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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Anwar Ahmed Tata

CHIEF EXECUTIVE:

Mr. Shahid Anwar Tata

DIRECTORS:

Mr. Adeel Shahid Anwar Tata
Mr. Farooq Advani
Mr. Muhammad Ayub (NIT)
Mr. Muhammad Waris Magoon
Mr. Shahid Aziz (NIT)

AUDIT COMMITTEE

CHAIRMAN:

Mr. Anwar Ahmed Tata

MEMBERS:

Mr. Adeel Shahid Anwar Tata
Mr. Muhammad Waris Magoon

**COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER:**

Mr. Farooq Advani

BANKERS:

The Royal Bank of Scotland Ltd.
Bank Al-Falah Ltd.
Faysal Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Soneri Bank Ltd.

AUDITORS:

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

LEGAL ADVISOR:

Muhammad Afzal Awan 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:

10th K.M. M.M. Road
Khanpur-Baggasher,
District Muzaffargarh

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.

COMMITTED TO QUALITY

CERTIFICATE



Hiltlthausstrasse 81
CH-8027 Zürich

Institute of the International Association for Research
and Testing in the Field of Textile Ecology



The company

Tata Textile Mills

Office 08, 8th Floor
Textile Plaza, M.A. Jinnah Road
Karachi
PK - 74000 Pakistan

is granted authorization according to Oeko-Tex Standard 100 to use the
Oeko-Tex mark, based on **test report HKYO 055806.1**



**CONFIDENCE
IN TEXTILES**

Tested for harmful substances
according to Oeko-Tex Standard 100
Test-No HKYO 055806 TESTEX Zurich

for the following articles:

100% greige cotton yarn (from US)

The results of the inspection made according to Oeko-Tex Standard 100, product class I, for products with direct contact to skin, have shown that the above mentioned goods meet the human-ecological requirements of the standards presently established.

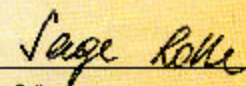
The certified articles fulfil the requirements of the existing European legislation regarding the use of azo-dyes.

The holder of the certificate, who has issued a conformity declaration according to EN ISO 17052-1, is obliged to use the Oeko-Tex mark only in conjunction with products that are conform with the sample initially tested.

This authorization is valid until 15.01.2009

Zurich, 11.01.2008




Sergio Rolfo
Managing Director


Dr. Jean Pierre Haug
Manager Testing Centre

COMMITTED TO QUALITY



COTTON USA

Cotton Council International
certifies that

Tata Textile Mills Limited
is a verified

COTTON USA Licensee

This licensee has complied with the necessary licensing requirements and has been granted the right to use CCI's registered trademark on all qualifying labels, print and promotional materials for one calendar year from the date of the certificate.

Issued this **10th** day of **May** **2008**



Executive Director
Cotton Council International



THIS IS A REGISTERED TRADEMARK



Supima
WORLD'S FINEST COTTONS

Supima is a registered trademark of the Cotton Council International. This licensee has complied with the necessary licensing requirements and has been granted the right to use the Supima registered trademark on all qualifying labels, print and promotional materials for one calendar year from the date of this certificate.

TATA TEXTILE MILLS LTD



Supima



CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

Alhamdulillah, it is a pleasure to welcome you to the 22nd 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.27.677 million as compared to Rs.81.56 million during the last year.

Besides several set backs the most significant reason for low profitability is attributed to the abnormal, disruptive and temporary stoppage of supply of Gas during January and February 2008, which affected 50% of our normal productivity in said months.

COTTON & YARN 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 have not paid 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 that we would remain a net importer of cotton. In 2008-09, it is estimated that the cotton crop size would be around 12.5 million bales and it is estimated that 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.

USA and India World's 2 largest producers and exporters of cotton, would have a large surplus of cotton about 14 million and 8 million bales respectively 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 push the purchase 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. Pakistan's the Textile Industry is confronting numerous issues, from cost pushups, labour productivity and acute power shortage. The major frequent power breakdowns and load shedding effecting the productivity of the industry specially the medium and small sized companies. Besides above 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.

At the closure of last financial year, Pakistan has been experiencing the largest ever trade deficit since last year and this trend still persists. 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 witnessing slowing in demand. These cost push-ups at a very difficult time with low demand has put us in difficulty.

BALANCING & MODERNIZATION

Tata-1

Two new Draw frames Reiter SB-20 were installed during the year to replace the old Toyoda DYH-500c.

To prepare a complete BMR proposal for Tata-1, replacing phase wise 10 to 20 years old machines. Here we will be looking for the product diversification as well. Initially eight Trutzschler Draw Frames will be replaced with six Reiter Draw Frames. In Auto Cone Department the four Murata 7-V Quantum will be upgraded enabling production diversification.

Tata -2

Four new Combers and one Unilap were added during the year under review. Dye Cone attachments were added on auto cone machines. In Ring and Auto cone departments provision of S-Twist yarn were acquired.

Following is planned for next year

To improve the production target and diversified count range, there is a need to add two Cards TC-03 and one MurataC-21 Winder.

Power Supply

Next year two Caterpillar Generators model 3516C will be added in the power house. This addition will help solve problems faced due to gas field quality variation. The new arrangement provides enough strength to power generation to meet the present and near future requirement with back-up.

Last year during Jan to March, gas supply was shut down frequently for long durations resulting heavy losses on this account. Considering the country's power situation and the gas supply in winter, this year in order to have an adequate back-up, we are trying to organize additional load from MEPCO which will require to build- up new electrical distribution and infrastructure.

COST PUSH-UPS:

- ? The Gas tariff increased by 5.52% by OGRA w.e.f. January 2008 which resulted in an increase in power cost by Rs.2.7 million during the year under review. It has further been increased by 31% w.e.f. 1st July 2008, which will put extra burden on the company by about Rs.36.00 million per annum in the following years.
- ? During the year under review the financial charges increased to Rs.208.958 million from Rs.193.053 million as compared to corresponding period of last i.e. increase of 8.23%. Compared to year under review financial charges would be significantly enhanced due to increase in KIBOR rates. The present markup rate is around 15% as against an average of 8.25% 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.14 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.25 million per annum aggregate during next year.

- ? During the year under review, stores and spares consumption increased to Rs.36.929 million from Rs.30.049 million, as compared to the corresponding period of last year i.e. increase of 22.89% and the packing materials cost increased to Rs.47.180 million from Rs.39.637 million as compared to the last year i.e. increase of 19.03%. 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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting before you the 22nd 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.27.677 million after charging costs, expenses and depreciation for the year ended June 30, 2008.

