finance lease		
Opening balance	227,860,527	228,953,939
Obtained during the year	7,500,000	151,541,833
	235,360,527	380,495,772
Paid / adjusted during the year	(58,475,183)	(152,635,245)
	176,885,344	227,860,527
Shown under current liabilities		
Installments due	(22,141,311)	–
Payable within one year	(59,686,581)	(79,444,898)
	(81,827,892)	(79,444,898)
	95,057,452	148,415,629

These represent plant and machinery and generators acquired under separate lease agreements.

The purchase option is available to the Company on payment of last installment and surrender of deposit at the end of the lease period.

The principal plus financial charges are payable over the lease period in 36, 48, 54, 60 and 72 monthly, 13 quarterly and 9 half yearly installments. The liability represents the total minimum lease payments discounted at 7% to 17.43% per annum (2007: 7.00% to 14.09% per annum) being the interest rates implicit in leases.

The future minimum lease payments to which the Company is committed as at June 30,2008 are as under:

Year ending June 30,	Rupees
2009	107,143,912
2010	51,186,815
2011	38,235,605
2012	23,869,586
	220,435,918
Financial charges allocated to future periods	(43,550,574)
	176,885,344

Reconciliation of minimum lease payments and their present value is given below:

	2008		2007	
	Minimum lease payments	Present value of minimum lease	Minimum lease payments	Present value of minimum lease
Due within one year	107,143,912	81,827,892	104,672,352	79,444,898
Due after one year but not later than five years	113,292,006	95,057,452	178,853,660	148,415,629
Rupees	220,435,918	176,885,344	283,526,012	227,860,527

10. Staff retirement gratuity

10.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation, carried out as at June 30, 2008 using Projected Unit Credit Method.

		Note	2008 Rupees	2007 Rupees
10.2	**Balance sheet reconciliation as at June 30,**			
	Present value of defined benefit obligation		165,457,552	145,285,915
	Cumulative net unrecognised actuarial gain		4,588,988	2,426,403
			170,046,540	147,712,318
10.3	**Movement in net liability recognised**			
	Opening balance		147,712,318	128,256,028
	Charge for the year	10.4	48,576,824	45,592,529
	Paid during the year		(26,050,602)	(26,136,239)
	Benefits due but not paid		(192,000)	–
	Balance at June 30,		170,046,540	147,712,318
10.4	**Charge for the year**			
	Service cost		35,501,092	34,324,470
	Interest cost		13,075,732	11,268,059
			48,576,824	45,592,529

		2008	2007
10.5	**Principal actuarial assumptions**		
	Discount factor used	12% Per annum	9% Per annum
	Expected rate of increase in salaries	11% Per annum	8% Per annum
	Expected average remaining working lives of participating employees	6 years	5 years

10.6 Trend information

	2008	2007	2006	2005	2004
	Rupees				
Present value of defined benefit obligation	165,457,552	145,285,915	125,200,650	107,033,957	92,065,906
Experience adjustment on obligation	2,162,585	(628,975)	(314,892)	3,370,270	931,608

	Note	2008 Rupees	2007 Rupees
11. Trade and other payables			
Creditors		1,038,323,278	1,183,979,880
Accrued liabilities	11.1	251,042,813	170,375,790
Advance from customers	11.2	20,549,165	166,812
Capital expenditure payable		6,885,523	4,125,814
Bills payable		375,841,831	490,905,939
Workers' profit participation fund	11.3	–	8,470,643
Workers' welfare fund		–	6,605,947
Unclaimed dividend		366,818	359,425
Withholding tax payable		3,898,032	–
Other		1,697,977	1,443,391
		1,698,605,437	1,866,433,641

