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COMPANY INFORMATION

BOARD OF DIRECTORS

**CHAIRMAN AND
CHIEF EXECUTIVE:**

Mr. Anwar Ahmed Tata

DIRECTORS:

Mr. Shahid Anwar Tata
Mr. Adeel Shahid Anwar Tata
Mr. Aijaz Ahmed Tariq
Mr. Farooq Advani
Mr. Javed Ahmed
Mr. Kauser Ejaz

**AUDIT COMMITTEE
CHAIRMAN:**

Mr. Shahid Anwar Tata

MEMBERS:

Mr. Javed Ahmed
Mr. Kauser Ejaz

**COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER:**

Mr. Farooq Advani

BANKERS:

Allied Bank Limited.
Habib Metropolitan Bank Limited
KASB Bank Limited.
MCB Bank Limited.
Soneri Bank Limited

AUDITORS:

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

LEGAL ADVISOR:

Faisal Mehmood Ghani & Co.
Advocates.

SHARE REGISTRAR:

Noble Computer Services (Pvt.) Ltd.
2nd Floor, Sohni Centre, BS 5 & 6,
Main Karimabad Block-4, Federal B. Area
Karachi- 75950
Tel# 6801880, 6802326

REGISTERED OFFICE:

8, 8th Floor Textile Plaza,
M.A Jinnah Road Karachi.
Tel#2412955-3 Lines 2426761-2-4
Fax#2417710

WEB SITE ADDRESS:

www.tatatex.com

E- MAIL ADDRESS:

finance@tatatex.com

MILLS:

HX-1, Landhi Industrial Area,
Landhi, Karachi

VISION STATEMENT

While keeping our fundamentals correct we shall build upon our recognition as a very good company known and established for our principled and honest business practices and higher quality standards with niche products and specialty items with a sustained growth in our capacities.

MISSION STATEMENT

We are committed to the higher expectations of our customers, we deliver more than we promise. We strive for the production of best quality yarns for high value products.

CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

Alhamdulillah, it is a pleasure to welcome you to the 41st Annual General Meeting of the company in order to consider the Company's annual report for the year ended June 30, 2008.

This has been a very difficult year but by the Grace of Almighty Allah we managed to end it in profits. The company made a pre-tax profit of Rs. 25.141 million as compared to pre-tax loss of Rs.24.519 million during the last year.

YARN /RAW MATERIAL SITUATION

Pakistan has remained a net importer of cotton during last few years and that has kept the local cotton prices at import parity rather than at export parity. With an estimated consumption of about 16 million bales last year, Pakistan has had to import 4 million bales since the crop size was about 11.3 million bales. The Textile spinners would not have had to pay a difference of about Rs.300 between import and export parity had there been surplus cotton in Pakistan. We feel yet again in the coming year we would remain a net importer of cotton. In 2008-09, it is estimated that the cotton crop size would be about 12.5 million bales and we estimate a consumption of less than 15 million bales. Hence, we would yet be importing about 2 million bales of cotton. This would keep local prices of cotton at import parity.

The world's 2 largest producers and exporters of cotton, USA and India would have a large surplus of cotton; USA having about 14 million bales and India about 8 million bales for export. Hopefully, these two sources will have plenty of cotton for Pakistan.

The inventory level of cotton with the mills in Pakistan as well as all over the world is very low. We feel that a slight change in sentiments can increase the purchase which can push the prices upward internationally. However, with the poor economic conditions confronting the whole world, it is likely that the cotton prices shall remain under pressure and we will have to be very careful while taking cotton buying decisions.





We are experiencing an unprecedented slow down in yarn demand. Although we have a diverse product range, yet we feel that there is a slow down in demand for all our product ranges. In Pakistan the Textile Industry is confronting numerous issues, from cost pushups, labour productivity and acute power shortage. The major problems in shape of frequent power breakdowns and load shedding has had a compounding effect on the productivity of the industry specially the medium and small sized companies. The current law and order situation in Pakistan has restricted foreign customers with the result that the buyers for value added textiles are not coming to Pakistan.

Polyester Fibre is one of our major raw materials. During the current year there was a sudden rise in oil prices which went to over \$ 140 Per Barrel. Although we have always been importing polyester fibre, it has become risky due to the dollar fluctuation as well as high petro-chemical prices. However, we will continue importing polyester fibre from different sources

At the closure of last financial year, Pakistan experienced the largest ever trade deficit and this year this trend continues. This has put tremendous pressure on Rupee which has been constantly devaluing (27% to 28%) since January this year. Because of the political uncertainty, trade deficit, Rupee/Dollar parity compounded with international recession, the industry is slowing in demand. These cost push-ups at a very difficult time with low demand has put us in difficulty.

BALANCING & MODERNIZATION

The company has installed the following Plant & Machinery and ERP during the year under review.

-  Premier Mill I ERP in the Quality Control Department.
-  UT-5
-  Caipo Slub Devices on 8 Chinese Ring Frames.
-  4 Murata 21C+ Process Corner

Following is planned for next year

Unit-1

Enhancement of production by increasing the number of spindles is under study.

Unit-2

With growing demand of Slub yarn, a plan is proposed to convert complete unit-2 spindle on Slub yarn, which will increase the production of 125 Bags per day.

This plan also would require addition of machines in Carding, Drawing and filter area. There will be modification on Murata C-21 winder to cater the requirement of Slub.

COST PUSH-UPS:

During the year under review the financial charges increased to Rs.140.297 million from Rs.135.219 million as compared to corresponding period of last i.e. increase of 3.75%. Compared to year under review financial charges would be significantly enhanced due to increase in KIBOR rates. The company discontinued to finance its import and export business through short term borrowings under FE, considering the devaluation of rupee day by day. The present markup rate is around 15% as against 7.60% in the period of the year under review.

The increase in minimum wage rate of unskilled workers w.e.f. 1st July 2007 from Rs.4,000/- to Rs.4,600/- (i.e. 15%) and increase in salary of employees (10% to 15%) has cost the company Rs.10.47 million per annum on an aggregate.

Further increase in minimum wages for unskilled workers and salaries of employees w.e.f. 1st July 2008 from Rs.4,600/- to Rs.6,000/- per month (i.e. 30%) and 10% to 15% respectively and resultant effects in rate and basis of calculation of employees old age benefit and social security would cost the company approx. Rs.22 million per annum aggregate during next year.

During the year under review, stores and spares consumption increased to Rs.27.689 million from Rs.22.692 million, as compared to the corresponding period of last year i.e. increase of 22% and the packing materials cost increased to Rs.30.546 million from Rs.28.283 million as compared to the last year i.e. increase of 8%. Cost of Stores, Spares and packing material consumption would be further enhanced by around 35% in the following years, considering inflation factors viz. the trend of price increase of petroleum products, transport cost, increase in wages & salaries, gas & power charges and devaluation of Pak Rupee day by day.

Conclusion

The year ahead looks as one of the most difficult one. The recent growth in GDP that we have witnessed has been consumer driven not production driven. We have been living beyond our means which has put the economy under tremendous pressure. Whereas we will continue our efforts, we need to recognize that the process is difficult. The overall trading conditions continue to be difficult and margins will continue to be under pressure but your company management promises to put in all efforts to tackle these problems.

Your Company continues to occupy a place of respect amongst the Textile Industry world over. It is associated with most of our valued customers. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to thank our bankers, brokers and agents for putting their share in company's overall performance. Your Directors look forward to receiving similar support.



ANWAR AHMED TATA
Chairman

Karachi

Dated: September 29, 2008

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting before you the 41st Annual Report together with the Audited Accounts for the year ended June 30, 2008.