	(Rupees)
Pre Tax Profit for the Year	27,677,420
Taxation	<u>(18,692,181)</u>
Profit After Taxation	8,985,239
Accumulated Profit Brought Forward	316,506,037
Payment of Dividend	<u>(17,324,750)</u>
	308,166,526
Transfer from Surplus on Revaluation of Fixed Assets	<u>8,037,998</u>
Accumulated Profit Carried Forward	<u>316,204,524</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. In preparation of financial statements, appropriate accounting policies have been consistently applied.
- 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	3
Mr. Shahid Anwar Tata	4
Mr. Adeel Shahid Anwar Tata	4
Mr. Muhammad Waris Magoon	3
Mr. Muhammad Ayub(NIT)	4
Mr. Shahid Aziz(NIT)	4
Mr. Farooq Advani	4

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

- 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	4,165,524	21,955	-	4,187,479

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



SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi

Dated: September 29, 2008

KEY OPERATING AND FINANCIAL RESULTS FROM 2003 TO 2008

PARTICULAR	----- Rupees in thousand -----					
	2008	2007	2006	2005 (Nine months)	2004	2003
OPERATING DATA						
Sales	2,415,386	2,381,978	2,123,409	1,095,063	1,168,565	841,150
Cost of Goods Sold	1,990,560	1,949,287	1,727,228	877,420	1,016,400	701,785
Gross Profit	424,826	432,691	396,181	217,643	152,165	139,365
Profit Before Taxation	27,677	81,560	67,334	80,740	55,060	50,784
Profit After Taxation	8,985	59,562	39,047	60,034	40,080	36,946
Financial Data						
Equity Balance	489,452	489,754	436,272	401,956	331,669	276,399
Fixed Assets at Cost	2,433,224	1,829,834	1,814,868	1,586,224	594,715	511,494
Current Assets	1,823,273	1,202,547	1,059,763	964,799	406,308	289,951
Current Liabilities	2,020,112	1,223,551	1,177,804	960,134	406,172	283,044
Key Ratio						
Gross Margin (%)	17.59	18.17	18.66	19.87	13.02	16.57
Net Profit (%)	0.37	2.50	1.84	5.48	3.43	4.39
Current Ratio	0.90	0.98	0.90	1.00	1.00	1.02
Earning Per Share Rs.	0.52	3.44	2.25	3.47	2.31	2.45
Cash Dividend (%)	-	10.00	10.00	10.00	-	-
Stock Dividend (%)	-	-	-	-	15.00	15.00
Statistics						
Number of Spindle	44,400	44,400	44,400	44,400	19,200	19,200
Production into 20/s Count (in "000" Kgs.)	15,038	15,761	15,170	9,313	7,386	7,256

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

NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
212	1	100	12,194
350	101	500	79,795
381	501	1000	251,787
73	1001	5000	161,615
13	5001	10000	86,949
11	10001	15000	141,701
4	15001	20000	71,920
2	20001	25000	47,586
6	25001	30000	160,819
2	30001	35000	66,204
2	45001	50000	96,900
1	55001	60000	55,545
2	65001	70000	132,250
1	75001	80000	80,000
1	85001	90000	87,946
1	90001	95000	93,300
1	135001	140000	139,920
1	140001	145000	141,200
1	235001	240000	238,051
1	280001	285000	284,337
1	315001	320000	317,400
1	695001	700000	696,200
1	1470001	1475000	1,474,579
1	2090001	2095000	2,094,285
1	2155001	2160000	2,157,288
1	3965001	3970000	3,967,500
1	4185001	4190000	4,187,479
<u>1,073</u>			<u>17,324,750</u>

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

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
NIT and ICP	4	4,252,526	24.55
Development Finance Institutions	1	3,823	0.02
Joint Stock Company	9	176,861	1.02
Associated Companies, Undertaking and Related Parties	1	3,967,500	22.90
Directors, CEO, their Spouses and Minor Children	7	6,219,331	35.90
Individuals	1,051	2,704,709	15.61
	<u>1,073</u>	<u>17,324,750</u>	<u>100.00</u>

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

	Number of shareholders	Shares Held
NIT and ICP		
National Bank of Pakistan Trustee Dept		4,251,573
Investment Corporation of Pakistan		953
	4	4,252,526
DEVELOPMENT FINANCE INSTITUTIONS		
National Development Finance Corporation	1	3,823
JOINT STOCK COMPANIES		
ACE Securities (Pvt) Ltd.		661
Ismail Abdul Shakoor Securities (P.) Ltd.		2,402
Javed Omer Vohra & Company Limited		31,500
AWJ Securities (SMC-Private) Limited		500
Progressive Securities (Pvt.) Limited		333
ZHV Securities (Pvt.) Limited		72
Naveena Industries		141,200
United Capital Securities (Pvt.) Limited		61
Y.S. Securities & Services (Pvt) Ltd.		132
	9	176,861
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
Salafi Textile Mills Ltd.	1	3,967,500
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mr. Anwar Ahmed Tata (Chairman/Director)		4,187,479
Mr. Shahid Anwar Tata (Chief Executives)		1,474,579
Mr. Adeel Shahid Anwar (Director)		500
Mr. Muhammad Waris Magoon (Director)		661
Mr. Farooq Advani (Director)		661
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		238,051
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		317,400
	7	6,219,331
INDIVIDUALS	1,051	2,704,709
Grand Total	1,073	17,324,750

**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	4,187,479	24.17
FINANCIAL INSTITUTION		
N. B.P , Trustee Deptt.	4,251,573	24.54
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES		
Salafi Textile Mills Ltd.	3,967,500	22.90

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR 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.) and chapter XIII of Lahore 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 practices 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 four 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 resident 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-workman 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 period 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



**SHAHID ANWAR TATA
CHIEF EXECUTIVE**

Karachi

Dated: September 29, 2008

Notice of Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of **Tata Textile Mills Limited** will be held on **Friday the October 31, 2008 at 12:30 P.M. at 5th Floor Textile Plaza M.A. Jinnah Road Karachi**, to transact the following business: -

1. To confirm the minutes of the 21st 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 period 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 elect Seven Directors of the Company as fixed by the Board for a term of three years in accordance with the provision of Section 178(1) of the Companies Ordinance 1984. Retiring Directors are;

- | | |
|-------------------------------|------------------------------|
| (i) Mr. Anwar Ahmed Tata | (ii) Mr. Shahid Anwar Tata |
| (iii) Mr. Adeel Shahid Anwar | (iv) Mr. Muhammad Ayub (NIT) |
| (v) Mr. Muhammad Waris Magoon | (vi) Mr. Shahid Aziz (NIT) |
| (vii) Mr. Farooq Advani | |

The retiring directors are eligible for re-election.

5. 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 09, 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. Any person, who seeks to contest the election of Directors shall file with the company at its registered office not later than fourteen days before the above said meeting his/her intention to offer himself/herself for election as a Director in terms of Section 178 (3) of the Companies Ordinance, 1984 together with (a) consent in Form 28, (b) a Declaration with consent to act as Director in the manner as provided under clause (ii) of the Code of Corporate Governance, (c) a Declaration in terms of clause (iii), (iv) and (v) of the Code of Corporate Governance.
5. 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 **TATA TEXTILE MILLS LIMITED** (the Company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of Lahore 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.



M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi

Date: September 29, 2008

A member firm of
Deloitte Touche Tohmatsu

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of TATA 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

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
SHARE CAPITAL AND RESERVE			
Authorized 20,000,000 Ordinary shares of Rs.10 each		200,000,000	200,000,000
Issued, subscribed and paid-up Unappropriated profits	3	173,247,500 316,204,524	173,247,500 316,506,037
		489,452,024	489,753,537
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	4	957,429,267	112,091,040
NON-CURRENT LIABILITIES			
Long-term financing	5	489,880,520	626,562,637
Liabilities against assets subject to finance lease	6	53,525,446	106,624,530
Deferred liabilities	7	131,818,989	49,965,442
CURRENT LIABILITIES			
Trade and other payables	8	81,316,607	76,346,301
Interest / mark-up accrued on loans	9	37,505,858	21,406,388
Short-term borrowings	10	1,580,324,024	795,652,378
Current portion of:			
-long-term financing	5	189,614,449	189,593,962
-liabilities against assets to finance lease	6	52,811,888	54,156,221
Taxation - income tax		78,538,869	86,396,060
		2,020,111,695	1,223,551,310
CONTINGENCIES AND COMMITMENTS			
	11	4,142,217,941	2,608,548,496

The annexed notes from 1 to 36 form an integral part of these financial statements.