11.1 It includes Rs 546,513/– (2007: Rs. Nil) payable to an associated undertaking.

11.2 It includes Rs 13,444,333/– (2007: Rs. Nil) advance from an associated undertaking.

	Note	2008 Rupees	2007 Rupees
11.3 Workers' profit participation fund			
Opening balance		8,470,643	11,400,034
Interest on funds utilised in the Company's business		640,520	503,163
		9,111,163	11,903,197
Paid to workers on behalf of the fund		(9,105,723)	(11,890,535)
Paid to the fund		(5,440)	(12,662)
		(9,111,163)	(11,903,197)
		–	–
Allocation for the year		–	8,470,643
		–	8,470,643
12. Interest / markup payable			
Long term financing		126,647,029	68,714,677
Liabilities against assets subject to finance lease		7,957,287	–
Long term murabaha		–	3,440,437
Short term borrowings		150,503,584	102,687,437
		285,107,900	174,842,551
13. Short term borrowings			
Secured			
Under mark up arrangements			
From banking companies			
Export finances	13.2	5,556,292,868	4,342,229,212
Finance against imported merchandise	13.2	185,650,769	243,617,465
Running finance	13.2	687,162,212	524,197,792
Murabaha finances	13.3	80,000,000	45,950,000
Cash finances	13.4	371,456,682	311,671,560
		6,880,562,531	5,467,666,029
Books overdrawn		–	6,003,091
		6,880,562,531	5,473,669,120

13.1 The aggregate unavailed short term borrowing facilities available to the Company is Rs.1,391.44 million (2007: Rs. 1,498 million).

13.2 These are secured against joint pari passu charge over current assets, lien on import / export documents and 2nd charge over current and fixed assets of the Company. These are further secured by personal guarantee of directors of the Company. Surtain export and running finance are further secured against first charge over fixed assets of the Company ranking ranking pari pasu with the charges created in respect of long term financing (Refer Note 8.1) and murabaha finances (Refer Note 13.3).

13.3 These are secured against first charge over fixed assets of the Company ranking ranking pari pasu with the charges created in respect of long term financing (Refer Note 8.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company.

13.4 These are secured against pledge of stocks and by personal guarantee of directors of the Company.

	2008 Rupees	2007 Rupees
14. CONTINGENCIES AND COMMITMENTS		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	123,945,500	118,292,500
Collector of Customs against demand of custom duty on humidification plant, the Company has claimed exemption from the duty.	1,920,000	1,920,000
Collector of Customs, for release of returned goods for re-export	2,523,280	–
District Government against imposition of license fee	200,000	–
Foreign customers to secure fulfillment of contractual obligations	63,885,000	116,721,667
Pakistan Telecommunication Company Limited	–	50,000
Demand of custom duty and sales tax not acknowledged in view of pending appeals	4,541,043	4,541,043
Post dated cheques issued in favour of Collector of Customs for release of goods imported for re-export	42,625,522	2,978,938
Claim of workers' welfare fund not acknowledged. The Company is claiming exemption.	13,197,212	–
Commitments		
Under letters of credit for :		
Property, plant and equipment	–	1,377,457
Raw material and stores	410,072,016	294,666,029

		Note	2008 Rupees	2007 Rupees
15.	**Property, plant and equipment**			
	Operating assets	15.1	7,035,076,758	7,168,721,068
	Capital work in progress	15.5	577,962,448	287,245,925
			7,613,039,206	7,455,966,993