FINANCIAL RESULTS

The Company made a Pre tax Profit of Rs.25,141,283/- after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre Tax Profit for the Year	25,141,283
Taxation	<u>(21,526,737)</u>
Profit After Taxation	3,614,546
Accumulated Profit Brought Forward	135,699,901
Payment of Dividend	<u>(3,342,570)</u>
	<u>135,971,877</u>
Share of Associate's transfer from Surplus on Revaluation of operating Fixed Assets	1,656,637
Transfer from Surplus on Revaluation of operating Fixed Assets	<u>5,905,792</u>
Accumulated Profit Carried Forward	<u>143,534,306</u>

CHAIRMAN'S REVIEW

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

DIVIDEND

Since the results for the year under review are not encouraging, therefore your directors recommend to pass on the dividend for the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Company has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. In preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e. Internal auditor 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 of last six years in a summarized form is annexed.
- i. During the year under review, four Board of Directors meetings were held and attended as follow:

Name of Director	No. of Meeting Attended
Mr. Anwar Ahmed Tata	4
Mr. Shahid Anwar Tata	4
Mr. Adeel Shahid Anwar	4
Mr. Aijaz Ahmed Tariq	2
Mr. Kausar Ejaz	2
Mr. Javed Ahmed	4
Mr. Farooq Advani	4

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

- j. The statement of pattern of share holding of the Company as at June 30,2008 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- k. During the year under review the trading in shares of the Company by the Directors, CEO, and their spouses as follows:

	Opening Balance As on 01-07-2007	Purchase	Sales	Closing Balance As on 30-06-2008
Mr. Anwar Ahmed Tata	2,316,876	10,000	-	2,326,876

AUDITORS

The Auditors Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for reappointment for the financial year ending June 30, 2009.

ON BEHALF OF THE BOARD OF DIRECTORS



**ANWAR AHMED TATA
CHIEF EXECUTIVE**

KARACHI

DATED: September 29, 2008

KEY OPERATING AND FINANCIAL RESULTS FROM 2003 TO 2008

	2008	2007	2006	2005	2004	2003
	(9 months)					
Rupees in thousand.....					
OPERATING DATA						
Sales	1,940,999	1,660,593	814,624	720,542	964,448	824,736
Cost of Goods Sold	1,687,603	1,499,811	720,021	672,076	889,802	776,042
Gross Profit	253,396	160,782	94,603	48,466	74,646	48,694
Profit/(Loss) Before Taxation	25,141	(24,519)	7,390	14,358	19,269	1,051
Profit/(Loss) After Taxation	3,615	(17,566)	7,333	13,918	12,152	(1,787)
FINANCIAL DATA						
Fixed Assets at Cost	1,961,285	1,545,281	949,342	945,022	577,719	543,083
Long Term Investment	113,796	115,795	101,326	93,392	31,291	31,479
Current Assets	1,252,799	574,994	776,760	479,846	366,578	403,811
Current Liabilities	1,350,839	568,017	773,402	460,116	362,052	409,628
KEY RATIOS						
Gross Margin (%)	13.05	9.68	11.61	6.73	7.74	5.90
Net Profit / (Loss) (%)	0.19	(1.06)	0.90	1.93	1.26	(0.22)
Current Ratio	0.93	1.01	1.00	1.04	1.01	0.99
Earning Per Share (Rupees)	1.08	(5.26)	2.19	4.16	3.64	(0.59)
Cash Dividend (%)	-	10.00	10.00	10.00	10.00	-
Stock Dividend (%)	-	-	-	-	10.00	-
STATISTICS						
Number of Spindle	36,324	36,324	36,324	35,100	39,036	39,036
Production into						
20/s Count 000(Kgs)	13,947	13,724	10,047	9,429	12,867	12,513

**Patterns of Holding of Shares Held by the Shareholders
As at June 30, 2008**

NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
710	1	100	33,590
157	101	500	32,068
26	501	1000	18,887
31	1001	5000	63,479
6	5001	10000	39,050
1	10001	15000	13,500
1	15001	20000	16,750
1	35001	40000	35,600
1	100001	105000	104,645
1	105001	110000	107,795
1	180001	185000	184,030
1	36 5001	370000	366,300
1	2325001	2330000	2,326,876
<u>938</u>			<u>3,342,570</u>

**CATEGORIES OF SHAREHOLDERS
As at June 30, 2008**

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDER	SHARES HELD	PERCENTAGE
Joint Stock Companies	3	295	0.01
NIT and ICP	4	232,135	6.94
Banks, Development Finance Institutions, Insurance & Modarbas	2	5,180	0.16
Associated Companies	1	366,300	10.96
Directors, CEO, their Spouses and Minor Children	9	2,529,661	75.68
Others	2	5,391	0.16
Individuals	917	203,608	6.09
	<u>938</u>	<u>3,342,570</u>	<u>100.00</u>

**Details of Categories of Shareholders
As at June 30, 2008**

	NUMBER OF SHAREHOLDERS	SHARES HELD
JOINT STOCK COMPANIES		
Y. S. Securities & Services (Pvt.) Ltd.		220
Fateh Textile Mills Ltd.		55
Naseer Shahid Ltd.		20
	3	295
NIT and ICP		
National Bank of Pakistan Trustee Dept		212,440
IDBP (ICP UNIT)		2,945
Investment Corporation of Pakistan		16,750
	4	232,135
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, INSURANCE & MODARBAS		
Central Insurance Co. Ltd.		560
Guardian Modarba Management (Pvt.) Ltd.		4,620
	2	5,180
ASSOCIATED COMPANIES		
Island Textile Mills Ltd.	1	366,300
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mr. Anwar Ahmed Tata (Chairman/Chief Executive)		2,326,876
Mr. Shahid Anwar Tata (Director)		184,030
Mr. Aijaz Ahmed Tariq (Director)		2,750
Mr. Adeel Shahid Anwar (Director)		2,500
Mr. Kausar Ejaz (Director)		2,750
Mr. Jawed Ahmed (Director)		2,750
Mr. Farooq Advani (Director)		2,505
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		2,750
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		2,750
	9	2,529,661
OTHERS		
The Administrator Abandoned Properties Securities & Exchange Authority		5,390
		1
	2	5,391
INDIVIDUALS		
	917	203,608
Grand Total	938	3,342,570

**Shareholders Holding 10% or More Voting Interest in the Company
As at June 30, 2008**

	Shares Held	Percentage
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN		
Mr. Anwar Ahmed Tata	2,326,876	69.61
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
Island Textile Mills Ltd.	366,300	10.96

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PERIOD ENDED 30TH JUNE 2008

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange (Guarantee Ltd.) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the Code in the following manner.

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three non-executive directors and none representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the 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 NBFIs. No director in the board is a member of any stock exchanges in Pakistan.
4. There has been no casual vacancy occurred during the year under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors non workmen employees and has been Communicated formally to workmen employees of the Company.
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 along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive 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 once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to appraise them of their duties and responsibilities.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The directors' report for the 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 Chief Executive and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive and Executives do not hold any interest in the share of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function internally and has outsourced some internal audit function to M/s Muhammad Ibrahim Sheikh (Chartered Accountants) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in their internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with

ON BEHALF OF THE BOARD OF DIRECTORS



**ANWAR AHMED TATA
CHIEF EXECUTIVE**

KARACHI

DATED: September 29, 2008

Notice of Annual General Meeting

Notice is hereby given that the 41st Annual General Meeting of the Shareholders of **Salfi Textile Mills Limited** will be held on **Friday the October 31, 2008 at 11:30 A.M.** at **5th Floor Textile Plaza M.A. Jinnah Road Karachi**, to transact the following business: -

1. To confirm the minutes of the 40th Annual General Meeting held on October 17, 2007.
2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended June 30, 2008.
3. To appoint Auditors for the year 2008-09 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible to offer themselves for reappointment.
4. To transact any other ordinary business or businesses with the permission of the Chair.

By order of the Board of Directors



Farooq Advani
Company Secretary

Karachi:

Dated: October 9, 2008

Notes:

1. The Share Transfer Books of the Company will remain closed from October 22, 2008 to October 31, 2008 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify the change of address, if any, immediately.

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

UAN: +92 (0) 21 111-55-2626
Fax: +92 (0) 21- 454 1314
Web: www.deloitte.com

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 **SALFI TEXTILE MILLS LIMITED** (the company) 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 compliances 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 the 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 controls.

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



Chartered Accountants

Karachi

Date: September 29, 2008

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21- 454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SALFI TEXTILE MILLS 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 of that Ordinance.