AS AT JUNE 30, 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,318,567,602	1,405,253,893
Long-term deposits		377,568	747,567
CURRENT ASSETS			
Stores, spares and loose tools	13	27,248,689	23,559,616
Stock-in-trade	14	1,421,759,317	775,946,496
Trade debts	15	200,296,620	117,797,895
Loans and advances	16	103,288,165	134,482,078
Trade deposits and short term prepayments	17	1,301,549	2,058,436
Other receivables		3,597,852	6,047,807
Other financial assets	18	1,735,247	4,556,325
Sales tax refundable		8,422,459	5,109,724
Cash and bank balances	19	55,622,873	132,988,659
		1,823,272,771	1,202,547,036
		4,142,217,941	2,608,548,496



**SHAHID ANWAR TATA
CHIEF EXECUTIVE**



**ANWAR AHMED TATA
CHAIRMAN /DIRECTOR**

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

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Sales	20	2,415,386,457	2,381,978,442
Cost of goods sold	21	(1,990,559,783)	(1,949,287,144)
Gross profit		<u>424,826,674</u>	<u>432,691,298</u>
Distribution cost	22	(111,089,632)	(100,566,728)
Administrative expenses	23	(59,334,048)	(52,877,669)
Other operating expenses	24	(19,246,142)	(11,095,088)
Other operating income	25	1,478,583	6,461,777
Finance cost	26	(208,958,015)	(193,053,571)
		<u>(397,149,254)</u>	<u>(351,131,279)</u>
Profit before taxation		27,677,420	81,560,019
Taxation	27	(18,692,181)	(21,997,965)
Profit for the year		<u><u>8,985,239</u></u>	<u><u>59,562,054</u></u>
Earnings per share - basic and diluted	28	<u><u>0.52</u></u>	<u><u>3.44</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



**SHAHID ANWAR TATA
CHIEF EXECUTIVE**



**ANWAR AHMED TATA
CHAIRMAN /DIRECTOR**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
A. CASH FROM OPERATING ACTIVITIES			
Profit before taxation		27,677,420	81,560,019
Adjustments for :			
Depreciation of property, plant and equipment	12.2	102,450,111	108,002,308
Provision for staff gratuity and compensated absences		8,635,289	5,220,789
Finance cost	26	208,958,015	193,053,571
Gain on disposal of property, plant and equipment	25	(671,763)	(1,790,100)
Operating cash flows before movements in working capital		347,049,072	386,046,587
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,689,073)	(3,782,506)
Stock-in-trade		(645,812,821)	(40,378,621)
Trade debts		(82,498,725)	15,347,024
Loans and advances		24,082,857	4,863,007
Trade deposits and short-term prepayments		756,887	3,172,088
Other receivables		2,449,955	(5,453,826)
Sales tax refundable		(3,312,735)	4,666,756
Other financial assets		2,821,078	(3,155,112)
Increase in current liabilities			
Trade and other payables		4,840,614	12,400,583
Cash (used in) / generated from operations		(353,312,891)	373,725,980
Finance cost paid		(192,858,545)	(211,636,153)
Income taxes paid		(17,189,756)	(35,721,065)
Staff gratuity paid		(5,102,908)	(5,601,206)
Net cash (used in) / from operating activities		(568,464,100)	120,767,556
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(87,118,227)	(26,623,912)
Proceeds on disposal of property, plant and equipment		1,475,000	10,425,000
Long-term deposits		370,000	(2,000)
Net cash used in investing activities		(85,273,227)	(16,200,912)

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		51,899,588	305,121,656
Repayment of long-term financing		(188,561,218)	(203,185,648)
Proceeds from short-term borrowings - import / export		350,417,883	284,124,078
Repayment of principal portion of finance lease		(54,443,417)	(135,857,491)
Dividend paid		(17,195,058)	(17,418,230)
Net cash from financing activities		142,117,778	232,784,365
Net (decrease) / increase in cash and cash equivalents		(511,619,549)	337,351,009
Cash and cash equivalents as at July 01		103,651,310	(233,699,699)
Cash and cash equivalents as at June 30	30	(407,968,239)	103,651,310

The annexed notes from 1 to 36 form an integral part of these financial statements.



SHAHID ANWAR TATA
CHIEF EXECUTIVE



ANWAR AHMED TATA
CHAIRMAN /DIRECTOR


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

	<u>Share Capital</u>	<u>Revenue Reserve Unappropriated Profit</u>	<u>Total</u>
Rupees.....		
Balance as at July 01, 2006	173,247,500	263,024,822	436,272,322
Changes in equity for the year 2007			
Transfer from surplus on revaluation of property, plant and equipment on account of :			
-incremental depreciation - net of deferred tax	-	7,820,031	7,820,031
-disposal - net of deferred tax	-	3,423,880	3,423,880
Net income recognised directly in equity	-	11,243,911	11,243,911
Profit for the year	-	59,562,054	59,562,054
Total recognised income and expense for the year	-	70,805,965	70,805,965
Final cash dividend for the year ended June 30, 2006 @ Re.1 per share	-	(17,324,750)	(17,324,750)
Balance as at June 30, 2007	173,247,500	316,506,037	489,753,537
Changes in equity for the year 2008			
Transfer from surplus on revaluation of property, plant and equipment on account of :			
-incremental depreciation - net of deferred tax	-	8,037,998	8,037,998
Net income recognised directly in equity	-	8,037,998	8,037,998
Profit for the year	-	8,985,239	8,985,239
Total recognised income and expense for the year		17,023,237	17,023,237
Final cash dividend for the year ended June 30, 2007 @ Re.1 per share	-	(17,324,750)	(17,324,750)
Balance as at June 30, 2008	173,247,500	316,204,524	489,452,024

The annexed notes from 1 to 36 form an integral part of these financial statements.



**SHAHID ANWAR TATA
CHIEF EXECUTIVE**



**ANWAR AHMED TATA
CHAIRMAN /DIRECTOR**

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

1. GENERAL INFORMATION

- 1.1** Tata Textile Mills Limited (the Company) was incorporated in Pakistan on April 15, 1987 as a public limited Company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at, 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 District of Muzaffargarh in the province of Punjab.
- 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

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

The 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

2.4 The principal accounting policies adopted are set out below.**2.4.1 Leases**

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

As Lessee

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

2.4.2 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 recognized in profit or loss in the period in which they are incurred.

2.4.3 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:

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 valuation and charged to income. The most recent valuation was carried out as at June 30, 2008 using "Projected Unit Credit Method".

The amount recognized 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 amortized over the average expected remaining working lives of the employees.

Details of the schemes are given in note 7.1 to these financial statements.

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.

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.

2.4.4 Taxation

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.

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.

2.4.5 Property, plant and equipment Company owned

Property, plant and equipment except free hold land, building, plant and machinery and CWIP are stated at cost less accumulated depreciation and impairment, if any. Freehold land, building and plant and machinery are stated at revalued amount.

During the year the Company has changed its accounting estimate for charging depreciation. Previously depreciation was charged on additions and disposals of significant items on proportionate basis i.e. from the month in which the asset is available for use and upto the month of disposal respectively, whereas for additions and disposals of items which are insignificant depreciation is charged from the year of acquisition and upto the year preceding the disposal respectively. 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. 4,538,866.