15.1 Operating assets

Description	Cost / Revaluation at July 01, 2007	Additions/ (disposals)	Transfers between leased and owned assets	Adjustment of accumula ted depreciation revaluation	Surplus / (deficit) on revaluation of assets	Transfer from non–current assets classified as held for sale	Cost / Revaluation at June 30, 2008	Accumulated depreciation at at July 01, 2007	Depreciation charge for the year	Impairment loss	Adjustment for accumulated depreciation on transfer / disposal / revalustion	Adjustment for accumulated depreciation of assets classified	Accumulated depreciation / Impairment loss /at June 30, 2008	written down value at June 30, 2008	Rate %
Company owned															
Freehold land	1,230,964,199	330,200	–	–	–	–	1,231,294,399	–	–	–	–	–	–	1,231,294,399	–
Building on freehold land	1,168,975,873	11,663,494	–	–	–	–	1,180,639,367	–	47,084,446	–	–	–	47,084,446	1,133,554,921	4
Plant and machinery	3,923,214,655	69,862,109	–	–	–	–	3,993,076,764	–	158,538,537	–	–	–	158,538,537	3,834,538,227	–
Electric installations	201,591,269	10,821,867	–	–	–	–	212,413,136	43,401,651	8,289,882	–	–	–	51,691,533	160,721,603	–
Generators	245,077,888	–	–	–	–	–	245,077,888	74,915,862	17,016,203	–	–	–	91,932,065	153,145,823	10
Factory equipment	47,916,177	25,185,624	–	–	–	–	73,101,801	27,159,284	3,575,624	–	–	–	30,734,908	42,366,893	10
Furniture and fixture	37,070,174	1,602,332	–	–	–	–	38,672,506	6,430,274	3,166,827	–	–	–	9,597,101	29,075,405	10
Office equipment	75,562,886	2,902,514	–	–	–	–	78,465,400	29,958,527	4,760,030	–	–	–	34,718,557	43,746,843	10
Vehicles	67,256,098	9,571,899	–	–	–	–	75,036,240	32,252,318	8,163,616	–	(1,228,471)	–	39,187,463	35,848,777	20
		(1,791,757)													
Sign boards	525,248	–	–	–	–	–	525,248	389,134	13,611	–	–	–	402,745	122,503	10
	6,998,154,467	131,940,039	–	–	–	–	7,128,302,749	214,507,050	250,608,776	–	–	–	463,887,355	6,664,415,394	
		(1,791,757)									(1,228,471)				
Under lease															
Building	7,405,200	–	–	–	–	–	7,405,200	973,199	121,397	–	–	–	1,094,596	6,310,604	–
Plant and machinery	338,336,833	7,500,000	–	–	–	–	345,836,833	40,019,350	13,758,473	–	–	–	53,777,823	292,059,010	–
Generators	85,300,000	–	–	–	–	–	85,300,000	4,975,833	8,032,417	–	–	–	13,008,250	72,291,750	–
	431,042,033	7,500,000	–	–	–	–	438,542,033	45,968,382	21,912,287	–	–	–	67,880,669	370,661,364	
2008 Rupees	7,429,196,500	139,440,039	–	–	–	–	7,566,844,782	260,475,432	272,521,063	–	–	–	531,768,024	7,035,076,758	
		(1,791,757)									(1,228,471)				
2007 Rupees	7,269,372,422	644,524,356	72,241,833	(1,536,741,422)	10,833,845	1,056,432,025	7,429,196,500	1,315,991,822	266,824,874	41,659,094	15,781,613	181,350,211	260,475,432	7,168,721,068	
		(15,224,726)	(72,241,833)								(1,561,132,182)				

		Note	2008 Rupees	2007 Rupees
15.2	Depreciation / impairment loss for the year has been allocated as under:			
	Cost of goods manufactured	25.1	256,416,979	292,018,568
	Administrative expenses	28	16,104,084	16,465,400
			272,521,063	308,483,968

15.3 Had there been no revaluation, related figures of freehold land, building on freehold land and plant and machinery at June 30, 2008 would have been as follows:

Description	Cost	Accumulated depreciation / impairment	Written down value
Freehold land	85,633,663	–	85,633,663
Building on freehold land	1,527,331,859	408,381,892	1,118,949,967
Plant and machinery	4,837,048,526	1,002,510,299	3,834,538,227
2008 Rupees	6,450,014,048	1,410,892,191	5,039,121,857
2007 Rupees	6,368,158,245	1,205,877,746	5,162,280,499

15.4 **Detail of disposal of property, plant and equipment**

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
Vehicle (Sold under Company policy)	983,780	672,160	311,620	311,620	Mr.Muhammad Tasneem Ahmed (Employee)
Vehicle (Sold by negotiation)	707,997	546,313	161,684	150,000	Mr.Umer Hayat, Hospital Road, Nankana Sahib, Sheikhupura
Vehicles (Insurance claim)	99,980	9,998	89,982	95,000	Adam Jee Insurance Company Limited, Circular Road, Faisalabad
2008 Rupees	1,791,757	1,228,471	563,286	556,620	
2007 Rupees	15,224,726	8,609,147	6,615,579	6,577,851	

		2008 Rupees	2007 Rupees
15.5	**Capital work in progress**		
	Civil work	569,757,053	264,256,563
	Plant and machinery	7,123,433	–
	Factory equipment	1,081,962	22,989,362
		577,962,448	287,245,925

