

VISION

***A Premier Quality Company, Providing Quality Products
And Maintaining An Excellent Level Of Ethical
And Professional Standards.***

MISSION STATEMENT

***To become a leading manufacturer of textile products in the
International & local markets and to explore new era to
Achieve the highest level of success.***

CORPORATE INFORMATION

Board of Directors	Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Company Secretary	Syed Asshraf Ali FCA, AAIM(Aus)	
Chief Financial Officer	Mr. Anwar Hussain FCA	
Audit Committee	Mr. Bilal Sharif Mr. Khurram Salim Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushtaq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road Karachi.	
Legal Advisor	Mr. Shahid Pervaiz Jamil	
Bankers	ABN Amro Bank Citi Bank N. A. Habib Bank Limited HSBC Middle East Bank Limited Standard Chartered Bank Limited MCB Bank Limited United Bank Limited Bank of Punjab	
Share Registrar	Hameed Majeed Associates (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi-74900, Pakistan Tel : 021 - 5115177 - 80 Fax : 021 - 5115190 - 91 Email : khioff@umergroup.com Website : www.umergroup.com	
Liason / Correspondence Office	9th Floor, City Towers, 6-K, Main Boulevard, Gulberg II, Lahore Tel: (042) 111 130 130 Fax: (042) 5770015 Email: lhroff@umergroup.com Website: www.umergroup.com	
Mills At:	Unit I is situated at Kotri District Dadu Tel: (0221) 870013 Unit II and III is situated at Feroz Watwan, Sheikhpura, Punjab. Tel: (056) 3731723	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Friday 24th October 2008 at 3:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 29th January, 2008.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2008 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 20% (i.e. PKR 2.0 per share) for the year ended 30th June, 2008, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2008-2009 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(by the order of the Board)

Karachi
Dated: 20th September, 2008

Syed Asshraf Ali
FCA, AAIM (Aus)
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 22nd October 2008 to 1st November, 2008 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 21st October 2008 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2008.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.

DIRECTORS' REPORT

The directors' of your company have a pleasure to present before you annual report of the company with annual audited financial statements for the year ended 30th June 2008.

Overview

By the grace of Al-Mighty Allah your company remained among dominant in the Pakistan Textile Industries during the financial year ended 30th June 2008 and maintained the position among the market leaders both in domestic and international markets.

Industry Scenario

Pakistan's economy which had been growing rapidly in the last few years saw one of the most challenging periods in the year under review. A growth of only 5.8 percent could be achieved against a target of 7.2 percent. This can be attributed to combination of domestic and international issues. At the home front, political uncertainty and law and order situation combined with lower contribution of agriculture and industry has contributed to this under achievement. Soaring oil and commodity prices internationally have added to the economic woes and will precipitate an economic slowdown.

With food and energy prices rising to unprecedented level, a huge trade gap due to high consumer import and rising oil bill, foreign exchange reserves have started depleting putting a pressure on rupee dollar parity.

Tightening of the monetary policy, so far, has not improved the situation but added significantly to the cost of doing business for the industry. There continues to be looming fear about worsening political prospects, rising prices and slowing economic growth. The greater challenge now is the high inflation and while the State Bank of Pakistan continues to take steps to contain inflation, the coming year will pose a severe test of economic and political management.

Textile sector, the largest foreign exchange earner having 60 percent export share, is being fighting hard to remain competitive in international market, which has been further dented by the record cotton prices in the local market. Local cotton prices surged to a record level of PKR 4,000 per mound in the local market.

The textile sector, already facing the brunt of high energy and fuel prices is now faced with soaring prices of cotton which have 75 percent share in total cost of the textile products. This has brought more woes to the textile sector already struggling to maintain its share in the international market.

In order to bring the Pakistan textile industry out of its current crisis, it is necessary that certain strict measures be taken to meet the challenges that the industry is facing.

The Pakistan textile industry is facing tough competition from competitors like, Indian, Bangladeshi and Chinese textile industries. The cost of power and financing in Pakistan is much higher as compared to that in other countries.

Operating Results and Profit Appropriation

We are glad to report that your company is maintaining the pace of regular improvement in all areas of operations and it is because we believe in steady growth. By the grace of Allah we are among those companies who have successfully managed their consistent profitability.

Your company continued to perform well and posted profit before taxation for the year ended 30th June 2008 PKR 99.967 Million (30th June 2007: PKR 185.608 Million). The operating results and allocation of profit for the year ended 30th June 2008 is summarized as under;

	2008 RUPEES	2007 RUPEES
Sales	3,477,248,082	3,521,088,497
Gross profit	409,440,440	476,568,937
Profit before taxation	99,967,525	185,608,841
Taxation	<u>(36,061,983)</u>	<u>(61,842,409)</u>
Profit after taxation	63,905,542	123,766,432
Un-appropriated profit brought forward	<u>73,436,427</u>	<u>57,169,995</u>
Profit available for appropriation	137,341,969	180,936,427
Appropriations:		
Dividend paid	(7,500,000)	(7,500,000)
Transferred to General Reserve	<u>(100,000,000)</u>	<u>(100,000,000)</u>
Un-appropriated profit carried forward	<u>29,841,969</u>	<u>73,436,427</u>
Basic and diluted earning per share	<u>21.30</u>	<u>41.26</u>