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

When parts of an item of Property, Plant and Equipment have different useful lives, they are recognised as separate items of Property Plant and Equipment.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note no.12.

Subsequent costs are included in the asset's carrying amount or recognized 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 recognized as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Assets held under finance lease

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

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 2.4.2. These are transferred to specific assets as and when assets are ready for their intended use.

2.4.6 Investment**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 plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Regular way purchase or sale of investments

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

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.

2.4.7 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.

Cost is determined using moving average cost method.

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.

2.4.8 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 balance sheet date.
- 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 2.4.7.

2.4.9 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.

2.4.10 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.

2.4.11 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.

2.4.12 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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.

2.4.13 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.

2.4.14 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 recognized 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 recognized as an income or expense.

2.4.15 Revenue recognition

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

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to a customer.
- Export rebate is recognised on accrual basis at the time of making the export sale.
- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.4.16 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.

2.4.17 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.

2.4.18 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Assumptions and estimates used in the area of property plant and equipment (refer note 12) are significant to the financial statements and it involves management estimates.

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

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 Number of Shares	2007 Number of Shares		June 30, 2008 Rupees	June 30, 2007 Rupees
13,100,000	13,100,000	Ordinary shares of Rs. 10 each fully paid: In cash	131,000,000	131,000,000
4,224,750	4,224,750	As bonus shares	42,247,500	42,247,500
<u>17,324,750</u>	<u>17,324,750</u>		<u>173,247,500</u>	<u>173,247,500</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 an associate of the Company as at the balance sheet date.

Number of ordinary shares of Rs. 10 each

Salfi Textile Mills Limited	<u>3,967,500</u>	<u>3,967,500</u>
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3.4 The Company has no reserved shares for issuance under options and sales contracts.

4. 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 on September 30, 2003 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.

4.1 Surplus on revaluation of property, plant and equipment

	June 30, 2008 Rupees	June 30, 2007 Rupees
Opening balance	121,931,407	134,253,501
Transferred to unappropriated profit on account of incremental depreciation - net of deferred tax disposal of property, plant and equipment - net of deferred tax	(8,037,998)	(7,820,031)
	-	(3,423,880)
Related deferred tax liability	(770,768)	(1,078,183)
Effect of valuation of property, plant and equipment carried out at year end	929,448,831	-
	<u>920,640,065</u>	<u>(12,322,094)</u>
Closing balance	1,042,571,472	121,931,407
Related deferred tax liability		
Opening balance	9,840,367	10,918,550
Transferred to profit and loss account on account of incremental depreciation disposal	(770,768)	(749,866)
	-	(328,317)
Effect of valuation of property, plant and equipment carried out at year end	76,072,606	-
	<u>(85,142,205)</u>	<u>(9,840,367)</u>
Closing balance	<u>957,429,267</u>	<u>112,091,040</u>

5. LONG-TERM FINANCING	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
From banking companies - secured			
Demand finances	5.1	309,797,653	357,500,000
Term finances	5.2	41,250,000	68,750,000
Vehicle loans	5.3	10,162,408	7,712,989
Export oriented projects	5.4	293,284,908	357,193,610
From related party-unsecured			
Subordinated loan	5.5	<u>25,000,000</u>	<u>25,000,000</u>
		679,494,969	816,156,599
Less: Current portion:			
Demand finances		(55,000,000)	(55,000,000)
Term finances		(27,500,000)	(27,500,000)
Vehicle loans		(2,730,574)	(1,744,474)
Export oriented projects		(104,383,875)	(105,349,488)
		<u>(189,614,449)</u>	<u>(189,593,962)</u>
		<u>489,880,520</u>	<u>626,562,637</u>

- 5.1** These loans are secured against first pari passu charge over building property, plant and equipment of the Company and personal guarantee of directors. The loans comprise of :

Demand Finance Facility from National Bank of Pakistan amounting to Rs. 200 millions at the rate of 3 months KIBOR ask side plus 100bps (2007: 3 months KIBOR ask side plus 250bps) revised quarterly, which is repayable in 20 equal quarterly installments commencing from September 2009.

Demand Finance-I facility amounting to Rs. 100 million of Pak-Kuwait at an average cut-off yield of last three six months' T-Bills plus 3.5% with a floor of 5% and a cap of 12% (2007: average cut-off yield of last three six months' T-Bills plus 3.5% with a floor of 5% and a cap of 12%) revised semi-annually. This loan is repayable in 10 equal semi-annual installments commenced from March 2006.

Demand Finance-II facility amounting to Rs. 140 million of National Bank of Pakistan and Standard Chartered Bank carries mark-up at the rate of 6 months average KIBOR + 2% (2007: 6 months average KIBOR + 2%) per annum and are repayable in 8 semi-annual installments commenced from May 2006.

Demand finance facility from National Bank of Pakistan amounting to Rs. 40 millions at the rate of 3 months KIBOR ask side plus 150 bps revised quarterly, which is repayable in 16 equal quarterly installments commencing from August 2009.

The aggregate unavailed long term finance facilities available amounting to Rs. 32.7 million (2007: Rs. Nil).

- 5.2** The loan is secured against first pari passu specific charge over plant of the Company and personal guarantee of sponsor directors. The loan carries markup at a rate of six months' average KIBOR plus 1.5% (2007: average KIBOR plus 1.5%) per annum. The loan is repayable in 8 semi-annual equal installments commenced from March 2006.

- 5.3** These represent secured finances obtained from a banking company and secured against vehicles acquired from such loans and guarantee of the Company. These loans carry mark-up at the rate of 13% (2007: 13 %) per annum and are repayable in 60 equal monthly installments commencing between September 2005 to February 2008.

- 5.4** The loans are secured against first pari passu charge over building, property, plant and equipment of the Company and carry mark-up at the rate of 7% (2007: 7%) per annum. It comprises of loans amounting to Rs. 216 million and Rs. 120 million which are repayable in 10 equal semi-annual installments commenced from March and April 2006 respectively whereas loans amounting to Rs. 73.014 million are repayable in 40 to 47 equal monthly installments commenced from January 2007. During the year, the Company has obtained an Export Oriented Projects facility from Faysal Bank Limited amounting to Rs. 39.87 millions at the rate of 7% fixed interest rate, which is repayable in 12 equal half-yearly installments commencing from January 2010.
- 5.5** This represents an unsecured subordinated loan taken from M/s Tata Energy Limited (an associated undertaking). The loan carries mark-up at 6 months' average KIBOR plus 1.5% per annum payable semi-annually. This subordinated loan shall be repaid by the Company in four equal half-yearly installments of Rs. 6,250,000, after the repayment of National Bank of Pakistan's loan amounting to Rs. 200 million.

6. 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 :

	2008		2007	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	-----Rupees-----		-----Rupees-----	
Within one year	61,938,135	52,811,888	67,557,225	54,156,318
After one year but not more than five years	58,334,094	53,525,446	120,002,534	106,624,433
Total minimum lease payments	120,272,229	106,337,334	187,559,759	160,780,751
Amount representing finance charges	(13,934,895)	-	(26,779,008)	-
Present value of minimum lease payments	106,337,334	106,337,334	160,780,751	160,780,751
Current portion	(52,811,888)	(52,811,888)	(54,156,221)	(54,156,221)
	53,525,446	53,525,446	106,624,530	106,624,530

6.1 These represent finance lease entered into with leasing companies for plant & machinery and vehicles. Rates of finance cost range from 7.50% to 14.76% (2007: 7.50% to 13.38%) per annum and are used as discounting factors. The lease terms are of 3 to 5 years.