		2008 Rupees	2007 Rupees
16.	**Stores, spares and loose tools**		
	Stores		
	In hand	1,135,095,645	1,055,754,695
	In transit	23,758,077	23,369,083
		1,158,853,722	1,079,123,778
	Spares		
	In hand	14,393,531	16,537,963
	In transit	2,256,658	–
		16,650,189	16,537,963
	Loose tools	38,580	458,365
		1,175,542,491	1,096,120,106

16.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

		2008 Rupees	2007 Rupees
17.	**Stock in trade**		
	Raw material	560,479,128	651,342,047
	Work in process	2,594,938,814	2,396,465,262
	Finished goods	1,249,346,906	917,776,403
	Waste	37,835,250	31,599,543
		4,442,600,098	3,997,183,255

17.1 Stock in trade amounting to Rs. 502.272 million (2007: Rs. 440.784 million) was pledged as security with the banks.

		Note	2008 Rupees	2007 Rupees
18.	**Trade debts**			
	Considered good			
	Secured			
	Foreign		484,742,935	325,556,484
	Unsecured	18.1		
	Foreign		1,260,627,530	1,020,483,718
	Local		683,670,355	474,773,960
			2,429,040,820	1,820,814,162
18.1	These include following balances due from associated undertakings:			
	Foreign			
	C.G.I Limited, United Arab Emirates		252,581,297	133,869,851
	Chenab, USA		482,336,293	341,391,117
	Interfab PTY Limited, Australia		14,028,536	5,564,828
	Local			
	Chen One Stores Limited		279,536,663	359,007,113
	Abdullah Enterprises		–	11,268,886
			1,028,482,789	851,101,795
19.	**Loans and advances**			
	Considered good			
	Loans to employees			
	Executives		6,576,628	6,382,610
	Others		5,205,276	4,139,365
	Advances			
	Suppliers / contractors		44,126,088	91,527,854
	Income tax		77,709,123	95,478,476
	Letters of credit fee, margin and expenses		11,856,245	10,727,343
			145,473,360	208,255,648

		Note	2008 Rupees	2007 Rupees
20.	**Deposits and prepayments**			
	Deposits			
	Security deposits		3,343,911	2,718,611
	Guarantee margin		24,661,730	39,497,261
	Prepayments		3,817,466	3,248,154
			31,823,107	45,464,026
21.	**Other receivables**			
	Related party			
	Chen One Stores Limited		476,201	160,000
	Others			
	Export rebate		40,767,955	57,834,389
	Research and development support		83,924,953	17,447,486
	Other		10,799,127	3,410,778
			135,968,236	78,852,653
22.	**Tax refunds due from Government**			
	Sales tax		205,336,615	202,840,793
	Income tax		20,376,776	6,712,243
	Excise duty		5,821,019	–
			231,534,410	209,553,036
23.	**Cash and bank balances**			
	Cash in hand		16,847,573	12,669,762
	Cash at banks			
	In current accounts		43,010,385	52,576,960
			59,857,958	65,246,722
24.	**Sales**			
	Export			
	Fabrics / made ups / garments	24.1	7,519,544,294	7,624,684,876
	Add: Export rebate		54,856,574	64,375,518
			7,574,400,868	7,689,060,394
	Less:			
	Commission		94,144,118	155,619,985
	Discount		74,200,554	85,914,427
			168,344,672	241,534,412
			7,406,056,196	7,447,525,982
	Indirect export		–	91,797,968
	Left over and waste - Local	24.2	1,100,854,554	621,908,880
			1,100,854,554	713,706,848
			8,506,910,750	8,161,232,830

24.1 It includes exchange gain amounting to Rs 7,657,358/- (2007: Rs.1,001,624/-).

24.2 It represents sale of left over / waste material out of goods manufactured for export.

		Note	2008 Rupees	2007 Rupees
25.	**Cost of sales**			
	Cost of goods manufactured	25.1	7,165,411,760	6,932,763,216
	Finished goods			
	Opening stock		949,375,946	630,595,654
	Closing stock		(1,287,182,156)	(949,375,946)
			(337,806,210)	(318,780,292)
			6,827,605,550	6,613,982,924