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

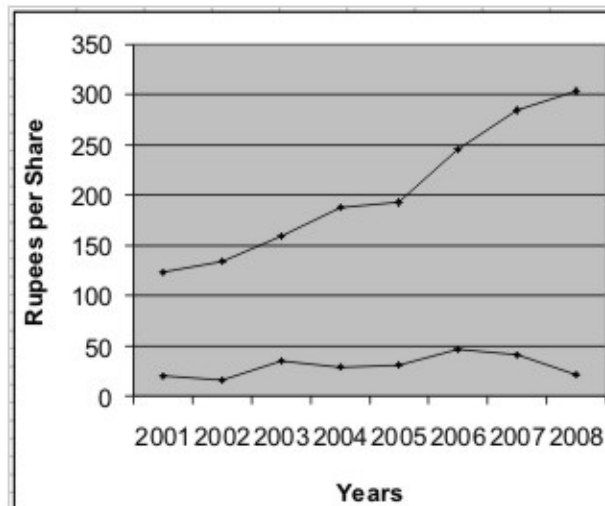
This year was again a challenging year for the textile industry particularly for spinning sector. Cotton production for 2007-08 was 11.7 million bales decreased by 9.3 percent. This resulted in shortage of cotton for local consumption and consequently significant increase in cotton prices. Global cotton prices also showed upward trend while prices of cotton yarn did not show proportionate increase. The cost of production was also affected due to increase in oil prices and overall inflation in the country.

Dividend

The board of directors is pleased to recommend a final cash dividend of 20% i.e PKR 2 per share (June 2007: 25% i.e. PKR 2.5 per share) for the approval of shareholders at the forthcoming annual general meeting.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2008 is PKR 303.28 (30th June 2007: PKR 284.47). The Earning per Share (EPS) of your company for the year ended 30th June 2008 is PKR 21.30 (30th June 2007: PKR 41.26).



Statement on Corporate and Financial Reporting Framework

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

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
 - Statement of pattern of shareholding has been given separately.
 - Statement of shares held by associated undertakings and related persons.
 - Statement of the Board meetings held during the year and attendance by each director has been given separately.
 - Key operating and financial statistics for last six years.
 - Information about taxes and levies is given in the notes to the financial statements.

Election of Directors

Election of Directors was held on 29th January 2008 and all eight retiring directors, were elected unopposed whose term of office will expire on 29th January 2011.

Related Party transaction and Transfer Pricing

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

Audit Committee

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

Financial statements

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and

Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2008 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

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

Pattern of Shareholding

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

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

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 29th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 29th annual general meeting until the conclusion of 30th annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2008. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Safety, Health and Environment

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

Expansion Plan

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

However, normal BMR will continue as and when required.

Business Risks, Challenges and Future Outlook

While economy is continuously under pressure, inflation and social disruptions arising from political uncertainty and law and order situations are major concerns for business activities in country. Rising inflation and high interest rates may have severe adverse impact on the growth of the economy. However, on the other hand, expected infrastructure development is promising indicators.

The cotton situation is again not looking very favorable. Market is under pressure due to high prices of cotton affecting cost of manufacturing of yarn. This may lead to Pakistan loosing its share of export to India, China & Bangladesh due to their government supportive export policies. Government has set the cotton target for the year 2008-2009 as 14.11 million bales. Due to damage caused to crop by heavy rains, floods and pest attack in Punjab and less in Sindh province official estimate for crop size stands at 12.0 million local weight bales against initial production target of 14.11 million bales. Domestic cotton consumption is expected to be around 15.5 to 16.0 million bales and Pakistan will have to import some 2.0 to 3.0 million 170-Kg bales in this season. International cotton market is also at high tune as compared to last year. World cotton production is expected to decrease by 5 percent to 24.9 million tons (=114.35 million 480-lb bales) due to decline in cotton area and yield while global consumption is likely to decrease by 1 percent to 26.4 million tons (=121.25 million 480-lb bales). Global yield in 2008-09 is expected to be kg 775 / Hectare against 788 in 2007-08; the decrease is 1.67 percent.

The slowdown position of some of the prominent economies including US, EU countries and Japan and drastic cut in crude oil prices to five-month low of USD 103 against the highest rate of USD 147+ coupled with strong US dollar indicate something bearish trend in world commodities prices. The oil producing countries are likely to persuade

Saudi Arabia to reduce its production to keep up the drifting oil prices. Some circles foresee oil prices going down below US \$100 level or even up to 80 in coming months. The slowdown economic state if continued for a couple of months, it may turn into recession situation cutting demand and prices considerably.

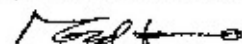
We are fully cognizant of the possible shortage of cotton with high prices and are prepared to do everything possible to mitigate the adverse impact of such an event. But your management is not hopeful to have goods results until the attitude of government is not changed for textile sector.