Karachi
Dated : September 29, 2008


M. Yousuf Adil Saleem & Co.
Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu

BALANCE SHEET**SHARE CAPITAL AND RESERVES**

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Authorised 5,000,000 ordinary shares of Rs.10 each		50,000,000	50,000,000
Issued, subscribed and paid-up	3	33,425,700	33,425,700
Capital reserve			
- Other reserve	4	5,996,360	5,996,360
- Unrealized gain in value of securities available for sale		903,661	2,833,437
Unappropriated profits		143,534,306	135,699,901
		<u>183,860,027</u>	<u>177,955,398</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	980,647,081	549,059,638
NON-CURRENT LIABILITIES			
Long-term financing	6	594,627,691	693,819,550
Liabilities against assets subject to finance lease	7	-	305,584
Deferred liabilities	8	176,229,944	58,144,127
CURRENT LIABILITIES			
Trade and other payables	9	288,274,434	54,257,268
Interest / mark-up accrued on loans	10	47,371,549	24,126,532
Short-term borrowings	11	798,512,566	276,488,810
Current portion of			
-long-term financing	6	141,807,098	148,098,722
-liabilities against assets subject to finance lease	7	305,951	863,682
-Custom debentures		54,680	54,680
Taxation - income tax		74,512,981	64,127,331
		1,350,839,259	568,017,025
CONTINGENCIES AND COMMITMENTS	12		
		<u>3,286,204,002</u>	<u>2,047,301,322</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

AS AT JUNE 30, 2008

NON-CURRENT ASSETS	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Property, plant and equipment	13	1,918,615,074	1,355,518,583
Long-term investments	14	113,795,968	115,794,922
Long-term deposits		993,688	993,688
CURRENT ASSETS			
Stores, spares and loose tools	15	14,279,591	13,865,780
Stock-in-trade	16	813,218,408	238,154,200
Trade debts	17	254,061,551	184,786,538
Loans and advances	18	140,364,001	96,485,504
Trade deposits and short term prepayments	19	513,261	22,825
Other receivables		573,069	-
Other financial assets	20	4,757,022	3,639,628
Sales tax refundable		6,396,849	5,370,947
Cash and bank balances	21	18,635,520	32,668,707
		1,252,799,272	574,994,129
		3,286,204,002	2,047,301,322



ANWAR AHMED TATA
CHIEF EXECUTIVE



SHAHID ANWAR TATA
DIRECTOR

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Sales	22	1,940,998,956	1,660,593,409
Cost of goods sold	23	(1,687,603,402)	(1,499,811,588)
Gross profit		253,395,554	160,781,821
Distribution cost	24	(31,421,281)	(39,451,563)
Administrative expenses	25	(39,963,514)	(35,232,602)
Other operating expenses	26	(21,496,858)	(255,979)
Other operating income	27	2,866,903	11,218,665
Finance cost	28	(140,297,141)	(135,219,245)
Share of profit from associate-net of tax	14.1	2,057,620	13,639,709
		(228,254,271)	(185,301,015)
Profit / (loss) before taxation		25,141,283	(24,519,194)
Taxation	29	(21,526,737)	6,953,080
Profit / (loss) for the year		3,614,546	(17,566,114)
Earnings per share - basic and diluted	30	1.08	(5.26)

The annexed notes from 1 to 38 form an integral part of these financial statements.



**ANWAR AHMED TATA
CHIEF EXECUTIVE**



**SHAHID ANWAR TATA
DIRECTOR**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		25,141,283	(24,519,194)
Adjustments for :			
Depreciation of property, plant and equipment	13.2	66,815,651	68,427,833
Provision for staff gratuity		8,843,032	6,568,878
Provision for compensated absences		272,380	16,485
Finance cost	28	140,297,141	135,219,245
Share of profit from associate	14.1	(2,057,620)	(13,639,709)
Loss / (gain) on disposal of property, plant and equipment	26&27	33,510	(3,112,015)
Operating cash flows before movements in working capital		<u>239,345,377</u>	<u>168,961,523</u>
(Increase) / decrease in current assets			
Stores, spares and loose tools		(413,811)	(2,902,976)
Stock-in-trade		(575,064,208)	285,188,366
Trade debts		(69,275,013)	(43,676,617)
Loans and advances		(29,766,777)	(4,558,372)
Trade deposits and short-term prepayments		(490,436)	887,075
Other receivables		(573,069)	-
Other financial assets		(1,117,394)	(1,833,236)
Sales tax refundable		(1,025,902)	7,710,276
Increase in current liabilities			
Trade and other payables		<u>233,976,039</u>	<u>6,299,723</u>
Cash (used in) / generated from operations		<u>(204,405,194)</u>	<u>416,075,762</u>
Finance cost paid		(117,052,124)	(152,248,173)
Income taxes paid		(14,111,720)	(11,886,395)
Staff gratuity paid		(3,828,790)	(2,834,060)
Net cash (used in) / generated from operating activities		<u>(339,397,828)</u>	<u>249,107,134</u>

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(101,583,365)	(50,141,650)
Proceeds on disposal of property, plant and equipment		10,604,991	9,720,500
Dividend received from associate		3,967,500	3,967,500
Net cash used in investing activities		<u>(87,010,874)</u>	<u>(36,453,650)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		54,128,000	202,066,000
Repayment of long-term financing		(159,611,483)	(93,217,774)
Repayment of finance lease		(863,315)	(2,571,563)
Proceeds from short-term borrowings - import / export		206,601,456	210,355,652
Dividend paid		(3,301,443)	(3,287,736)
Net cash from financing activities		<u>96,953,215</u>	<u>313,344,579</u>
Net (decrease) / increase in cash and cash equivalents		(329,455,487)	525,998,063
Cash and cash equivalents as at July 01		31,151,563	(494,846,500)
Cash and cash equivalents as at June 30	32	<u>(298,303,924)</u>	<u>31,151,563</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



ANWAR AHMED TATA
CHIEF EXECUTIVE



SHAHID ANWAR TATA
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Reserve				Total
	Share Capital	Capital		Revenue	
		Other reserve (Note 4)	Unrealized gain/ (loss) on remeasurement of securities available for sale	Unappropriated profit	
	Rupees				
Balance as at July 01, 2006	33,425,700	5,996,360	611,763	148,711,126	188,744,949
Changes in equity for the year 2007					
Available-for-sale investment - valuation gain taken to equity	-	-	2,221,674	-	2,221,674
Share of associate transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax and disposal	-	-	-	2,446,113	2,446,113
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation - net of deferred tax - disposal - net of deferred tax	-	-	-	5,162,162 289,184	5,162,162 289,184
Net income recognised directly in equity	-	-	2,221,674	7,897,459	10,119,133
Loss for the year	-	-	-	(17,566,114)	(17,566,114)
Total recognised income and expense for the year	-	-	2,221,674	(9,668,655)	(7,446,981)
Final cash dividend for the year ended June 30, 2006 at Re. 1 per Ordinary share	-	-	-	(3,342,570)	(3,342,570)
Balance as at June 30, 2007	33,425,700	5,996,360	2,833,437	135,699,901	177,955,398
Changes in equity for the year 2008					
Available-for-sale investment - valuation loss taken to equity	-	-	(1,929,776)	-	(1,929,776)
Share of associate transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax and disposal	-	-	-	1,656,637	1,656,637
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation - net of deferred tax - disposal - net of deferred tax	-	-	-	5,313,968 591,824	5,313,968 591,824
Net income recognised directly in equity	-	-	(1,929,776)	7,562,429	5,632,653
Profit for the year	-	-	-	3,614,546	3,614,546
Total recognised income and expense for the year	-	-	(1,929,776)	11,176,975	9,247,199
Final cash dividend for the year ended June 30, 2007 at Re. 1 per Ordinary share	-	-	-	(3,342,570)	(3,342,570)
Balance as at June 30, 2008	33,425,700	5,996,360	903,661	143,534,306	183,860,027

The annexed notes from 1 to 38 form an integral part of these financial statements.


ANWAR AHMED TATA
CHIEF EXECUTIVE


SHAHID ANWAR TATA
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. GENERAL INFORMATION

- 1.1 Salfi Textile Mills Limited (the Company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Act, 1913 as repealed by Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 8, 8th floor Textile Plaza, M.A. Jinnah Road, Karachi. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the province of Sindh.
- 1.2 These financial statements 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

2.2.1 Standards:

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.

2.2.2 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 01, 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 of preparation

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

- revaluation of certain property, plant and equipment
- recognition of certain staff retirement benefits at present value
- investment in associate under equity method
- The principal accounting policies adopted are set out below

2.4 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.

2.4.1 As Lessee

Assets held under finance leases are recognised 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 capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2.5 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. 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 or loss in the period in which they are incurred.