6.2 The Company intends to exercise the option to purchase the leased assets upon completion of the lease periods.

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

7. DEFERRED LIABILITIES	Note	2008	2007
		Rupees	Rupees
Staff gratuity	7.1	14,489,233	11,051,256
Compensated absences		1,372,421	1,278,017
Deferred taxation	7.2	115,957,335	37,636,169
		131,818,989	49,965,442
7.1 Staff gratuity			
Workmen	7.1.1	2,665,409	2,443,391
Non workmen	7.1.2	11,823,824	8,607,865
		14,489,233	11,051,256

7.1.1 Workmen - Defined benefit plan		June 30, 2008 Rupees	June 30, 2007 Rupees
(a)	Movement in liability		
	Opening balance	2,443,391	2,403,251
	Charge for the year	3,106,588	2,944,536
	Paid during the year	(2,884,570)	(2,904,396)
	Closing balance	<u>2,665,409</u>	<u>2,443,391</u>
(b)	Reconciliation		
	Present value of defined benefit obligation	5,760,490	4,445,637
	Unrecognized actuarial loss	(3,095,081)	(2,002,246)
		<u>2,665,409</u>	<u>2,443,391</u>
(c)	Charge for the year:		
	Current service cost	2,550,762	2,458,855
	Interest cost	444,564	387,539
	Actuarial loss recognised	111,263	98,142
		<u>3,106,589</u>	<u>2,944,536</u>
(d)	Changes in the present value of the defined benefit obligation:		
	Opening defined benefit obligation	4,445,637	4,305,986
	Current service cost	2,550,762	2,458,855
	Interest cost	444,564	387,539
	Actuarial losses	1,204,097	197,653
	Benefits paid	(2,884,570)	(2,904,396)
	Closing defined benefit obligation	<u>5,760,490</u>	<u>4,445,637</u>

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%

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

	2008	2007	2006	2005	2004
	(-----RUPEES-----)				
Defined benefit obligation	2,665,409	2,443,391	2,403,251	1,971,591	1,898,182
Fair value of Plan assets	-	-	-	-	-
Deficit	<u>2,665,409</u>	<u>2,443,391</u>	<u>2,403,251</u>	<u>1,971,591</u>	<u>1,898,182</u>

Experience adjustments on obligation and plan assets

Present value of obligation	5,760,490	4,445,637	-	-	-
Fair value of plan assets	-	-	-	-	-
Deficit	<u>5,760,490</u>	<u>4,445,637</u>	-	-	-
Actuarial (loss) on obligation	(1,204,097)	(197,653.00)	-	-	-
Actuarial (gain) / loss on assets	-	-	-	-	-

	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
7.1.2 Non-workmen - Defined contribution plan			
Opening balance		8,607,865	8,820,073
Charge for the year		5,434,297	2,484,602
Paid during the year		(2,218,338)	(2,696,810)
Closing balance		<u>11,823,824</u>	<u>8,607,865</u>
7.2 Deferred taxation			
This comprises of the following :			
Deferred tax liabilities on taxable temporary differences arising in respect of :			
Property, plant and equipment - owned assets		32,082,938	28,762,787
Surplus on revaluation of property, plant and equipment		85,142,205	9,840,367
		<u>117,225,143</u>	<u>38,603,154</u>
Deferred tax assets on deductible temporary differences arising in respect of :			
Staff gratuity		(1,267,808)	(966,985)
		<u>115,957,335</u>	<u>37,636,169</u>
8. TRADE AND OTHER PAYABLES			
Creditors		18,156,380	13,054,918
Accrued liabilities		53,060,548	51,957,777
Retention money		264,731	720,256
Withholding income tax		335,404	261,145
Workers' Profit Participation Fund	8.1	1,516,017	4,298,837
Workers' Welfare Fund		4,604,141	3,081,326
Unclaimed dividend		2,454,639	2,324,947
Other liabilities		924,747	647,095
		<u>81,316,607</u>	<u>76,346,301</u>
8.1 Workers' Profit Participation Fund			
Opening balance		4,298,837	3,549,645
Allocation during the year		1,516,017	4,298,837
Interest on funds utilized in the Company's business		201,692	122,537
		<u>6,016,546</u>	<u>7,971,019</u>
Amount paid to the fund		(4,500,529)	(3,672,182)
Closing balance		<u>1,516,017</u>	<u>4,298,837</u>
9. INTEREST / MARK-UP ACCRUED ON LOANS			
Long-term financing			
- from banking companies		4,441,943	5,865,402
- from related party		2,999,377	94,685
Short-term borrowings		30,064,538	15,446,301
		<u>37,505,858</u>	<u>21,406,388</u>

10. SHORT-TERM BORROWINGS	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
From banking companies- secured			
Running finances	10.1	463,591,112	29,337,349
Finance against import / export	10.2	1,116,732,912	766,315,029
	10.3	<u>1,580,324,024</u>	<u>795,652,378</u>

10.1 These carry mark-up at the rates ranging from three months KIBOR plus 0.60% to 1.5% (2007: three months KIBOR plus 0.75% to 1.5%) per annum. These arrangements are secured by way of pledge of stocks and rupee deposits.

10.2 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.

10.3 These facilities are available from various commercial banks amounting to Rs. 2,340 million (2007: Rs. 1420 million) from which the aggregate unavailed short term borrowings facilities available amounting to Rs. 760 million (2007: Rs. 625 million).

11. CONTINGENCIES AND COMMITMENTS

Contingencies

Amount claimed by WAPDA against installation of requisite panel, not acknowledged by the Company,	337,114	337,114
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Amount claimed by WAPDA as arrears against fixed charges not acknowledged by the Company	627,492	627,492
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Delayed payment surcharge on debentures, demanded by Collector of Customs not acknowledged by the Company	496,166	496,166
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Labour and workmen compensation cases in court of law	188,150	-
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Commitments

Letters of credit for store, machinery and raw material	3,721,505	320,558,641
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Bank guarantees issued on behalf of the Company	66,856,557	52,818,157
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Foreign bills discounted	735,451,209	609,772,079
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12 PROPERTY, PLANT AND EQUIPMENT

	Notes	2008 Rupees	2007 Rupees
Operating assets	12.1	2,316,141,662	1,395,113,116
Capital work-in-progress	12.5	7,425,950	5,430,177
		<u>2,318,567,612</u>	<u>1,400,543,293</u>