	Note	2008 Rupees	2007 Rupees
25.1 Cost of goods manufactured			
Raw material consumed	25.1.1	4,333,124,515	4,248,913,391
Salaries, wages and benefits		620,387,241	561,137,017
Staff retirement benefits		38,861,459	31,228,239
Stores and spares		401,844,407	280,538,332
Dyes and chemicals		575,095,661	545,113,913
Packing material		471,152,738	455,573,414
Repairs and maintenance		18,315,657	12,689,181
Fuel and power		508,289,378	520,599,205
Insurance		22,393,391	19,786,761
Research and development support	25.1.2	1,890,108	822,560
Depreciation / impairment loss	15.2	256,416,979	292,018,568
Other		116,113,778	115,892,684
		7,363,885,312	7,084,313,265
Work in process			
Opening stock		2,396,465,262	2,244,915,213
Closing stock		(2,594,938,814)	(2,396,465,262)
		(198,473,552)	(151,550,049)
		7,165,411,760	6,932,763,216

	2008 Rupees	2007 Rupees
25.1.1 Raw material consumed		
Opening stock	651,342,047	895,431,078
Purchases including purchase expenses	4,242,261,596	4,004,824,360
	4,893,603,643	4,900,255,438
Closing stock	(560,479,128)	(651,342,047)
	4,333,124,515	4,248,913,391

	2008 Rupees	2007 Rupees
25.1.2 Research and development support		
Research and development support		
Received	246,011,566	214,157,837
Add: Receivable	83,924,953	17,447,486
	329,936,519	231,605,323
Less: To be utilised on receipt	83,924,953	17,447,486
Available for utilisation	246,011,566	214,157,837
Utilisation:		
Product development	100,585,361	90,222,919
Skill development and training	32,063,342	22,121,464
Up-gradation of information technology	9,298,143	10,233,320
Professional consultancy	3,280,275	6,641,069
Environment improvement	11,531,886	14,977,636
Market research	36,632,235	42,057,197
Technical up-gradation of production lines	48,552,612	25,904,444
Production efficiencies	2,672,140	1,122,719
Participation in exhibitions	3,285,680	1,699,629
	247,901,674	214,980,397
	1,890,108	822,560

Notes to the Financial Statements

for the year ended June 30, 2008

		Note	2008 Rupees	2007 Rupees
26.	**Other operating income**			
	Scrap sale		1,400,330	1,386,454
	Balances written back		6,918,462	1,502,291
			8,318,792	2,888,745
27.	**Selling and distribution expenses**			
	Advertisement and publicity		1,695,689	2,266,120
	Carriage and freight		227,439,363	171,178,502
	Export clearing and forwarding		140,909,214	166,175,165
	Export development surcharge		18,496,449	18,851,434
	Other		11,672,595	8,621,706
			400,213,310	367,092,927
28.	**Administrative expenses**			
	Directors' remuneration		6,000,000	6,000,000
	Salaries and benefits		63,558,014	62,187,350
	Staff retirement benefits		9,715,365	8,884,033
	Electricity		2,036,571	2,271,801
	Postage, telephone and telex		6,255,248	6,323,401
	Vehicles running and maintenance		17,276,055	16,967,458
	Travelling and conveyance		26,859,530	18,616,467
	Printing and stationery		7,942,353	8,267,659
	Entertainment		7,969,818	6,709,179
	Fees and subscriptions		823,979	1,747,096
	Legal and professional		842,630	569,630
	Rent, rates and taxes		1,758,721	1,948,051
	Auditors' remuneration	28.1	766,000	1,025,000
	Repairs and maintenance		2,434,273	1,607,174
	Depreciation / impairment loss	15.2	16,104,084	16,465,400
	Amortisation		–	1,624,800
	Insurance		3,699,091	4,418,181
	Other		4,065,050	3,003,218
			178,106,782	168,635,898
	28.1 Auditors' remuneration			
	Audit fee		500,000	400,000
	Tax services		–	55,000
	Sundry services		216,000	530,000
	Out of pocket expenses		50,000	40,000
			766,000	1,025,000
29.	**Other operating expenses**			
	Workers' profit participation fund		–	8,470,643
	Loss on disposal of property, plant and equipment		6,666	37,728
	Workers' welfare fund		–	6,605,947
			6,666	15,114,318