2.6 Staff retirement benefits

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise both the defined contribution plan and defined benefit plan. Both plans are un-funded. The details of plans are as follows:

2.6.1 Defined benefit plan

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions and are charged to income. The most recent valuation was carried out as at June 30, 2008 using "Projected Unit Credit Method".

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

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's obligation is amortised over the average expected remaining working lives of the employees.

Detail of the scheme are given in note 8.1 of these financial statements.

2.6.2 Defined contribution plan

The Company also operates a contributory scheme for all its employees under non-workmen category. Under this plan, every employee under non-workmen category is entitled to receive gratuity of one month salary based on last month on each year's service. The Company accounts for liability against gratuity amount of each employee at year end and such liability is treated as full and final liability of that year. In future years, the liability amount is not revised for any increment or reduction in salary of any non-workmen.

2.7 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.8 Taxation

2.8.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.8.2 Deferred

Deferred tax is provided using the balance sheet 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. In this regard, the effects on deferred taxation of the portion of 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.

Deferred tax asset is recognized 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 utilized.

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

2.9 Property, plant and equipment

2.9.1 Company owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, building and plant and machinery, which are stated at revalued amount and capital work in progress which is defined in note 2.9.3.

During the year the Company has changed its accounting estimate for charging depreciation. Previously depreciation was charged on additions and disposals on the basis of whole year, while no depreciation was charged on deletion during the year, whereas, the capitalization of entire or part of project cost was depreciated proportionately from the date of capitalization. From current year depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal.

Had there been no change in accounting estimate the related impact on depreciation expense would have been higher by Rs. 3,159,642

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 a separate items of Property Plant and Equipment.

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 13.

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 or losses on disposal of assets, if any, are recognised as and when incurred

Surplus / deficit arising on revaluation is credited / debited 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 by the Company to its unappropriated profit.

2.9.2 Assets held under finance lease

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

2.9.3 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. Expenditures include borrowing costs as referred to in note 2.5. These are transferred to specific assets as and when assets are ready for their intended use.

2.10 Investment

2.10.1 Available-for-sale investments

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised directly in the equity under fair value reserve until sold or otherwise disposed off or determined to be impaired at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account for the period.

The fair value is determined on the basis of year-end bid prices which are rates quoted in Karachi Stock Exchange on last working day of the accounting year.

2.10.2 Held to maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value transaction and are subsequently carried at amortized cost using effective interest rate method.

2.10.3 Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

2.10.4 Derecognition

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

2.11 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.

2.12 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

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

2.13 Stock-in-trade

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

- Raw material - at weighted average cost.
- Material in transit - at cost accumulated upto the date of balance sheet.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.
- Waste - at net realizable value.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads. Net realizable value is determined on the basis mentioned in note 2.12.

2.14 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.

2.15 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.

2.16 Foreign currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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

2.17 Financial Instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability 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 assets and financial liabilities

A financial asset and a financial liability is offset 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 realize the asset and settle the liability simultaneously.

2.19 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories 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.

2.20 Revenue recognition

Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customers' orders where risks and rewards are transferred to customers.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.21 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, and short-term running finance.

2.22 Trade and other payables

Liabilities for trade and other amounts payable 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 Company or not.

2.23 Critical judgments in applying the accounting policies

The preparation of the 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 use in the area of property, plant and equipment (refer note 13) a significant to the financial statements and it involves management's estimates.

ISSUED, SUBSCRIBED AND PAID-UP

June 30, 2008	June 30, 2007		June 30, 2008 Rupees	June 30, 2007 Rupees
Number of shares				
2,000,000	2,000,000	Ordinary shares of Rs. 10 each fully paid In cash	20,000,000	20,000,000
1,038,700	1,038,700	For consideration other than cash Against loan	10,387,000	10,387,000
<u>303,870</u>	<u>303,870</u>	As bonus shares	<u>3,038,700</u>	<u>3,038,700</u>
<u>3,342,570</u>	<u>3,342,570</u>		<u>33,425,700</u>	<u>33,425,700</u>

3.1 There were no movements during the year.

3.2 The Company has one class of ordinary shares which carries no right to fixed income.

3.3 Following shares were held by associate of the Company as at the balance sheet date

	Number of Ordinary shares of Rs. 10 each	
Island Textile Mills Limited	<u>366,300</u>	<u>366,300</u>

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

4. OTHER RESERVE

This represents the remission of principal amount payable to associated undertaking and directors in term of revival package in the year 1983.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents surplus over book values resulting from the revaluation of property, plant and equipment carried out in 1994, 2003 June 2005 (land only) and June 2008 by M/S Iqbal A. Nanjee & Co., adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
5.1			
Surplus on revaluation of property, plant and equipment as at July 01,		575,730,814	583,302,129
Transferred to unappropriated profit on account of -incremental depreciation - net of deferred tax -disposal - net of deferred tax		(5,313,968) (591,824)	(5,162,162) (289,184)
Related deferred tax liability		(2,296,698)	(2,119,969)
Effect of valuation of property, plant and equipment carried out at year end		538,967,271	-
		<u>530,764,781</u>	<u>(7,571,315)</u>
Surplus on revaluation of property, plant and equipment as at June 30,		1,106,495,595	575,730,814
Related deferred tax liability on:			
Revaluation as at July 01,		26,671,176	35,988,931
Adjustment due to income subject to FTR	5.1.1	-	(7,197,786)
Transferred to profit and loss account on account of -incremental depreciation - net of deferred tax -disposal - net of deferred tax		(2,092,844) (203,854)	(2,007,508) (112,461)
Effect of valuation of property, plant and equipment carried out at year end		101,474,036	-
		<u>(125,848,514)</u>	<u>(26,671,176)</u>
		<u>980,647,081</u>	<u>549,059,638</u>

5.1.1 This represents the reversal of opening deferred tax liability balance due to the revision of deferred tax rate by 7% in order to incorporate the effect of export sales, which is fall in Final Tax Regime (FTR).

6. LONG-TERM FINANCING	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
From banking companies - secured			
Term finance	6.1	584,861,388	660,659,201
Export oriented projects	6.2	66,039,000	83,039,000
NIDF finance	6.3	3,167,813	5,702,063
Vehicle loan	6.4	7,366,588	7,518,008
From related parties-unsecured			
Associate	6.5	50,000,000	60,000,000
Directors	6.6	25,000,000	25,000,000
		<u>736,434,789</u>	<u>841,918,272</u>
Less: Current portion			
Term finance		(119,621,212)	(126,798,312)
Export oriented projects		(17,544,916)	(17,000,000)
NIDF finance		(2,534,250)	(2,534,250)
Vehicle loan		(2,106,720)	(1,766,160)
		<u>(141,807,098)</u>	<u>(148,098,722)</u>
		<u>594,627,691</u>	<u>693,819,550</u>

6.1 The loans are secured against pari passu charge over Company's property, plant and equipment comprising of land, buildings, plant and machinery. These loans are further secured by way personal guarantees of sponsor directors of the Company. The loans carries mark-up at 6 months KIBOR plus rate ranging from 1.25% to 2% (2007: KIBOR plus 1.5% to 2%) per annum and are repayable in 8 - 10 equal semi-annual installments commenced from March 2004.

- 6.2** These loans are secured against joint pari passu charge over Company's property, plant and equipment comprising of land, buildings, plant and machinery. These loans are further secured by personal guarantees of sponsor directors of the Company. The loans carries mark-up at the rate of 7% (2007: 7%) per annum and are repayable in 10 - 12 equal semi-annual installments commencing between June 2007 to June 2009.
- 6.3** These are non interest demand finance (NIDF) secured against bank guarantee provided by another bank on behalf of the Company and are repayable in sixteen equal quarterly installments commenced from November 2005.
- 6.4** These represent secured finances obtained from a banking company carrying mark-up rate 13% (2007: 12% to 13 %) per annum and are repayable in 60 equal monthly instalments commencing between January 2006 to May 2008. These loans are secured against vehicles acquired from such loans and guarantee of the Company.
- 6.5** These represent unsecured finance obtained from an associated company carry mark-up at 6 months KIBOR plus 1.5% per annum. Of total financing Rs. 10 million is repayable in six equal half yearly installments commenced from December 2009. Finance of Rs. 40 million is subordinated in pursuant of agreement dated June 26, 2006 with Allied Bank Limited and is repayable after the repayment of term finance loan obtained from Allied Bank Limited amounting to Rs. 230 million.
- 6.6** These represent unsecured finance obtained from sponsor directors carrying mark-up at 6 months KIBOR plus 1.5% per annum and is repayable in six equal half yearly installments commencing from November 2009.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows :

	June 30, 2008		June 30, 2007	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Rupees.....	Rupees.....	
Within one year	320,499	305,951	930,383	863,682
After one year but not more than five years	-	-	318,294	305,584
Total minimum lease payments	320,499	305,951	1,248,677	1,169,266
Less : Amount representing finance charges	(14,548)	-	(79,411)	-
Present value of minimum lease payments	305,951	305,951	1,169,266	1,169,266
Less : Current portion	(305,951)	(305,951)	(863,682)	(863,682)
	-	-	305,584	305,584

- 7.1** This represents finance lease entered into with leasing company for vehicles. Rate of finance charge is 11.3% (2007: 6.5% to 10.74%) per annum and is used as discounting factor. The lease term is 5 years.
- 7.2** The Company intends to exercise the option to purchase the leased assets upon completion of the lease periods.
- 7.3** Liabilities are secured against demand promissory notes and security deposits.