Acknowledgement

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

Karachi
Dated: 20th September, 2008

By the Order of the Board



Mohammad Salim
Chief Executive / Director

YEAR WISE OPERATING DATA

SPINNING UNIT	June 30				September 30	
	2008	2007	2006	2005	2004	2003
Spindles Installed	67,776	67,776	67,776	67,776	45,504	45,504
Rotors Installed	192	192	192	192		
Spindles Worked	67,776	67,776	67,776	67,776	45,504	45,504
Rotors Worked	-	192	192	192		
No. Of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count. (Kgs.)	23,200,746	23,200,746	23,200,746	14,489,726	15,537,833	15,319,544
Actual Production after conversion into 20/s Count (Kgs.)	26,346,958	23,916,723	25,541,642	15,281,522	14,958,487	14,528,675
WEAVING UNIT				-	-	-
Air Jet Looms Installed	140	140	140	-	-	-
Air Jet Looms Worked	140	140	140			
Installed Capacity after conversion into 50 picks - sq. Meter	26,166,485	26,166,485	20,034,909	-	-	-
Actual Production after conversion into 50 picks - sq. Meter	29,025,904	33,878,770	24,198,242	-	-	-

YEAR WISE FINANCIAL DATA	June 30				September 30	
	2008	2007	2006	2005	2004	2003
	Rupees In Thousands					
Fixed Assets	1,841,843	1,995,219	2,127,525	1,308,145	719,949	500,829
Investments, Long Term Loans & Deposits	11,494	11,952	15,882	21,317	29,279	10,542
Current Assets	1,544,122	1,393,808	924,099	1,040,478	604,783	404,468
Share Holders Equity	909,841	853,436	737,170	614,593	563,677	478,143
Long Term Liabilities	610,159	793,958	1,161,703	775,114	208,436	113,436
Deferred Liabilities	186,926	162,471	109,232	80,254	45,085	82,753
Current Liabilities	1,616,482	1,500,363	1,083,318	893,642	536,811	241,517
Turnover (Net)	3,477,248	3,521,088	2,671,677	1,174,793	1,530,174	1,426,008
Gross Profit	409,440	476,569	422,102	207,430	138,606	221,702
Operating Profit	320,844	386,589	357,854	151,449	88,353	159,552
Financial Charges	220,877	200,980	184,390	48,703	31,250	31,808
Profit Before Taxation	99,967	185,609	173,463	102,745	56,275	136,614
Profit After Taxation	63,905	123,766	137,577	88,351	85,534	104,981
Cash Dividend	7,500	7,500	15,000	15,000	-	30,000
Transfer To Reserves	100,000	100,000	100,000	76,000	100,900	-
Profit C/F	29,841	73,436	57,170	34,593	59,678	74,995

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

Directors	2007		2008			TOTAL
	27 th Sep	29 th Oct.	07 th Feb	26 th Feb	26 th Apr	
Mr. Mohammad Salim	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Sharif	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shaheen	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shakeel	✓	✓	✓	✓	✓	5/5
Mr. Khurram Salim	✓	✓	✓	✓	✓	4/5
Mr. Bilal Sharif	✓	✓	✓	✓	✓	4/5
Mr. Mohammad Amin	✓	✓	✓	✓	✓	4/5
Mr. Adil Shakeel	✓	✓	✓	✓	✓	4/5
Chief Financial Officer:						
Mr. Anwar Hussain	✓	✓	✓	✓	✓	5/5
Company Secretary:						
Mr. Syed Asshraf Ali	✓	✓	✓	✓	✓	5/5
	10/10	10/10	10/10	10/10	10/10	50/50

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE YEAR ENDED 30th JUNE, 2008

This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

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

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred during the year.
6. The 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.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on 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 are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP)
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.

Karachi
Dated: 20th September, 2008



Mohammad Salim
Chief Executive / Director

MUSHTAQ & CO.

CHARTERED ACCOUNTS

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

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

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

Tel: 850834, 5865618

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

We have reviewed the statement of compliance with the best practice contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2008 prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulation of the Stock Exchanges where the Company is listed.

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

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

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

Karachi
Dated: 20th September, 2008

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

MUSHTAQ & CO.

CHARTERED ACCOUNTS

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

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

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

Tel: 850834, 5865618

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,
 - (ii) the expenditure incurred during the period was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (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 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Karachi
Dated: 20th September, 2008

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

BALANCE SHEET

	NOTE	June 30, 2008 Rupees	June 30, 2007 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2007: 6,000,000) ordinary shares of Rs.10 each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid up capital	4	30,000,000	30,000,000
General Reserves		850,000,000	750,000,000
Unappropriated profits		<u>29,841,969</u>	<u>73,436,427</u>
		909,841,969	853,436,427
Loans from sponsors and relatives	5	79,719,388	100,000,000
NON CURRENT LIABILITIES			
Long term financing - secured	6	610,159,699	778,731,132
Liabilities against assets subject to finance lease	7	-	-
Long term murabaha	8	-	15,227,272
Deferred liabilities	9	186,926,627	162,471,086
		797,086,326	956,429,490
CURRENT LIABILITIES			
Trade and other payables	10	182,097,547	179,307,792
Mark-up accrued on loans and other payables	11	33,453,362	29,421,328
Short term borrowings - secured	12	1,047,504,825	922,987,897
Current portion of long term borrowings	13	333,798,704	350,761,268
Provision for taxation		<u>19,628,176</u>	<u>17,884,713</u>
		1,616,482,614	1,500,362,998
CONTINGENCIES AND COMMITMENTS	14	-	-
		<u>3,403,130,297</u>	<u>3,410,228,915</u>

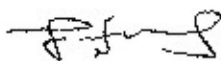
The annexed notes 1 - 45 form an integral part of these financial statements.