2. Operating assets

Particulars	Cost/revaluation at July 01, 2007	Additions/ transfers during the year	Disposals 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/transfers Adjustment	Adjustment of accumulated depreciation	Accumulated depreciation at June 30, 2008	Written down value at June 30, 2008	%
Company owned												
Land - free hold	30,082,871	-	-	60,047,629	-	90,130,500	-	-	-	-	90,130,500	-
Buildings on free hold land	293,310,431	2,785,173	-	230,713,371	(80,971,638)	449,337,343	66,433,017	15,593,621	(80,971,638)	-	469,337,343	7
Furniture and machinery	1,124,60,030	74,108,166	-	309,687,631	(332,889,915)	1,189,596,596	29,257,588	62,333,661*	(332,889,915)	-	1,238,568,666	7
		*	15,492,483				*	6,298,350				7
Factory and workshop equipments	5,115,114	5,801,297	-	-	-	10,923,001	3,121,782	615,365	-	3,711,137	7,175,831	10
Electrical installation	39,288,485	-	-	-	-	39,288,485	9,133,398	2,953,430	-	12,07,448	26,581,041	10
Office premises	4,988,938	-	-	-	-	4,988,938	1,792,573	317,636	-	2,10,211	2,858,727	10
Furniture and fixtures	9,017,452	246,872	-	-	-	9,264,324	4,105,394	512,486	-	4,618,890	4,645,434	10
Office equipment	8,907,124	1,291,270	(101,347)	-	-	10,097,047	5,897,605	94,122	(52,575)	6,576,152	3,490,995	10.50
Vehicles	16,03,160	5,962,573	(881,235)	-	-	25,554,714	7,552,751	3,109,280	(557,490)	1,108,103	14,598,311	20
	*	3,953,000	(1,684,000)				*	1,903,982	(926,470)			20
	1,676,480,015	90,172,453	(2,355,772)	979,223,631	(412,881,553)	2,149,777,457	361,716,700	36,342,661*	(1,568,535)	40,618,271	2,108,404,186	
	*	19,262,483					*	8,202,003				
Assets held under finance lease												
Plant and machinery	292,361,255	-	-	-	-	277,461,302	60,391,608	16,442,805	-	72,618,955	204,922,947	7
	*	(15,469,483)					*	(6,298,356)				
Vehicles	10,233,000	-	-	-	-	6,540,000	4,950,378	694,666	-	3,745,381	2,794,619	20
	*	(3,953,000)					*	(1,903,982)				
	303,354,255					284,001,302	68,341,884	16,124,460	-	76,264,336	207,737,466	
	*	(19,362,483)					*	(8,202,003)				
June 30, 2008	1,659,834,300	90,172,453	(2,355,772)	929,443,631	(412,881,553)	2,433,224,259	530,390,564	702,450,111	(1,568,535)	117,082,807	2,316,141,662	

* Recurrent transfers from lease

Particulars	Cost/revaluation at July 01, 2006	Additional transfers during the year the year	Disposals during the year	Cost/revaluation at June 30, 2007	Accumulated depreciation at June 30, 2007	Depreciation for the year / transfers or disposals	Accumulated depreciation at June 30, 2007	Written down value at June 30, 2007	Rate %
(-----) RUPEES (-----)									
Company owned									
Land - Free hold	21,81,572	9,287,799	-	30,082,371	-	-	-	30,082,371	-
Buildings on Free hold land	276,239,769	10,570,662	-	286,81,431	48,770,200	16,662,817	65,433,017	221,377,414	7
Plant and machinery	1,01,04,55,177	5,366,806	-	1,24,18,00,000	186,746,671	64,725,322	29,257,399	859,927,32	7
	*	108,353,050	-	*	12,795,905	*			
Factory and workshop equipments	5,15,714	-	-	5,15,714	2,906,568	221,214	3,124,792	1,990,932	10
Leasehold buildings	16,063,185	-	(6,800,000)	39,288,185	8,177,787	3,261,611	9,753,998	29,534,187	10
Office premises	4,668,938	-	-	4,668,938	1,439,646	352,929	1,792,575	3,176,363	10
Furniture and fixtures	9,21,307	802,145	-	9,01,452	3,660,721	543,613	4,106,394	4,911,068	10
Office equipment	7,945,329	564,795	-	8,907,124	4,761,777	938,883	5,887,605	3,219,519	10-20
Vehicles	17,691,250	7,299,760	(10,78,550)	18,199,460	9,663,826	2,636,758	7,562,431	10,547,029	20
	*	4,823,000	(1,323,000)	*	2,806,397	*	(1,011,151)		
	1,398,531,551	33,270,334	(18,304,550)	1,525,480,015	268,333,641	89,332,207	361,719,700	1,164,761,315	
		12,682,050		*	15,692,302				
Assets held under finance lease									
Plant and machinery	401,320,335	(106,359,051)	-	292,96,285	58,887,655	17,279,446	53,391,506	229,569,779	7
				*	(12,795,906)				7
Vehicles	15,016,000	(4,823,000)	-	10,193,000	6,456,120	1,360,655	4,950,378	5,442,622	20
				*	(2,906,397)				20
	416,336,335	(11,182,051)	-	305,351,285	65,391,065	19,640,101	66,311,884	235,041,401	
				*	(15,692,302)				
June 30, 2007	1,814,867,886	33,270,334	(18,304,550)	1,829,834,300	33,727,926	108,002,509	430,060,534	1,399,773,716	

* Represents transfers from lease

12.2 Depreciation for the year has been allocated as under:		June 30, 2008 Rupees	June 30, 2007 Rupees
Cost of goods manufactured	21.1	97,351,894	102,852,036
Administrative expenses	23	5,098,217	5,150,272
		<u>102,450,111</u>	<u>108,002,308</u>

12.3 Had there been no revaluation the related figures of free hold land, building on freehold land, plant and machinery and electric installations 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	20,612,299	-	20,612,299	20,612,299	-	20,612,299
Building on free hold land	248,910,398	90,306,275	158,604,123	246,125,218	78,532,589	167,592,629
Plant and Machinery	1,378,851,095	548,946,879	829,904,216	1,179,745,910	464,452,054	715,293,856
Electric installations	46,318,561	22,375,685	23,942,876	46,318,560	19,715,365	26,603,195
	<u>1,694,692,353</u>	<u>661,628,839</u>	<u>1,033,063,514</u>	<u>1,492,801,987</u>	<u>562,700,008</u>	<u>930,101,979</u>

Revaluation of land, building, plant and machinery and electric installations had been carried out on September 30, 2003 and June 30, 2008 by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

12.4 Disposal of property, plant and equipment - by negotiations / claims

Particulars and mode of disposal	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Name and Address
Vehicle	681,425	587,488	93,937	335,000	Muhammad Amin House No. 304, C. P. Berrar Society, Block - 7/8, Karachi.
Vehicle	835,000	403,472	431,528	700,000	EFU General Insurance Ltd. EFU House Karachi.
Vehicle	749,000	522,998	226,002	400,000	Mr. Wasim Mirza House No. A-32, Block - 10 A, Near Lasania, Gulshan-e-Iqbal, Karachi.
Office equipment	104,347	52,577	51,770	40,000	Shirazi Trading Atlas Group Building, Azmat Wasti Road, Near Capri Cinema, Multan- 60000.
June 30, 2008	<u>2,369,772</u>	<u>1,566,535</u>	<u>803,237</u>	<u>1,475,000</u>	
June 30, 2007	<u>18,304,550</u>	<u>9,669,650</u>	<u>8,634,900</u>	<u>10,425,000</u>	