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees		
8. DEFERRED LIABILITIES					
Staff gratuity	8.1	17,347,168	12,332,926		
Compensated absences		1,281,252	1,008,872		
Deferred taxation	8.2	157,601,524	44,802,329		
		<u>176,229,944</u>	<u>58,144,127</u>		
8.1 Staff gratuity					
Workmen	8.1.1	3,514,978	2,105,134		
Non-workmen	8.1.2	13,832,190	10,227,792		
		<u>17,347,168</u>	<u>12,332,926</u>		
8.1.1 Workmen - Defined benefit plan					
(a) Movement in liability					
Opening balance		2,105,134	1,029,373		
Charge for the year		3,229,814	3,076,147		
Paid during the year		<u>(1,819,970)</u>	<u>(2,000,386)</u>		
Closing balance		<u>3,514,978</u>	<u>2,105,134</u>		
(b) Reconciliation					
Present value of defined benefit obligation		5,801,937	4,308,244		
Unrecognized actuarial loss		<u>(2,286,959)</u>	<u>(2,203,110)</u>		
		<u>3,514,978</u>	<u>2,105,134</u>		
(c) Charge for the year					
Current service cost		2,637,873	2,490,412		
Interest cost		430,824	366,281		
Actuarial loss recognized		161,117	219,454		
		<u>3,229,814</u>	<u>3,076,147</u>		
(d) Changes in the present value of the defined benefit obligation					
Opening balance		4,308,244	4,069,796		
Current service cost		2,637,873	2,490,412		
Interest cost		430,824	366,281		
Actuarial loss / (gain)		244,966	(617,859)		
Benefits paid		<u>(1,819,970)</u>	<u>(2,000,386)</u>		
Closing balance		<u>5,801,937</u>	<u>4,308,244</u>		
(e) The principal assumptions used in the valuation of gratuity are as follows:					
Discount rate		12.00%	10.00%		
Expected rate of salary increase		11.50%	9.50%		
(f) Amounts for the current and previous four years are as follows:					
	2008	2007	2006	2005	2004
Present value of the defined benefit obligation	5,801,937	4,308,244	4,069,796	4,324,887	3,221,258
Fair value of the defined benefit Deficit	-	-	-	-	-
	<u>5,801,937</u>	<u>4,308,244</u>	<u>4,069,769</u>	<u>4,324,887</u>	<u>3,221,258</u>
Experience adjustments on obligation and plan assets					
Present value of obligation	5,801,937	4,308,244	-	-	-
Fair value of plan assets	-	-	-	-	-
Deficit	<u>5,801,937</u>	<u>4,308,244</u>	-	-	-
Actuarial (loss) /gain on obligation	(244,966)	617,860	-	-	-
Actuarial (gain) / loss on assets	-	-	-	-	-

			June 30, 2008 Rupees	June 30, 2007 Rupees
8.1.2	Non-workmen - Defined contribution plan	Note		
	Opening balance		10,227,792	7,568,735
	Charge for the year		5,613,218	3,492,732
	Paid during the year		(2,008,820)	(833,675)
	Closing balance		<u>13,832,190</u>	<u>10,227,792</u>
8.2	Deferred taxation			
	This comprises of the following :			
	Deferred tax liabilities on taxable temporary differences arising in respect of :			
	Accelerated tax depreciation		28,401,703	17,278,281
	Investment in associates		8,208,512	4,306,091
	Surplus on revaluation of property, plant and equipment	5	125,848,514	26,671,176
			<u>162,458,729</u>	<u>48,255,548</u>
	Deferred tax assets on deductible temporary differences arising in respect of:			
	Staff gratuity		(4,857,205)	(3,453,219)
			<u>157,601,524</u>	<u>44,802,329</u>
9.	TRADE AND OTHER PAYABLES			
	Creditors		8,091,755	8,615,096
	Accrued liabilities	9.1	39,198,574	38,424,831
	Advances from customers		7,825,290	4,068,650
	Bill Payable		227,910,721	-
	Withholding income tax		243,576	454,813
	Workers' Profit Participation Fund	9.2	1,177,618	-
	Workers' Welfare Fund		2,394,091	1,856,972
	Unclaimed dividend		418,492	377,365
	Others		1,014,317	459,541
			<u>288,274,434</u>	<u>54,257,268</u>
9.1	This includes Rs. 14,621,832 (2007: Rs. 11,945,888) payable to an associated undertaking in respect of power charges.			
9.2	Workers' Profit Participation Fund			
	Opening balance		-	278,669
	Allocation during the year		1,177,618	-
	Interest on funds utilized in the Company's business		-	9,620
			<u>1,177,618</u>	<u>288,289</u>
	Amount paid to the fund		-	(288,289)
	Closing balance		<u>1,177,618</u>	<u>-</u>
10.	ACCRUED INTEREST / MARK-UP ON LOANS			
	Long-term financing			
	-from banking companies		28,757,354	13,330,165
	- from associate		1,577,836	2,419,938
	- from directors		738,597	810,963
	Short-term borrowings		16,297,762	7,565,466
			<u>47,371,549</u>	<u>24,126,532</u>
11.	SHORT-TERM BORROWINGS			
	From banking companies-secured			
	Running finance	11.1	316,939,444	1,517,144
	Finance against import / export	11.2	481,573,122	274,971,666
		11.3	<u>798,512,566</u>	<u>276,488,810</u>

- 11.1** These facilities are secured against hypothecation charge over stock and receivables and personal guarantee of sponsor directors. These carry mark-up at the rate 3 to 6 months KIBOR plus 1% to 1.5% (2007: 3 months KIBOR plus 1% to 1.5%) per annum.
- 11.2** These facilities carry mark-up at the rate ranging from LIBOR / KIBOR plus 1% to 3% (2007: LIBOR plus 0.75% to 1.5 %) per annum. These arrangements are secured against pledge of stock, foreign currency deposits, lien on export documents and letter of credits, pari passu charge over current assets and personal guarantee of sponsor directors.
- 11.3** These facilities are available from various commercial banks amounting to Rs. 1,072 million (2007: Rs. 775 million) from which the aggregate unavailed short term borrowings facilities available amounting to Rs. 270 million (2007: Rs.500 million).