MOHAMMAD SALIM
 CHIEF EXECUTIVE / DIRECTOR

Karachi
 Dated: 20th September, 2008

AS AT JUNE 30, 2008

	NOTE	June 30, 2008 Rupees	June 30, 2007 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,841,843,191	1,995,219,787
Capital work in progress	16	5,670,204	9,248,059
Long term investments	17	375,000	425,000
Long term loans	18	8,625,498	9,245,316
Long term deposits	19	2,493,936	2,282,551
		1,859,007,829	2,016,420,713
CURRENT ASSETS			
Stores, spares and loose tools	20	49,686,470	28,412,108
Stock in trade	21	961,825,972	838,621,006
Trade debts	22	417,069,166	373,615,618
Loans and advances	23	9,742,545	5,066,662
Trade deposits and short term prepayments	24	20,223,378	27,751,923
Other receivables	25	5,905,247	5,118,025
Taxation	26	61,140,413	59,605,373
Cash and bank balances	27	18,529,277	55,617,487
		1,544,122,468	1,393,808,202
		3,403,130,297	3,410,228,915




MOHAMMAD SHAKEEL
DIRECTOR

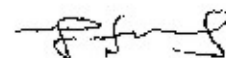
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008**

	NOTE	Year ended June 30, 2008 Rupees	Year ended June 30, 2007 Rupees
Sales	28	3,477,248,082	3,521,088,497
Cost of goods sold	29	<u>(3,067,807,642)</u>	<u>(3,044,519,560)</u>
Gross profit		409,440,440	476,568,937
Other operating income	30	9,870,737	1,420,288
		419,311,177	477,989,225
Distribution cost	31	<u>(42,502,861)</u>	<u>(28,544,545)</u>
Administrative expenses	32	<u>(51,769,692)</u>	<u>(53,086,515)</u>
Other operating expenses	33	<u>(4,194,048)</u>	<u>(9,768,886)</u>
Finance cost	34	<u>(220,877,051)</u>	<u>(200,980,438)</u>
		(319,343,652)	(292,380,384)
Profit before taxation		99,967,525	185,608,841
Provision for taxation			
Current year	35.1	<u>(18,081,657)</u>	<u>(17,735,240)</u>
Prior year		2,557,766	2,068,065
Deferred	35.4	<u>(20,538,092)</u>	<u>(46,175,234)</u>
		<u>(36,061,983)</u>	<u>(61,842,409)</u>
Profit after taxation		<u>63,905,542</u>	<u>123,766,432</u>
Earnings per share - basic and diluted	36	<u>21.30</u>	<u>41.26</u>

The annexed notes 1 - 45 form an integral part of these financial statements.



MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MOHAMMAD SHAKEEL
DIRECTOR

Karachi
Dated: 20th September, 2008

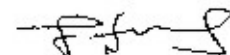
**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008**

	Year ended June 30, 2008 Rupees	Year ended June 30, 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	99,967,525	185,608,841
Adjustments for:		
Depreciation on property, plant and equipment	187,324,640	203,165,705
Provision for employees' benefits	12,032,945	9,555,299
Provision for bad debts	-	6,856,318
Infrastructure fee	4,953,151	3,841,029
Loss/(Gain) due to change in the fair value of investments available for sale	50,000	(25,000)
(Gain) on disposal of property, plant and equipment	(391,473)	(1,047,140)
Imputed interest income on interest free loan	(20,280,612)	-
Finance cost	241,157,663	200,980,438
Operating cash flows before changes in working capital (Increase)/decrease in current assets	524,813,839	608,935,490
Inventories	(144,479,328)	(248,489,102)
Trade debts	(43,453,548)	(199,505,022)
Loans and advances	(4,675,883)	17,396,160
Trade deposits	7,528,545	(8,556,109)
Other receivables	(787,222)	(4,951,452)
Taxation	7,099,889	5,127,607
	<u>(178,767,547)</u>	<u>(438,977,918)</u>
Increase/(Decrease) in trade and other payables	346,046,292	169,957,572
Cash generated by operations	2,789,751	(125,112,210)
Finance cost paid	348,836,043	44,845,362
Employees' benefits paid	(237,125,629)	(199,782,237)
Income taxes paid	(13,068,647)	(6,332,991)
Long term loans	(22,415,357)	(24,542,318)
Long term deposits	619,818	(3,057,982)
	<u>(211,385)</u>	<u>7,012,493</u>
Net cash used in operating activities	(272,201,200)	(226,703,035)
	76,634,843	(181,857,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,450,000	1,930,000
Purchase of property, plant and equipment	(31,428,712)	(57,075,626)
Net cash used in investing activities	(29,978,712)	(55,145,626)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term financing	(318,571,431)	(162,697,438)
Payment of long term financing -murabaha	(21,818,182)	(21,818,182)
Proceeds from sponsors and relatives	-	100,000,000
Proceeds from long term loans	150,000,000	-
Payment of liability against assets subject to finance lease	(10,371,656)	(45,878,791)
Short term bank borrowings	124,516,928	406,649,672
Dividend paid	(7,500,000)	(7,493,325)
Net cash from financing activities	(83,744,341)	268,761,936
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,088,210)	31,758,637
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	55,617,487	23,858,850
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18,529,277	55,617,487

The annexed notes 1 - 45 form an integral part of these financial statements.



MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MOHAMMAD SHAKEEL
DIRECTOR

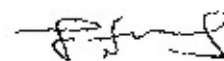
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	SHARE CAPITAL	GENERAL RESERVES	UN-APPROPRIATED PROFIT	TOTAL
	RUPEES			
Balance as at June 30, 2006	30,000,000	650,000,000	57,169,995	737,169,995
Final dividend paid for the year ended June 30, 2006 at the rate of PKR 2.5 per share	-	-	(7,500,000)	(7,500,000)
Profit for the year ended June 30, 2007.	-	-	123,766,432	123,766,432
Transfer to general reserves	-	100,000,000	(100,000,000)	-
Balance as at June 30, 2007	30,000,000	750,000,000	73,436,427	853,436,427
Final dividend paid for the year ended June 30, 2007 at the rate of PKR 2.5 per share	-	-	(7,500,000)	(7,500,000)
Profit for the year ended June 30, 2008.	-	-	63,905,542	63,905,542
Transfer to general reserves	-	100,000,000	(100,000,000)	-
Balance as at June 30, 2008.	30,000,000	850,000,000	29,841,969	909,841,969

The annexed notes 1 - 45 form an integral part of these financial statements.



MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MOHAMMAD SHAKEEL
DIRECTOR

Karachi
Dated: 20th September, 2008

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

1 THE COMPANY AND ITS OPERATIONS

- 1.1 Bhanero Textile Mills Limited ("the Company") was incorporated on 30th March 1980 as a public limited company in Pakistan under Companies Act, 1913 and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.
- 1.2 The company is principally engaged in manufacturing and sales of yarn and fabric.

2 BASIS OF PREPARATION

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 the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

2.4 Use Of Estimates And Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41 to these financial statements.

2.5 New Accounting Standards And IFRIC Interpretations That Are Not Yet Effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

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

- Revised IAS 1 - Presentation of Financial Statements;
- Revised IAS 23 - Borrowing costs;
- IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IAS 32 (amendment) - Financial instruments: presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;
- IFRS 2 (amendment) - Share-based payments;
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction;
- IFRIC 15 - Agreement for the Construction of Real Estate;
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Borrowing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

Compensated absences

The Company accounts for all accumulated compensated absences in the period in which absences accrue.

Post retirement benefits

Defined benefit plans

The Company operates an unfunded gratuity scheme for its permanent employees as per the terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company's obligations are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.5 Trade and other payables

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

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal 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.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in process

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

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

3.9 Investments

Investment available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value are charged to profit and loss account. For investment in listed securities, closing quotations of stock exchange on last working day of the accounting year is used for determining fair value. 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.

3.10 Derivative financial instruments

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

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

By virtue of this, interest free sponsor loan has been amortized using effective interest of 12% per annum. Had the interest free sponsor loan been carried at cost, the profit for the year would have been lower by PKR 20,280,612 and carrying amount of interest free sponsor loan would have been increased by PKR 20,280,612.

3.11 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.12 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value applying following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net realisable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date. Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.13 Trade debts and other receivables

These are carried at original invoice amount less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

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

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.15 Revenue recognition

Revenue from sales is recognised when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognised on the basis of constant periodic rate of return.

Dividend income is recognised when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

3.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.17 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.18 Foreign currency translation

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Gain or loss arising on translation of foreign currency transactions and balances is recognised in profit or loss.

3.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20 Transactions with related party

Related party transactions are carried out on an arm's length basis. Pricing for these transactions is determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.21 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements.

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

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30 2008	June 30 2007		June 30 2008	June 30 2007
No. of Shares			Rupees	
1,762,500	1,762,500	Ordinary shares of Rs. 10 each		
1,237,500	1,237,500	- fully paid in cash	17,625,000	17,625,000
		- issued as fully paid bonus shares	12,375,000	12,375,000
<u>3,000,000</u>	<u>3,000,000</u>		<u>30,000,000</u>	<u>30,000,000</u>

5 LOAN FROM SPONSORS AND RELATIVES

Face value of loan	100,000,000	100,000,000
Less: imputed interest income	(20,280,612)	-
	<u>79,719,388</u>	<u>100,000,000</u>

This loan has been obtained from sponsors of company and heir relatives, and it is interest free. The loan is repayable by 30th June 2010, however there is no fixed schedule for repayment of this loan. The loan has been carried at amortised cost which has been computed using an imputed interest rate of 12.0% per annum.

**6 LONG TERM FINANCING - secured
From financial institutions**

		L T F - (EOP) loans	NON-LTF loans	June 2008 Rupees	June 2007 Rupees
Term Loan	6.1	-	150,000,000	150,000,000	-
Term Loan	6.2	27,657,112	122,342,887	149,999,999	200,000,000
Term Loan	6.3	182,951,870	45,619,557	228,571,427	342,857,142
Term Loan	6.4	230,168,489	49,991,216	280,159,705	394,445,420
Term Loan	6.5	74,147,120	45,852,880	120,000,000	160,000,000
		514,924,591	413,806,540	928,731,131	1,097,302,562
Less: current maturity					
Term Loan	6.1	-	-	-	-
Term Loan	6.2	9,219,036	40,780,964	50,000,000	50,000,000
Term Loan	6.3	91,475,936	22,809,780	114,285,716	114,285,715
Term Loan	6.4	92,067,396	22,218,320	114,285,716	114,285,715
Term Loan	6.5	24,715,706	15,284,294	40,000,000	40,000,000
		217,478,074	101,093,358	318,571,432	318,571,430
		297,446,517	312,713,182	610,159,699	778,731,132