	Note	2008 Rupees	2007 Rupees
30. Finance cost			
Interest / mark up on:			
Long term financing		331,953,634	248,602,673
Liabilities against assets subject to finance lease		25,515,098	25,994,333
Long term murabaha		4,772,290	10,553,687
Short term borrowings		657,191,879	502,662,699
Workers' profit participation fund		640,520	503,163
Bank charges and commission		104,517,943	50,539,909
		1,124,591,364	838,856,464
31. Provision for taxation			
Current			
For the year		82,390,810	85,446,472
For prior years		(1,893,666)	210,276
Deferred	31.1	–	–
		80,497,144	85,656,748

31.1 There are no temporary differences as the total income of the Company is chargeable to tax under final tax regime, hence no provision is made for deferred taxation.

31.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

	Note	2008 Rupees	2007 Rupees
32. CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	59,857,958	65,246,722
Books overdrawn	13	–	(6,003,091)
		59,857,958	59,243,631

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Remuneration	1,600,000	2,400,000	20,455,296	1,600,000	2,400,000	15,447,501
House rent allowance	480,000	720,000	7,159,353	480,000	720,000	5,164,330
Medical allowance	160,000	240,000	2,045,530	160,000	240,000	1,544,758
Utility allowance	160,000	240,000	1,022,765	160,000	240,000	1,014,698
Other	–	–	1,038,147	–	–	–
Rupees	2,400,000	3,600,000	31,721,091	2,400,000	3,600,000	23,171,287
Number of persons	1	3	28	1	3	21

The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value of the benefit is Rs.2,479,344/- (2007: Rs 1,971,375/-). The Directors have waived off their meeting fee.

34. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors and key management personnel. Amounts due from and to related parties are shown under relevant notes to the financial statements. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in note 33. Other significant transactions with related parties are as under:

Relationship	Nature of trnsaction	2008 Rupees	2007 Rupees
Associated undertakings	Sale of goods	1,743,626,740	1,242,915,569
	Organisational expenses recovered	416,110	218,150
	Foreign commission paid	2,594,116	–
Other related parties	Dividend paid	–	649,766
Key management personnel	Disposal of vehicles	–	3,113,729

35. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum 2008	Rated capacity per annum 2007	Actual production per annum 2008	Actual production per annum 2007
Fabrics	Mtrs	9,000,000	9,000,000	6,945,714	7,382,391
Made ups	Mtrs	59,000,000	59,000,000	48,705,901	50,700,710
Garments	Mtrs	3,500,000	3,500,000	2,614,515	2,775,433

Reasons for shortfall

- Temporary closure for maintenance.
- Actual production is planned to meet the market demand.
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple / multi-function articles, small and large size articles, special articles and the pattern of articles adopted.

36. Earnings per share- Basic

		2008 Rupees	2007 Rupees
(Loss) / profit for the year		(95,791,274)	74,782,296
Less: Dividend on cumulative preference shares at 9.25%		–	74,000,000
(Loss) / profit attributable to ordinary shareholders	Rupees	(95,791,274)	782,296
Weighted average number of ordinary shares outstanding during the year		115,000,000	115,000,000
Earnings per share - Basic	Rupees	(0.83)	0.01

36.1 There is no dilutive effect on the basic earnings per share of the Company.

37. FINANCIAL INSTRUMENTS

37.1 Interest / markup rate risk management

Interest / markup rate risk arise from the possibility that changes in interest / markup rates will affect the value of financial instruments.