12. CONTINGENCIES AND COMMITMENTS	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Contingencies			
Labour and workmen compensation cases in court of law		407,287	407,287
Penal interest		145,366	145,366
Commitments			
Civil works and machinery		1,277,515	4,447,040
Letters of credit for stock and stores		268,037,423	301,140,242
Bank guarantees		22,600,000	18,534,000
Export bills discounted		93,134,915	116,148,083

13. PROPERTY, PLANT AND EQUIPMENT

	Note	2008 Rupees	2007 Rupees
Operating assets	13.1	1,905,831,003	1,344,816,571
Capital work in progress	13.5	12,784,071	10,702,012
		<u>1,918,615,074</u>	<u>1,355,518,583</u>

13.1 Operating Assets

Particulars	Cost/Revaluation at July 01, 2007	Additions/Transfers during the year	Disposed during the year	Revaluation as at June 30, 2008		Adjustment of Accumulated depreciation	Cost/Revaluation at June 30, 2008		Accumulated Depreciation at July 01, 2007	Depreciation for the year/transfer	Disposal/Adjustment	Adjustment of Accumulated depreciation		Accumulated Depreciation at June 30, 2008	Written down value at June 30, 2008	Rate %
				30, 2008	30, 2008		July 01, 2007	June 30, 2008								
RUPEES																
Company owned																
Land - leased	48,440,000	-	-	1,76,960,000	-	-	48,440,000	-	-	-	-	-	-	-	5,98,00,000	-
Buildings on lease included - 18 July	79,66,307	6,68,722	-	83,801,520	(3,22,860)	225,75,156	225,75,156	30,155,130	1,08,230	-	-	(4,62,3,360)	-	5,39,42,816	2,28,16,088	7
- No factory	112,900	-	-	-	-	115,900	115,900	45,141	12,5	-	-	-	-	24,942	5,394	10
Other factories	450,000	-	-	-	-	450,000	450,000	372,957	7,75	-	-	-	-	38,118	38,118	10
Trailer machinery	787,878,320	59,85,725	(5,82,771)	273,605,151	(16,72,825)	975,087,927	975,087,927	114,308,570	50,594,136	(5,22,837)	-	(1,61,22,628)	-	7,75,08,724	975,087,924	7
At construction site and other equipments	46,25,612	12,3,187	-	-	-	45,710,399	45,710,399	12,977,018	2,60,592	-	-	-	-	2,33,747	21,02,730	10
Trailer machinery	3,796,876	10,428	-	-	-	8,901,302	8,901,302	4,031,607	262,633	-	-	-	-	4,314,337	2,557,165	10
- Vehicle and trailers	3,458,068	179,600	-	-	-	8,682,892	8,682,892	3,385,474	3,2,581	-	-	-	-	3,675,056	2,954,543	10
Other equipment	3,32,167	819,283	-	-	-	10,110,117	10,110,117	6,433,281	671,957	-	-	-	-	7,04,632	3,035,579	130
Other machinery	1,346,637	-	-	-	-	1,37,5,681	1,37,5,681	32,777	32,777	-	-	-	-	1,07,7,392	299,782	10
Vehicles	20,207,325	5,413,690	(2,859,340)	-	-	26,761,675	26,761,675	12,438,300	2,372,446	(1,43,310)	-	-	-	15,269,114	7,815,096	10
	1,593,274,750	32,57,313	(7,395,610)	538,567,271	(2,465,885)	1,959,251,627	1,959,251,627	191,775,912	66,650,771	(7,38,178)	-	(201,403,958)	-	5,181,274	1,905,73,282	
		10,002,500							8,211,817							
Assets held under finance lease																
Trailer machinery	3,334,750	(8,394,730)	-	-	-	-	-	2,759,355	-	-	-	-	-	-	-	7
Vehicles	5,83,170	(3,498,010)	-	-	-	-	1,938,070	3,559,872	1,65,792	-	-	-	-	1,27,380	680,720	20
	1,068,920	(12,092,500)	-	-	-	-	1,938,070	6,319,007	1,65,792	-	-	-	-	1,27,380	680,720	
									5,211,837							
June 30, 2008	1,545,280,920	99,011,273	(7,399,619)	538,967,271	(2,465,985)	1,959,251,627	1,959,251,627	200,404,049	60,815,681	(7,38,178)	-	(204,403,958)	-	5,443,694	1,907,831,000	

* To represent value from leased assets or quantity of land to be acquired.

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
13.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	23.1	64,124,833	65,931,271
Administrative expenses	25	2,690,818	2,496,562
		<u>66,815,651</u>	<u>68,427,833</u>

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

	-----2008-----			-----2007-----		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
	-----Rupees-----					
Freehold land	963,387	-	963,387	963,387	-	963,387
Building	137,755,260	42,512,208	95,243,052	129,070,138	35,763,754	93,306,384
Plant and machinery	941,194,412	282,632,989	658,561,423	863,940,254	238,200,925	625,739,329
	<u>1,079,913,059</u>	<u>325,145,197</u>	<u>754,767,862</u>	<u>993,973,779</u>	<u>273,964,679</u>	<u>720,009,100</u>

13.3.1 Revaluation of land, building and plant and machinery had been carried out in 1994, 2003, June 2005 (land only) and June 2008 by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable.

13.4 Disposal of property, plant and equipment by negotiations/Claims

Particulars and mode of disposal	Cost/ revaluation	Accumulated depreciation	Written down value	Sale proceeds	Name and Address
	-----Rupees-----				
Plant and Machinery	1,613,958	502,468	1,111,490	1,372,000	Diamond International Corporation Ltd 702, Uni Tower , I. I.Chundrigar Road Karachi.
Plant and Machinery	3,500,000	1,132,323	2,367,677	2,200,000	Habib Haseeb Spinning Mill (Pvt) Ltd 1st Floor, Saiool Plaza Street #1, Montgomery Bazar, Faisalabad.
Plant and Machinery	6,334,760	2,947,067	3,387,693	2,750,000	Island Textile Mills Ltd 8,8Th Floor Textile Plaza M.A.J Road Karachi
Plant and Machinery	394,056	135,494	258,562	200,000	Khokhar Textile Mills Ltd 90-Qasim Road Multan Cantt. Multan
Plant and Machinery	3,500,000	1,203,455	2,296,545	2,200,000	Abbas Corporation 24 Gul Centre, New Garden Town, Lahore.
Vehicles	361,895	331,618	30,277	164,000	Malik Dilshad Mabaraz, House No. G-14, P.E.C.H.S. Block-02, Karachi.
Vehicles	58,500	38,812	19,688	45,000	EFU General Insurance Ltd West Wharf, Karachi.
Vehicles	56,500	15,067	41,433	54,000	EFU General Insurance Ltd West Wharf, Karachi.
Vehicles	982,600	301,331	681,269	925,000	EFU General Insurance Ltd West Wharf, Karachi.
Vehicles	55,100	25,126	29,974	44,991	EFU General Insurance Ltd West Wharf, Karachi.
Vehicles	1,141,250	727,357	413,893	650,000	Haji Anwer Saeed, House No. 05, 3rd Zamzama Street, D.H.A, Phase V, Karachi
2008	<u>17,998,619</u>	<u>7,360,118</u>	<u>10,638,501</u>	<u>10,604,991</u>	
2007	<u>11,263,400</u>	<u>4,654,915</u>	<u>6,608,485</u>	<u>9,720,500</u>	

		June 30, 2008	June30, 2007
	Notes	Rupees	Rupees
13.5 Capital work in Progress			
Civil work	13.5.1	3,963,308	3,949,467
Machinery under installation	13.5.2	936,401	-
Capital inventory items	13.5.3	7,884,362	4,817,545
Vehicles	13.5.4	-	1,935,000
		<u>12,784,071</u>	<u>10,702,012</u>
13.5.1 Civil work			
Opening balance		3,949,467	57,657,340
Addition during the year		<u>7,210,850</u>	<u>23,335,168</u>
		11,160,317	80,992,508
Less : Transfer during the year		<u>(7,197,009)</u>	<u>(77,043,041)</u>
Closing balance		<u>3,963,308</u>	<u>3,949,467</u>
13.5.2 Machinery under installation			
Opening balance		-	464,470,831
Addition during the year		<u>62,317,289</u>	<u>10,440,900</u>
		62,317,289	474,911,731
Less : Transfer during the year		<u>(61,380,888)</u>	<u>(474,911,731)</u>
Closing balance		<u>936,401</u>	<u>-</u>
13.5.3 Capital inventory items			
Opening balance		4,817,545	45,164,966
Addition during the year		<u>8,334,815</u>	<u>11,602,326</u>
		13,152,360	56,767,292
Less : Transfer during the year		<u>(5,267,998)</u>	<u>(51,949,747)</u>
Closing balance		<u>7,884,362</u>	<u>4,817,545</u>
13.5.4 Vehicles			
Opening balance		1,935,000	469,000
Addition during the year		<u>2,675,500</u>	<u>1,935,000</u>
		4,610,500	2,404,000
Less : Transfer during the year		<u>(4,610,500)</u>	<u>(469,000)</u>
Closing balance		<u>-</u>	<u>1,935,000</u>
14. LONG-TERM INVESTMENTS			
Investment in associate	14.1	112,085,117	112,154,295
Investment - available-for-sale	14.2	<u>1,710,851</u>	<u>3,640,627</u>
		<u>113,795,968</u>	<u>115,794,922</u>
14.1 Investment in Tata Textile Mills Limited at equity method - an associated undertaking			
Balance as at July 01,		112,154,295	99,907,230
Share of associate transfer of revaluation surplus on account of incremental depreciation		1,840,702	2,574,856
Share of profit from associate-net of tax		2,057,620	13,639,709
Dividend received		<u>(3,967,500)</u>	<u>(3,967,500)</u>
		(69,178)	12,247,065
Total	14.1.1	<u>112,085,117</u>	<u>112,154,295</u>