	Security	Repayment	Markup on LTF	Markup on NON- LTF
6.1	Equitable mortgage charge of PKR 553 M registered on 14-Mar 05 through a supplementary MOTD dated 08-March-05 on that all piece and parcel of land with all construction, fixtures and fittings, theron and machinery installed therein, bearing plot # E/2, SITE, Kotri.	After Twenty month from the - date of disbursement		1 month KIBOR + 0.40 %
6.2	First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly 7% installments, commencing from September 16, 2006.		6 Months KIBOR+1% (2007: 6 Months KIBOR + 1%)

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

Security	Repayment	Markup on LTF	Markup on NON- LTF
6.3 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by June 24, 2010..	7%	3M KIBOR+1% (2007: 3KIBOR + 1%)
6.4 First pari passu equitable mortgage charge over land and building and 1st parri passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by July 19, 2010.(Non - LTF) & by October 31, 2010. (LTF).	7%	3M KIBOR+1% (2007: 3KIBOR + 1%)
6.5 First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhpura-Faisalabad Road, sheikhpura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	7%	6M KIBOR+2.25% (2007 : 6M KIBOR + 2.25 %)
6.6 The company has entered into two interest rate swap agreements with various banks for a notional amount of PKR 650.0 Million (2007: 650 Million), maturing upto March 16, 2011. The outstanding balance of these arrangements is PKR 378.571 Million (2007: 571.428 Million) as at the balance sheet date. Under the swap arrangements, the company would receive three and six months KIBOR rates and pay fixed rates of mark-up ranging between 10.25% to 10.90% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR 0.904 Million (2007: PKR 609,804) in contrary to the company.			
6.7 The Company has entered into a cross currency swaps against long term finances for a notional amount of PKR 299.986 million, maturing upto June 26, 2010. Keeping in view of major foreign exchanges risk which is currently prevailing, the agreement has been unwinded on 26 June 2008 and resulted loss of PKR 22,666,586.			

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payment are payable in thirty six equal monthly installments. The internal rate of return ranges from 6% (2007: 6%) per annum are used as discounting factor. The lease agreement contains bargain purchase option.

The company has satisfied lease agreements which it had entered into with the leasing company for lease of machinery by exercising its option to purchase these assets. All the amounts payable to the leasing company were paid and there is no amount outstanding at the end of the period. Taxes, repairs, replacement and insurance costs are borne by the company.

	June 30, 2008 Rupees	June 30, 2007 Rupees
Present value of minimum lease payments	-	10,371,656
Current portion	13	(10,371,656)
	<u>-</u>	<u>-</u>

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

		June 30, 2008	June 30, 2007
		Rupees	Rupees
7.1	The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as under:		
	Gross minimum lease payments		
	Not later than one year	-	10,392,985
	Later than one year but not later than five years	-	-
		-	10,392,985
	Finance charges allocated to future period	-	21,329
	Not later than one year	-	-
	Later than one year but not later than five years	-	21,329
	Present value of minimum lease payments	-	10,371,656
	Not later than one year	-	10,371,656
	Later than one year but not later than five years	-	-
		-	10,371,656
	Current portion	-	(10,371,656)
		-	-
8	LONG-TERM MURABAHA		
	From commercial bank	8.1 15,227,272	37,045,454
	Current portion	13 (15,227,272)	(21,818,182)
		-	15,227,272
8.1	The loan is secured by first pari passu charge over property, plant and equipment of Unit-II situated at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura to the extent of PKR 172 million. The loan is repayable in eleven equal installments with six months grace period. Mark up is payable in twelve semi-annual installments in arrears. Mark-up rate is 3 month KIBOR+0.5% per annum (2007: SBP's 3 month KIBOR+0.5% per annum.)		
9	DEFERRED LIABILITIES		
	Employee benefits	9.2 36,264,577	37,300,279
	Deferred taxation	9.3 131,374,913	110,836,821
	Infrastructure fee	9.4 19,287,137	14,333,986
		186,926,627	162,471,086
9.1	Valuation has been carried out internally by the management of the Company as at June 30, 2008 using the projected unit credit method assuming a discount rate of 12% (2007: 9%) per annum and expected rate of increase in salaries at 12% (2007: 9%) per annum.		
9.2	Movement in net liability recognized in the balance sheet		
	Present value of defined benefits obligation - at the beginning of the year	37,300,279	34,077,971
	Charged to profit and loss account	9.2.1 12,032,945	9,555,299
	Benefits paid during the year	(13,068,647)	(6,332,991)
	Present value of defined benefits obligation - at the end of the year	36,264,577	37,300,279

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

	June 30, 2008	June 30, 2007
	Rupees	Rupees
9.2.1 The following amounts have been charged to the profit and loss account during the current year		
Current service cost	9,516,275	5,222,960
Interest cost	1,090,375	105,019
Actuarial (gains) / losses recognized during the period	1,426,295	4,227,320
Net amount chargeable to profit and loss account	<u>12,032,945</u>	<u>9,555,299</u>