	Effective interest rate %	Interest / markup bearing				Non interest / markup bearing				2008	2007
		maturity upto one year	maturity after one year but within five years	maturity after five years	sub total	maturity upto one year	maturity after one year but within five years	maturity after five years	sub total	Total	Total
	Rupees										
Financial assets:											
Trade debts		–	–	–	–	2,429,040,820	–	–	2,429,040,820	2,429,040,820	1,820,814,162
Loans and advances		–	–	–	–	11,781,904	–	–	11,781,904	11,781,904	10,521,975
Deposits		–	–	–	–	28,005,641	22,223,563	–	50,229,204	50,229,204	65,064,435
Other receivables		–	–	–	–	11,275,328	–	–	11,275,328	11,275,328	3,570,778
Cash and bank balances		–	–	–	–	59,857,958	–	–	59,857,958	59,857,958	65,246,722
		–	–	–	–	2,539,961,651	22,223,563	–	2,562,185,214	2,562,185,214	1,965,218,072
Financial liabilities:											
Long term financing	6 to 13.67	1,041,769,900	1,884,273,561	120,623,102	3,046,666,563	–	196,617,086	–	196,617,086	3,243,283,649	3,024,328,223
Liabilities against assets subject to finance lease	7 to 17.43	81,827,892	95,057,452	–	176,885,344	–	–	–	–	176,885,344	227,860,527
Long term murabaha		–	–	–	–	–	–	–	–		80,000,000
Trade and other payables		–	–	–	–	1,656,710,754	–	–	1,656,710,754	1,656,710,754	1,833,742,753
Interest / markup payable		–	–	–	–	285,107,900	–	–	285,107,900	285,107,900	174,842,551
Short term borrowings	6.34 to 14.17	6,880,562,531	–	–	6,880,562,531	–	–	–	–	6,880,562,531	5,473,669,120
		8,004,160,323	1,979,331,013	120,623,102	10,104,114,438	1,941,818,654	196,617,086	–	2,138,435,740	12,242,550,178	10,814,443,174
Off balance sheet items											
Outstanding letters of credit		–	–	–	–	410,072,016	–	–	410,072,016	410,072,016	296,043,486
Bank guarantees		–	–	–		113,761,280	78,712,500	–	192,473,780	192,473,780	236,984,167
Post dated cheques issued		–	–	–	–	42,625,522	–	–	42,625,522	42,625,522	2,978,938
		–	–	–	–	566,458,818	78,712,500	–	645,171,318	645,171,318	536,006,591
On balance sheet gap		(8,004,160,323)	(1,979,331,013)	(120,623,102)	(10,104,114,438)	598,142,997	(174,393,523)	–	423,749,474	(9,680,364,964)	(8,849,225,102)
Off balance sheet gap		–	–	–	–	(566,458,818)	(78,712,500)	–	(645,171,318)	(645,171,318)	(536,006,591)

37.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs. 2.562 billion (2007: Rs. 1.965 billion) , the financial assets which are subject to credit risk are Rs. 1.966 billion (2007: Rs. 1.509 billion). The management monitors and limits the Company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of provisions for doubtful receivables. The Company is not exposed to significant concentration of credit risk.

37.3 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to sales and purchase transactions in foreign currencies. Foreign currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure. The Company is exposed to foreign exchange risk in respect of foreign trade debts, foreign bills payable and foreign currency loans.

37.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. 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.

37.5 Fair values of financial assets and liabilities

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

37.6 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on 10 October, 2008 by the Board of Directors of the Company.

39 DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares will be accumulated and payable in the succeeding year due to loss for the year.

40. GENERAL

40.1 RECLASSIFICATION

Following reclassifications / rearrangements have been made in financial statements to reflect more appropriate presentation of events and transactions for the purposes of comparison.

– Deposits of Rs 22,848,563 were grouped under the head " Deposits and prepayments" in current assets. These are grouped as " Long term deposits" in non current assets.

– Last year research and development support receivable of Rs 17,447,486/- and provision for expenses on research and development of Rs 17,447,486/- were netted off, these are regrouped under the heads " Other receivables" and " Accrued liabilities" respectively.

40.2 Figures have been rounded off to the nearest Rupee.

(MUHAMMAD NAEEM)
DIRECTOR

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

Form "34"