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
Number of shares held		3,967,500	3,967,500
Cost of investments (Rupees)		30,000,000	30,000,000
Ownership interest		<u>22.90%</u>	<u>22.90%</u>
14.1.1	The market value of investment is Rs. 80,341,875 (2007: Rs. 97,997,250).		
14.1.2	Summarized financial highlights of Tata Textile Mills Limited for the year ended June 30, 2008 as follows:		
Total assets as at		4,142,217,940	2,608,548,496
Total liabilities as at		2,695,336,650	2,006,703,919
Sales		2,415,386,457	2,381,978,442
Profit for the year		8,985,239	59,562,054
14.2	Investment - Available-for-sale		
Opening balance		3,640,627	1,418,953
Unrealized (loss) / gain charged to equity		<u>(1,929,776)</u>	<u>2,221,674</u>
Closing balance		<u>1,710,851</u>	<u>3,640,627</u>
14.2.1	This represents investment in 162,166 ordinary shares of Rs. 10 each (2007: 162,166 Ordinary shares) in Crescent Commercial Bank Limited.		
15.	STORES, SPARES AND LOOSE TOOLS		
Stores		11,706,107	10,963,602
Spares		2,462,372	2,779,654
Loose tools		<u>111,112</u>	<u>122,524</u>
		<u>14,279,591</u>	<u>13,865,780</u>
16.	STOCK-IN-TRADE		
Raw material	16.1	718,724,470	140,118,616
Work-in-process		15,292,408	15,706,602
Finished goods	16.2	77,872,477	81,437,993
Waste		<u>1,329,053</u>	<u>890,989</u>
		<u>813,218,408</u>	<u>238,154,200</u>
16.1	It includes raw material in transit amounting to Rs. 213,883,006 (2007: 4,431,479).		
16.2	Finished goods of Rs. 170,156 (2007: Rs. 36,423) carried at net realizable value.		
17.	TRADE DEBTS - CONSIDERED GOOD		
Export	17.1	5,860,140	6,727,352
Local		<u>248,201,411</u>	<u>178,059,186</u>
		<u>254,061,551</u>	<u>184,786,538</u>
17.1	These are secured against letter of credit in favour of the Company.		
18.	LOANS AND ADVANCES		
Considered good			
Due from employees		2,990,551	2,502,745
Advances to creditors		516,033	1,145,951
Advance income tax		84,173,717	70,061,997
Advance against letters of credit		<u>52,683,700</u>	<u>22,774,811</u>
		<u>140,364,001</u>	<u>96,485,504</u>

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits		22,825	22,825
Short-term prepayments		490,436	-
		<u>513,261</u>	<u>22,825</u>
20. OTHER FINANCIAL ASSETS			
Investments - Held-to-maturity	20.1	4,757,022	3,639,628
20.1	This represents investment made in term deposit receipts held for a period of twelve months with a mark-up rate of 6% (2007: 4.5%) per annum.		
21. CASH AND BANK BALANCES			
Cash at bank			
- in current accounts		17,308,349	31,396,914
- in savings accounts	21.1	637,217	847,585
		17,945,566	32,244,499
Cash in hand		689,954	424,208
		<u>18,635,520</u>	<u>32,668,707</u>
21.1	This represents the amount held in savings accounts with the banks which carry mark-up rate ranging between 4% to 5% (2007: 4%) per annum.		
22. SALES- net			
Export			
-Yarn		295,992,598	319,974,234
Local			
-Yarn		1,629,414,028	1,334,782,651
-Waste		17,286,459	14,728,769
		<u>1,646,700,487</u>	<u>1,349,511,420</u>
		1,942,693,085	1,669,485,654
Discount		(1,694,129)	(8,892,245)
		<u>1,940,998,956</u>	<u>1,660,593,409</u>
23. COST OF GOODS SOLD			
Cost of goods manufactured	23.1	1,684,475,950	1,422,929,440
Finished goods			
Opening stock		82,328,982	120,373,871
Stock of trial production		-	38,837,259
Closing stock	23.2	(79,201,530)	(82,328,982)
		3,127,452	76,882,148
		<u>1,687,603,402</u>	<u>1,499,811,588</u>
23.1 Cost of goods manufactured			
Raw material consumed	23.1.1	1,279,613,609	1,041,027,975
Packing material consumed		30,546,780	28,283,597
Stores and spares consumed		27,689,499	22,692,601
Salaries, wages and benefits	23.1.2	121,606,204	114,429,941
Power and fuel		146,900,484	133,938,528
Insurance		6,799,660	3,866,881
Repairs and maintenance		1,579,960	2,679,854
Depreciation	13.2	64,124,833	65,931,271
Other overheads		5,200,727	6,833,521
		<u>1,684,061,756</u>	<u>1,419,684,169</u>

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
Work-in-process			
Opening stock		15,706,602	9,511,946
Stock of trial production		-	9,439,927
Closing stock		(15,292,408)	(15,706,602)
		<u>414,194</u>	<u>3,245,271</u>
		<u>1,684,475,950</u>	<u>1,422,929,440</u>
23.1.1 Raw material consumed			
Opening stock		140,118,616	345,179,563
Purchases - net		1,644,336,457	835,967,028
		1,784,455,073	1,181,146,591
Closing stock		(504,841,464)	(140,118,616)
		<u>1,279,613,609</u>	<u>1,041,027,975</u>
23.1.2	Salaries, wages and benefits include Rs. 7,510,239 (2007 : 5,291,293) in respect of staff retirement benefits		
23.2	It includes waste stock amounting to Rs. 1,329,053 (2007: Rs. 890,989).		
24. DISTRIBUTION COST			
Local freight and handling		6,207,458	8,617,088
Sea freight		7,569,318	10,478,667
Export expenses		5,107,894	4,429,954
Brokerage and commission		10,637,800	14,357,260
Others		1,898,811	1,568,594
		<u>31,421,281</u>	<u>39,451,563</u>
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration		2,052,040	1,781,600
Staff salaries and benefits	25.1	24,326,174	21,032,340
Postage and telephone		1,289,464	1,013,901
Printing and stationery		717,060	638,478
Traveling and conveyance		1,724,216	1,574,030
Legal and professional		389,025	459,447
Rent, rate and taxes		185,780	274,750
Utilities		1,070,656	943,678
Advertisement		33,085	8,000
Vehicles running		1,472,493	1,194,256
Auditors' remuneration	25.2	620,000	475,000
Depreciation	13.2	2,690,818	2,496,562
Repairs and maintenance		895,092	890,272
Insurance		388,695	514,986
Donation	25.3	870,000	1,264,000
Other		1,238,916	671,302
		<u>39,963,514</u>	<u>35,232,602</u>
25.1	Staff salaries and benefits include Rs. 1,332,793 (2007 : Rs. 1,277,585) in respect of the staff retirement benefits.		
25.2 Auditors' remuneration			
Audit fee		200,000	125,000
Half yearly review fee		40,000	40,000
Other assignments		380,000	310,000
		<u>620,000</u>	<u>475,000</u>
25.3	No director and his spouse had any interest in the donee's fund.		