9.2.2 There is no unrecognised actuarial loss / gain.

9.2.3 Historical information	2008	2007	2006	2005	2004
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefits obligation	36,264,577	37,300,279	34,077,971	31,131,840	26,528,247
Actuarial adjustments on plan liabilities	1,426,295	4,227,320	2,263,023	1,211,831	(862,138)

9.3 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation on owned assets	155,307,574	158,972,863
Provision for employee benefit	(6,512,033)	(6,899,499)
Finance lease	-	8,139,703
Provision for doubtful debts	(2,315,676)	(2,320,732)
Unused tax losses	(15,104,952)	(47,055,514)
	<u>(23,932,661)</u>	<u>(48,136,042)</u>
	<u>131,374,913</u>	<u>110,836,821</u>

9.4 This represents levy of infrastructure fee payable to Excise and Taxation Officer Government of Sindh. The Company has filed a suit in the Honourable High Court of Sindh against the levy of said fee on imports by the company. On the direction of Honourable Sindh High Court the goods of the Company are being released against furnishing of bank guarantee during the pendency of the suit.

10 TRADE AND OTHER PAYABLES

Creditors	120,252,528	116,931,082
Accrued liabilities	46,696,185	40,638,087
Workers' profit participation fund	13,986,866	19,370,478
Unclaimed dividend	235,991	235,991
Others	925,977	2,132,154
	<u>182,097,547</u>	<u>179,307,792</u>

10.1 Workers' profit participation fund

Opening balance		19,370,478	18,850,291
Interest on funds utilized in the Company's business	10.1.1	2,450,542	2,034,500
		21,821,020	20,884,791
Paid to the fund		(12,028,202)	(11,283,199)
		9,792,818	9,601,592
Allocation for the year		4,194,048	9,768,886
		<u>13,986,866</u>	<u>19,370,478</u>

10.1.1 Interest on workers' profit participation fund has been provided @ 18.75% (2007: 18.75%) per annum.

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

		June 30, 2008	June 30, 2007
		Rupees	Rupees
11 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
Mark-up accrued on secured:			
- long-term financing		16,977,319	21,617,737
- short-term borrowings		16,476,043	7,790,193
- liabilities against assets subject to finance lease		-	13,398
		<u>33,453,362</u>	<u>29,421,328</u>
12 SHORT TERM BORROWINGS - SECURED			
From banking companies			
Short term money market loan and bank overdraft	12.2	<u>1,047,504,825</u>	<u>922,987,897</u>
12.1 The aggregate approved short term borrowing facilities amounted to PKR2,660.0 million (2007: PKR 2310.0 million).			
12.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.25% to 1.5 % (2007: 1 to 3 month KIBOR + spreads between 0.25 to 1.5%) per annum payable quarterly. These are secured against hypothecation charge on stock and receivables.			
13 CURRENT PORTION OF LONG TERM BORROWINGS			
Long-term financing	6	318,571,432	318,571,430
Liabilities against assets subject to finance lease	7	-	10,371,656
Long-term murabaha	8	<u>15,227,272</u>	<u>21,818,182</u>
		<u>333,798,704</u>	<u>350,761,268</u>
14 CONTINGENCIES AND COMMITMENTS			
Contingencies			
14.1 The Company has issued indemnity bonds amounting to PKR 17.99 million (2007 : PKR 17.99 million) in favour of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.			
14.2 In normal course of business, commercial banks have issued guarantees on behalf of the company amounting to PKR 41.346 Million (2007: PKR 38.711 Million)			
14.3 Bills discounted.		85,966,251	72,365,227
Commitments			
Letter of credit		24,934,730	143,761,087
Capital work in progress		<u>2,200,000</u>	<u>7,000,000</u>
		<u>27,134,730</u>	<u>150,761,087</u>

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

15 PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2008

DESCRIPTION	COST				DEPRECIATION				Book value as at 30-06-08	Rate
	As at 01-07-07	Additions/(Deletions)	Transfer	As at 30-06-08	As at 01-07-07	For the Year	Transfers/(disposal)	As at 30-06-08		
R U P E E S										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	120,603,772	557,452	-	121,161,224	-	-	-	-	121,161,224	-
Building on leasehold land	89,743,797	-	1,360,529	91,104,326	49,194,868	4,066,231	-	53,261,099	37,843,227	10%
Building on freehold land	284,478,817	-	2,984,420	287,463,237	80,128,707	20,607,011	-	100,735,718	186,727,519	10%
Office premises on leasehold land	27,123,417	-	2,494,703	29,618,120	7,540,896	989,520	-	8,530,416	21,087,704	5%
Office premises on freehold land	70,426,020	-	3,165,321	73,591,341	12,075,126	3,023,055	-	15,098,181	58,493,160	5%
Plant and machinery	2,110,345,985	5,022,826	76,732,475	2,192,101,286	696,600,096	147,396,589	18,198,163	862,194,848	1,329,906,438	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	805,738	637,455	-	1,443,193	5,737,096	10%
Cooling towers	4,528,720	-	-	4,528,720	554,768	397,395	-	952,163	3,576,557	10%
Ventilation system	1,461,897	-	-	1,461,897	85,277	137,662	-	222,939	1,238,958	10%
Boiler	18,244,925	-	-	18,244,925	1,084,525	1,716,040	-	2,800,565	15,444,360	33%
Equipments and other assets	6,490,599	644,738	9,795,690	16,931,027	4,195,305	1,394,606	-	5,589,911	11,341,116	33%
Electric Installation	22,449,872	-	-	22,449,872	3,084,685	1,936,519	-	5,021,204	17,428,668	10%
Factory equipments	15,718,324	-	-	15,718,324	11,862,732	387,770	-	12,250,502	3,467,822	10%
Office equipments	18,760,013	-	507,312	19,267,325	10,476,483	830,370	-	11,306,853	7,960,472	10%
Furniture and fixtures	5,923,239	43,361	-	5,966,600	3,163,197	276,910	-	3,440,107	2,526,493	10%
Vehicles	36,850,337	4,272,668	-	38,938,910	19,068,008	3,527,507	-	21,469,947	17,468,963	20%
		(2,184,095)	-					(1,125,568)		
	2,840,763,437	10,541,045	97,040,450	2,946,160,837	899,920,411	187,324,640	18,198,163	1,104,317,646	1,841,843,191	
		(2,184,095)	-					(1,125,568)		
Assets subject to finance lease										
Plant and machinery	72,574,928	-	(72,574,928)	-	18,198,163	-	(18,198,163)	-	-	10%
	72,574,928	-	(72,574,928)	-	18,198,163	-	(18,198,163)	-	-	
June 30, 2008	2,913,338,365	10,541,045	97,040,450	2,946,160,837	918,118,574	187,324,640		1,104,317,646	1,841,843,191	
		(2,184,095)	(72,574,928)					(1,125,568)		