Pattern of Holding of Ordinary Shares
held by shares holders as at June 30, 2008

Share Holders	From	To	Total Shares
30	1	100	2,807
555	101	500	267,903
393	501	1,000	389,958
627	1,001	5,000	1,926,125
172	5,001	10,000	1,422,198
45	10,001	15,000	589,500
37	15,001	20,000	687,000
27	20,001	25,000	649,000
16	25,001	30,000	462,500
10	30,001	35,000	330,000
8	35,001	40,000	310,500
6	40,001	45,000	253,500
4	45,001	50,000	200,000
3	50,001	55,000	162,000
2	55,001	60,000	117,000
2	60,001	65,000	128,500
1	65,001	70,000	70,000
2	70,001	75,000	143,500
2	75,001	80,000	154,000
1	80,001	85,000	83,000
3	94,001	100,000	294,500
9	100,001	125,000	1,038,500
3	125,001	150,000	425,500
2	175,001	200,000	389,500
1	200,001	225,000	200,500
1	275,001	300,000	285,338
1	500,001	525,000	505,000
2	600,001	700,000	1,213,500
1	900,001	925,000	917,500
4	950,001	1,000,000	3,960,500
1	1,000,001	1,125,000	1,031,500
1	1,275,001	1,300,000	1,296,542
1	1,475,001	1,500,000	1,500,000
2	1,600,001	2,000,000	3,561,500
1	2,100,001	2,125,000	2,113,483
1	2,125,001	2,150,000	2,131,019
1	2,500,001	2,525,000	2,518,285
1	2,675,001	2,700,000	2,693,626
1	2,800,001	2,825,000	2,813,545
1	3,425,001	3,450,000	3,444,961
1	6,500,001	7,000,000	6,681,000
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
1987			115,000,000

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

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Rizwan Latif	Director	1	3,444,961	3.00
Mr.Muhammad Zeeshan Latif	Director	1	2,693,626	2.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst.Tehmina Yasmin	Director	1	2,518,285	2.19
Mst.Prveen Akthar	Spouse	1	285,338	0.25
Mr Umair Javaid	Son	1	2,240,019	1.95
Financial Institutions, Insurance Companies, Investment Companies, Joint Stock Companies, Leasing Companies, Mutual Fund & etc.				
Financial Institutions		3	9,098,500	7.91
Insurance Companies		3	342,500	0.30
Investment Companies		2	25,790	0.02
Joint Stock Companies		41	2,929,198	2.55
Investment Bank		2	54,000	0.05
Agriculturist		5	32,500	0.03
Individuals		360	3,654,110	3.18
Others		1560	17,232,418	14.98
		1987	115,000,000	100.00

Pattern of Holding of Preference Shares
held by shares holders as at June 30, 2007

Share Holders	From	To	Total Shares
9	1	100	711
541	101	500	268,387
17	501	1,000	16,520
13	1,001	5,000	43,000
3	5,001	10,000	27,000
1	15,001	20,000	17,500
0	60,001	70,000	61,500
2	95,001	100,000	191,000
1	175,001	200,000	190,500
1	275,001	300,000	285,500
1	375,001	400,000	400,000
1	475,001	500,000	476,500
1	775,001	800,000	779,000
1	800,001	825,000	812,000
2	975,001	1,000,000	2,000,000
2	1,475,001	1,500,000	3,000,000
1	1,800,001	1,825,000	1,820,000
1	2,475,001	2,500,000	2,500,000
1	3,975,001	4,000,000	4,000,000
1	4,750,001	4,775,000	4,763,000
1	4,975,001	5,000,000	5,000,000
4	9,500,001	10,000,000	39,990,882
1	13,000,001	13,500,000	13,357,000
606			80,000,000

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

Categories of Shareholders	Number	Share held	Percentage
Son of Director	1	840,500	1.05
Financial Institutions	11	68,847,882	86.06
Insurance Companies	1	95,500	0.12
Investment Bank	1	1,820,000	2.28
Joint Stock Companies	4	6,500	0.01
Individuals	584	2,320,618	2.90
Others	4	6,069,000	7.59
	606	80,000,000	100.00

Form of Proxy

I/We ______________________________ of ______________________ being a Member of Chenab Limited (the "Company") holding ________________ shares, hereby appoint ________________ of _______________, who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 24th Annual General Meeting of the Company to be held on October 31, 2008 and at any adjournment thereof.

Signed this ____________________ day of __________________ 2008

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs 5/-

WITNESSES:

1. Signature ______________________
   Name ______________________
   CNIC ______________________
   Address ______________________

The Signature should agree with the specimen signature registered with the Company.

2. Signature ______________________
   Name ______________________
   CNIC ______________________
   Address ______________________

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not a member of the Company (except that a corporation may appoint a person who is not a member).
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).

Annual Report 2008

Chenab
LIMITED

Nishatabad, Faisalabad.

VANTAGE