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
12.5 Capital work-in-Progress			
Civil work	12.5.1	302,345	2,383,587
Machinery under installation	12.5.2	929,251	1,012,717
Others	12.5.3	1,194,354	2,083,873
		<u>2,425,950</u>	<u>5,480,177</u>
12.5.1 Civil work			
Opening balance		2,383,587	9,603,816
Addition during the year		703,937	3,350,433
		<u>3,087,524</u>	<u>12,954,249</u>
Less : Transfer during the year		(2,785,179)	(10,570,662)
Closing balance		<u>302,345</u>	<u>2,383,587</u>
12.5.2 Machinery under installation			
Opening balance		1,012,717	759,091
Addition during the year		74,025,701	2,395,352
		<u>75,038,418</u>	<u>3,154,443</u>
Less : Transfer during the year		(74,109,167)	(2,141,726)
Closing balance		<u>929,251</u>	<u>1,012,717</u>
12.5.3 Others			
Opening balance		2,083,873	1,764,322
Addition during the year		12,388,589	12,722,895
		<u>14,472,462</u>	<u>14,487,217</u>
Less : Transfer during the year		(13,278,108)	(12,403,344)
Closing balance		<u>1,194,354</u>	<u>2,083,873</u>
13. STORES, SPARES AND LOOSE TOOLS			
Stores		15,490,623	14,715,408
Spares		11,677,233	8,813,272
Loose tools		80,833	30,936
		<u>27,248,689</u>	<u>23,559,616</u>
14. STOCK-IN-TRADE			
Raw material		1,249,041,759	671,836,199
Work-in-process		21,979,786	15,621,635
Finished goods	14.1	137,231,517	83,258,303
Waste		13,506,255	5,230,359
		<u>1,421,759,317</u>	<u>775,946,496</u>
14.1			
Finished goods of Rs. 65,657 (2007: Rs. Nil) carried at net realizable value.			
15. TRADE DEBTS - CONSIDERED GOOD			
Export	15.1	176,221,313	71,138,234
Local		24,075,307	46,659,661
		<u>200,296,620</u>	<u>117,797,895</u>
15.1			
These are secured against letters of credit in favor of the Company.			
16. LOANS AND ADVANCES			
Considered good			
Due from employees		3,483,890	3,782,003
Advances to creditors		1,005,398	898,558
Advances for expenses		303,184	113,667
Advance income tax		91,833,047	98,944,103
Advances against letters of credit		6,662,646	30,743,747
		<u>103,288,165</u>	<u>134,482,078</u>

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
17. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Bank guarantee margin		311,241	311,241
Short-term prepayments		660,077	1,747,195
Deposits		330,231	-
		<u>1,301,549</u>	<u>2,058,436</u>
18. OTHER FINANCIAL ASSETS			
Investment - held-to-maturity		<u>1,735,247</u>	<u>4,556,325</u>
18.1	This represents investment made in Term Deposit Receipts held for a period of 12 months with a markup rate of 6% per annum (2007: 5% per annum).		
19. CASH AND BANK BALANCES			
Cash at bank			
On current accounts	9.1	54,283,502	131,736,214
On savings accounts		734,365	877,507
		55,017,867	132,613,721
Cash in hand		605,006	374,938
		<u>55,622,873</u>	<u>132,988,659</u>
19.1	This represents the amount held in savings accounts with the banks on which the mark up rate is ranging between 4% to 5% (2007: 4%) per annum.		
20. SALES-Net			
Export			
-Yarn		1,894,552,525	1,762,824,081
-Waste		122,001,040	94,283,291
		2,016,553,565	1,857,107,372
Local			
-Yarn		364,690,337	493,525,359
-Waste		34,146,125	31,353,041
		398,836,462	524,878,400
		2,415,390,027	2,381,985,772
Discount		(3,570)	(7,330)
		<u>2,415,386,457</u>	<u>2,381,978,442</u>
21. COST OF GOODS SOLD			
Cost of goods manufactured	21.1	1,868,272,133	1,715,153,260
Finished goods			
Opening stock		88,488,662	45,286,891
Purchase of finished goods		184,536,760	277,335,655
Closing stock	21.2	(150,737,772)	(88,488,662)
		122,287,650	234,133,884
		<u>1,990,559,783</u>	<u>1,949,287,144</u>
21.1 Cost of goods manufactured			
Raw material consumed	21.1.1	1,386,838,973	1,250,327,957
Packing material consumed		47,179,796	39,637,070
Stores and spares consumed		36,928,799	30,049,259
Salaries, wages and benefits	21.1.2	123,695,194	115,585,289
Power and fuel		162,391,958	162,076,292
Insurance		13,028,965	5,852,040
Repairs and maintenance		2,984,465	3,236,784
Depreciation	12.2	97,351,894	102,852,036
Other overheads		4,230,240	4,587,382
		1,874,630,284	1,714,204,109
Work-in-process			
Opening stock		15,621,635	16,570,786
Closing stock		(21,979,786)	(15,621,635)
		(6,358,151)	949,151
		<u>1,868,272,133</u>	<u>1,715,153,260</u>

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
21.1.1 Raw material consumed			
Opening stock		671,836,199	673,710,198
Purchases - net		<u>1,964,044,533</u>	<u>1,248,453,958</u>
		2,635,880,732	1,922,164,156
Closing stock		<u>(1,249,041,759)</u>	<u>(671,836,199)</u>
		<u>1,386,838,973</u>	<u>1,250,327,957</u>
21.1.2	Salaries, wages and benefits include Rs. 6,216,463 (2007 : Rs. 4,023,914) in respect of staff retirement benefits.		
21.2	It includes waste stock amounting to Rs. 13,506,255 (2007: Rs. 5,230,359).		
22. DISTRIBUTION COST			
Export development surcharge		4,989,689	5,326,742
Local freight		922,010	1,620,545
Inland freight on export		12,616,100	10,736,400
Ocean freight		36,029,195	22,336,771
Bank charges		11,345,975	10,130,885
Forwarding charges		2,649,502	2,814,574
Postage and telegram		1,204,810	1,668,116
Wharfage		3,823,023	3,548,688
Miscellaneous export expenses		3,246,690	3,566,678
Godown rent		240,000	240,000
Loading / unloading		6,660	26,672
Brokerage and commission		32,429,840	36,269,310
Others		<u>1,586,138</u>	<u>2,281,347</u>
		<u>111,089,632</u>	<u>100,566,728</u>
23. ADMINISTRATIVE EXPENSES			
Director's remuneration		5,165,625	4,137,502
Staff salaries and benefits	23.1	26,673,353	20,662,394
Traveling and conveyance		5,605,492	6,233,115
Printing and stationery		1,258,940	972,534
Postage and telephone		1,207,937	1,465,552
Legal and professional		715,320	1,322,280
Advertisement		146,740	72,200
Rent, rates and taxes		19,187	88,208
Repairs and maintenance		1,395,684	1,225,173
Vehicles running and maintenance		2,013,459	1,392,213
Auditors' remuneration	23.2	485,000	480,000
Fees and subscription		2,102,611	1,219,238
Electricity		1,289,865	1,390,868
Insurance		1,030,831	678,565
Entertainment		766,767	854,518
Charity and donation	23.3	4,228,926	5,520,407
Depreciation	12.2	5,098,217	5,150,272
Other		<u>130,094</u>	<u>12,630</u>
		<u>59,334,048</u>	<u>52,877,669</u>
23.1	Staff salaries and benefits include Rs. 2,324,423 (2007: Rs. 1,405,224) in respect of staff retirement benefits.		