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
26. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund		1,177,618	-
Workers' Welfare Fund		537,119	255,979
Loss on disposal of property, plant and equipment		33,510	-
Exchange loss-net		19,748,611	-
		<u>21,496,858</u>	<u>255,979</u>
27. OTHER OPERATING INCOME			
Profit on savings accounts		147,541	154,576
Profit on term deposits		130,439	36,932
Exchange gain-net		-	1,048,484
Operating profit on trading of raw material	27.1	2,588,923	551,455
Miscellaneous income		-	6,315,203
Gain on disposal of property, plant and equipment		-	3,112,015
		<u>2,866,903</u>	<u>11,218,665</u>
27.1 OPERATING PROFIT ON TRADING OF RAW MATERIAL			
Sales		56,781,132	3,923,273
Less : Cost of sale		<u>(54,192,209)</u>	<u>(3,371,818)</u>
		<u>2,588,923</u>	<u>551,455</u>
28. FINANCE COST			
Mark-up on :			
Long-term financing			
- from banking companies		74,956,829	72,554,883
- from associated company		6,776,465	9,698,004
- from directors		2,904,692	3,339,806
Short-term borrowings		47,532,213	38,916,406
Lease finance charges		67,881	239,790
Interest on Workers' Profit Participation Fund		-	9,620
Discounting charges		6,064,569	9,692,449
Bank charges and guarantee commission		1,994,492	768,287
		<u>140,297,141</u>	<u>135,219,245</u>
29. TAXATION			
Current		10,385,650	8,520,958
Deferred		<u>11,141,087</u>	<u>(15,474,038)</u>
		<u>21,526,737</u>	<u>(6,953,080)</u>
29.1	The relationship between tax expense and accounting profit has not been presented in these financial statements as the major portion of total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and remaining portion falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.		

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
30. EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share of the Company which is based on :			
Profit / (loss) for the year	Rs.	<u>3,614,546</u>	<u>(17,566,114)</u>
Weighted average number of Ordinary shares outstanding during the year		<u>3,342,570</u>	<u>3,342,570</u>
Earnings per share	Rs.	<u>1.08</u>	<u>(5.26)</u>

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
 Rupees.....					
Meeting fees	-	40,000	-	-	32,000	-
Remuneration	2,012,040	-	18,608,318	1,749,600	-	14,265,410
Retirement benefits	-	-	5,358,609	-	-	2,623,907
Leave encashment	-	-	408,200	-	-	157,607
	<u>2,012,040</u>	<u>40,000</u>	<u>24,375,127</u>	<u>1,749,600</u>	<u>32,000</u>	<u>17,046,924</u>
No. of person	1	6	13	1	6	10

31.1 The Chief Executive is entitled for the reimbursement of residential telephone and other utilities. The approximate amount of such benefit was Rs. 603,240 (2007 : Rs.551,620).

	Note	2008 Rupees	2007 Rupees
32. CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	18,635,520	32,668,707
Short-term running finance under mark-up arrangements	11.1	<u>(316,939,444)</u>	<u>(1,517,144)</u>
		<u>(298,303,924)</u>	<u>31,151,563</u>

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**33.1 Interest rate / mark-up risk**

Interest rate/mark-up risk arises from the possibility that changes in interest rates / mark-up will effect the value of financial instruments. As the Company does not have significant amounts of interest based financial assets and financial liabilities are largely based on fixed interest rates / mark-up, it is not exposed to significant interest rate / mark-up rate risk. The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33.2 Analysis of interest rate / mark-up rate risk is as under:

	Interest bearing		Sub Total	Non-interest bearing		Sub Total	2008 Total Rupees	2007 Total Rupees
	Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after after one year			
Financial assets								
Long- term investments	-	-	-	-	113,795,968	113,795,968	113,795,968	115,794,922
Long- term deposits	-	-	-	-	993,688	993,688	993,688	993,688
Trade debts	-	-	-	254,061,551	-	254,061,551	254,061,551	184,786,538
Loans and advances	-	-	-	2,990,551	-	2,990,551	2,990,551	2,502,745
Trade deposits	-	-	-	22,825	-	22,825	22,825	22,825
Other financial assets	4,757,022	-	4,757,022	-	-	-	4,757,022	3,639,628
Cash and bank balances	637,217	-	637,217	17,998,303	-	17,998,303	18,635,520	32,668,707
Total	5,394,239	-	5,394,239	275,073,230	114,789,656	389,862,886	395,257,125	340,409,053
Financial liabilities								
Long- term financing	141,807,098	594,627,691	736,434,789	-	-	-	736,434,789	841,918,272
Liabilities against asset subject to finance lease	305,951	-	305,951	-	-	-	305,951	1,169,266
Trade and other payables	-	-	-	275,619,542	-	275,619,542	275,619,542	51,485,942
Interest / mark-up accrued on loans	-	-	-	47,371,549	-	47,371,549	47,371,549	24,126,532
Short- term borrowings	798,512,566	-	798,512,566	-	-	-	798,512,566	276,488,810
Total	940,625,615	594,627,691	1,535,253,306	322,991,091	-	322,991,091	1,858,244,397	1,195,188,822
Off balance sheet items:								
Civil work and machinery	-	-	-	-	229,579,312	229,579,312	1,277,515	4,447,040
Letters of credit	-	-	-	-	-	-	268,037,423	301,140,242
Bank guarantees	-	-	-	-	-	-	22,600,000	18,534,000
Export bills	-	-	-	-	-	-	93,134,915	116,148,083
Total	-	-	-	-	-	-	385,049,853	440,269,365
On balance sheet gap	(935,231,376)	(594,627,691)	(1,529,859,067)	(47,917,861)	114,789,656	66,871,795	(1,462,987,272)	854,779,769
Off balance sheet gap	-	-	-	-	-	-	(385,049,853)	(440,269,365)

33.3 Credit risk and concentration of 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. 395,257,125 (2007: Rs. 340,409,053), the financial asset which are subject to credit risk amounted to Rs. 394,567,171 (2007: Rs. 339,984,845). The Company believes that it is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure of credit risk through assets, if any, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

33.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's 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

33.5 Foreign exchange risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on assets and liabilities.

33.6 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

34. 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 business.

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, capital reserve 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.

The Company is not subject to any externally imposed capital requirements

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2008	June 30, 2007
Number of spindles installed	36,324	36,324
Number of spindles worked	36,324	36,324
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	12,357,535	12,357,535
Actual production of yarn after conversion into 20/s count-kgs	13,947,306	13,723,758

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit scheme. The Company in the normal course of business carries out transactions with various related parties. Long term loans acquired from associated undertaking and director and accrued mark-up thereon are disclosed in note 6 and 10 respectively whereas, amount due to associated undertaking is disclosed in note 9. Remuneration of key management personnel is disclosed in note 31 and amount due in respect of staff retirement benefits are disclosed in note 8. Other significant transactions with related parties are as follows:

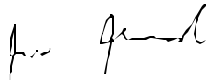
Nature of transactions	June 30, 2008 Rupees	June 30, 2007 Rupees
Purchase of power	144,513,945	131,510,529
Sale of property, plant and equipment	2,750,000	1,300,000
Sale of goods	39,289,879	77,697,400
Purchase of goods	86,563,365	47,065,272
Share of expenses paid	1,746,741	1,097,579
Share of expenses received	627,947	901,461
Rent expense	765,780	765,780
Mark-up on long term loan	9,681,149	13,037,813
Long term loans obtained	-	15,000,000
Purchase of store items	-	16,000
Purchase of fixed asset	-	51,917
Dividend paid	366,300	366,300
Dividend received	3,967,500	3,967,500
Sale of store items	22,968	53,400

37 SUBSEQUENT EVENT

The Board of Director proposed the final dividend for the year ended June 30, 2008 of Rs. NIL (2007: Re. 2.50 per share) amounting to Rs. NIL (2007: Rs 1.250 million). These financial statements do not reflect dividend payable.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorised for issue on September 29, 2008



**ANWAR AHMED TATA
CHIEF EXECUTIVE**



**SHAHID ANWAR TATA
DIRECTOR**

PROXY FORM

SALFI TEXTILE MILLS LIMITED

8, 8th Floor, Textile Plaza,
M. A. Jinnah Road, Karachi.

I/We _____

of _____

being a member(s) of **SALFI TEXTILE MILLS LIMITED** and holder of _____

Ordinary Shares, do hereby appoint _____

of _____

or falling him/her _____

of _____

a member of **SALFI TEXTILE MILLS LIMITED**, vide Registered Folio No. _____

as my/our proxy to act on my/our behalf at the 41st Annual General Meeting of the Company to be held on Friday the October 31, 2008 at 11 : 30 A.M. and/or at any adjournment thereof.

Signature this _____ day of _____ 2008.

Signature

Affix Five Rupees Revenue Stamp
--

(Signature should agree with the Specimen
Signature registered with the Company).

NOTE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp worth Five Rupees.
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. If this proxy form is signed under a power of attorney or other authority then a notarially certified copy of that power of attorney/authority must be deposit alongwith this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of Company at least 48 hours before the time of holding the meeting.