	June 30, 2008 Rupees	June 30, 2007 Rupees
23.2 Auditors' remuneration		
Audit fee	200,000	125,000
Other remuneration as auditor		
- Half yearly review fee	40,000	40,000
- Other services	245,000	315,000
	<u>485,000</u>	<u>480,000</u>
23.3	None of the directors or their spouses had any interest in the donee's fund.	
24. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund	1,516,017	4,298,837
Workers' Welfare Fund	1,618,225	1,785,451
Exchange loss-net	16,111,900	5,010,800
	<u>19,246,142</u>	<u>11,095,088</u>
25. OTHER OPERATING INCOME		
Profit on bank accounts	444,105	607,628
Gain on disposal of property, plant and equipment	671,763	1,790,100
Trading profit	362,715	2,823,255
Miscellaneous income	-	1,240,794
	<u>1,478,583</u>	<u>6,461,777</u>
26. FINANCE COST		
Mark-up on :		
Long-term financing		
- from banking companies	71,474,847	67,383,178
- from related party	2,935,695	1,363,616
Short-term borrowings	87,110,055	73,806,090
Lease finance charges	12,256,855	22,632,797
Interest on Workers' Profit Participation Fund	201,692	122,537
Bank guarantee commission	1,027,261	275,852
Bank charges	3,073,584	3,057,541
Letter of credits discounting charges	30,608,293	22,831,960
Other charges	269,733	1,580,000
	<u>208,958,015</u>	<u>193,053,571</u>
27. TAXATION		
Current		
-for the year	19,108,933	32,218,959
-for prior year	(2,665,312)	(14,091,134)
Deferred	2,248,560	3,870,140
	<u>18,692,181</u>	<u>21,997,965</u>
27.1	The relationship between tax expense and accounting profit has not been presented in these financial statements as the significant portion of total income of the Company falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.	
28. 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 for the year	8,985,239	59,562,054
Weighted average number of ordinary shares outstanding during the year	17,324,750	17,324,750
Earnings per share	<u>0.52</u>	<u>3.44</u>

29. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	June 30, 2008			June 30, 2007		
	Chief Executive	Directors	Executive Rupees	Chief Executive	Directors	Executive
Meeting fee	-	77,000	-	-	36,000	-
Managerial remuneration	3,931,250	1,579,167	11,136,289	3,187,500	950,002	7,555,800
Retirement benefits	330,625	125,000	743,540	287,500	125,000	199,482
Leave encashment	-	-	214,821	-	-	322,450
Utilities	-	454,720	-	-	374,289	-
	<u>4,261,875</u>	<u>2,235,887</u>	<u>12,094,650</u>	<u>3,475,000</u>	<u>1,485,291</u>	<u>8,077,732</u>
No. of persons	1	6	9	1	6	8

29.1 The Chief Executive and Executive Directors are also entitled for use of cars owned and maintained by the Company, the monetary value of which is Rs. 233,771 (2007: Rs. 134,768) approximately.

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
30. CASH AND CASH EQUIVALENTS			
Cash and bank balances	19.	55,622,873	132,988,659
Short-term running finances	10.	(463,591,112)	29,337,349
		<u>(407,968,239)</u>	<u>103,651,310</u>
		June 30, 2008	June 30, 2007

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	44,400	44,400
Number of spindles worked	44,400	44,400
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	13,088,089	13,088,089
Actual production of yarn after conversion into 20/s count-kgs	15,038,069	15,761,668

32. 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. There is no balance outstanding with or from associated undertakings except long term loans disclosed in note 5. Remuneration of key management personnel is disclosed in note 29 and amount due in respect of staff retirement benefits is disclosed in note 7. Other significant transactions with related parties are as follows:

	June 30, 2008 Rupees	June 30, 2007 Rupees
Nature of transactions		
Purchase of goods	25,084,717	77,679,000
Share of expenses paid	401,598	1,231,297
Share of expenses received	1,421,485	1,257,420
Rent of godown	240,000	240,000
Markup charges	2,935,695	1,363,616
Purchase of stores and spares	615,340	-
Sale of stores and spares	144,300	-
Sale of raw cotton and comber noil	-	109,814,124
Purchase of property, plant and equipment	10,000,000	-
Dividend paid	3,967,500	3,967,500

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Interest/mark-up rate risk management

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.

33.4 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 where receivables and payables exist due to transactions with foreign entities and balances held in foreign currency. The Company is not materially exposed to foreign currency risk on assets and liabilities.

33.6 Fair values of financials 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.

33.2 The analysis of interest rate / markup rate risk is as under :

	Interest bearing		Non-Interest bearing		June 30, 2008		June 30, 2007	
	Maturity upto one year	Maturity after	Maturity upto one year	Maturity after one year	Sub Total	Total Rupees	Total Rupees	
	Sub Total	Sub Total	Sub Total	Sub Total	Sub Total	Total Rupees	Total Rupees	
Financial assets								
Long term deposits	-	377,568	-	377,568	377,568	377,568	717,567	
Trade debts considered good	-	-	200,296,620	-	200,296,620	200,296,620	117,797,895	
Loans and advances	-	-	3,483,890	-	3,483,890	3,483,890	3,782,003	
Trade deposits	-	-	641,472	-	641,472	641,472	311,241	
Other receivables	-	-	3,597,852	-	3,597,852	3,597,852	6,047,807	
Other financial assets	1,735,217	-	-	-	1,735,217	1,735,217	4,556,325	
Cash and bank balances	734,365	-	54,888,508	-	54,888,508	55,622,873	132,988,659	
	2,469,612	-	262,908,342	-	263,285,910	265,755,622	266,231,497	
Financial liabilities								
Long-term financing	189,814,449	489,880,520	-	-	679,494,969	679,494,969	818,156,599	
Liabilities against assets subject to finance lease	52,811,888	53,525,446	-	-	106,337,334	106,337,334	160,780,751	
Trade and other payables	-	-	74,861,045	-	74,861,045	74,861,045	68,704,993	
Interest / markup on loans	-	-	37,505,858	-	37,505,858	37,505,858	21,406,388	
Short-term borrowings	1,580,324,024	-	-	-	1,580,324,024	1,580,324,024	795,652,378	
	1,822,750,361	543,405,966	112,366,903	-	112,366,903	2,478,523,230	1,862,701,109	
Off balance sheet items:								
Letters of credit	-	-	-	-	-	3,721,505	320,558,641	
Bank guarantees	-	-	-	-	-	66,656,557	52,818,157	
Foreign bills discounted	-	-	-	-	-	735,451,209	609,772,079	
Total	-	-	-	-	-	806,029,271	983,148,877	
On balance sheet gap	(1,820,280,749)	(543,405,966)	(2,363,686,715)	150,541,439	377,568	(2,212,767,707)	(1,596,489,612)	
Off balance sheet gap	-	-	-	-	-	(806,029,271)	(983,148,877)	

33.3 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. 265,755,521 (2007: Rs. 266,231,497), the financial assets which are subject to credit risk amounted to Rs. 265,150,516 (2007: Rs. 265,856,559). 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.

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 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. SUBSEQUENT EVENTS

Dividend

The Board of Director proposed the final dividend for the year ended June 30, 2008 of Rs. NIL per share (2007: Re. 1.00 per share) amounting to Rs. NIL (2007: Rs 17.33 million). These financial statements do not reflect dividend payable.

36. DATE OF AUTHORIZATION FOR ISSUE

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



**SHAHID ANWAR TATA
CHIEF EXECUTIVE**



**ANWAR AHMED TATA
CHAIRMAN /DIRECTOR**

PROXY FORM

TATA TEXTILE MILLS LIMITED

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

I/We _____

of _____

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

Ordinary Shares, do hereby appoint _____

of _____

or falling him/her _____

of _____

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

as my/our proxy to act on my/our behalf at the 22nd Annual General Meeting of the Company to be held on Friday the October 31, 2008 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 along with 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.