Additions includes direct capitalization and transfer from capital work in progress.

Transfer to owned assets includes both transfers from capital work in progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

YEAR ENDED 30 JUNE 2007

DESCRIPTION	COST				DEPRECIATION				Book value as at 30-06-07	Rate
	As at 01-07-06	Additions/(Deletions)	Transfer	As at 30-06-07	As at 01-07-06	For the Year	Transfers/(disposal)	As at 30-06-07		
R U P E E S										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	120,798,550	-	(194,778)	120,603,772	-	-	-	-	120,603,768	-
Building on leasehold land	88,364,871	-	1,379,126	89,743,997	44,775,293	4,419,575	-	49,194,868	40,548,929	10%
Building on freehold land	264,874,043	-	19,604,774	284,478,817	59,024,895	21,298,590	(194,778)	80,128,707	204,350,110	10%
Office premises on leasehold land	24,428,884	-	2,694,733	27,123,417	6,604,916	935,980	-	7,540,896	19,582,521	5%
Office premises on freehold land	64,047,549	162,378	6,216,093	70,426,020	9,303,928	2,771,200	-	12,075,126	58,350,894	5%
Plant and machinery	2,047,611,937	501,035	62,233,013	2,110,345,985	530,546,527	156,769,870	9,283,699	696,600,096	1,413,745,889	10%
equipments and other assets	450,864	2,150,426	-	2,601,290	412,541	324,878	-	737,419	1,863,871	33%
Fast moving Items	2,859,754	-	-	2,859,754	1,651,508	965,167	-	2,616,675	243,079	33%
Electric Installation	21,549,872	-	900,000	22,449,872	952,442	2,132,243	-	3,084,685	19,365,187	10%
Gas Line & Pipe	5,969,252	1,211,037	-	7,180,289	149,231	656,507	-	805,738	6,374,551	10%
Cooling towers	4,528,720	-	-	4,528,720	113,218	441,550	-	554,768	3,973,952	10%
Ventilation system	-	-	1,461,897	1,461,897	-	85,277	-	85,277	1,376,620	10%
Boiler	-	-	18,244,925	18,244,925	-	1,084,525	-	1,084,525	17,160,400	33%
Factory equipments	15,718,324	-	-	15,718,324	11,417,805	444,927	-	11,862,732	3,855,592	10%
Office equipments	16,513,253	288,760	1,958,000	18,760,013	9,786,025	690,458	-	10,476,483	8,283,530	10%
Computer and accessories	1,029,555	-	-	1,029,555	617,928	223,283	-	841,211	188,344	33%
Furniture and fixtures	5,560,251	53,776	309,212	5,923,239	2,889,315	273,882	-	3,163,197	2,760,043	33%
Vehicles	32,423,360	7,798,785	-	36,850,337	17,951,025	3,605,931	-	19,068,008	17,782,329	20%
		(3,371,808)	-					(2,488,948)		
	2,717,162,053	12,166,197	115,001,773	2,840,763,437	696,196,595	197,123,843	9,283,699	899,920,411	1,940,843,022	
		(3,371,808)	(194,778)					(2,488,948)		
Assets subject to finance lease										
Plant and machinery	128,000,000	-	(55,425,072)	72,574,928	21,440,000	6,041,862	(9,283,699)	18,198,163	54,376,765	10%
	128,000,000	-	(55,425,072)	72,574,928	21,440,000	6,041,862	(9,283,699)	18,198,163	54,376,765	
June 30, 2007	2,845,162,053	12,166,197	115,001,773	2,913,338,365	717,636,595	203,165,705		918,118,574	1,995,219,787	
		(3,371,808)	(55,425,072)					(2,488,948)		

15.1 The depreciation charge for the period has been allocated as follows:

Cost of goods sold	182,477,493	198,358,080
Administrative expenses	4,847,147	4,807,625
	<u>187,324,640</u>	<u>203,165,705</u>

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

YEAR ENDED 30 JUNE 2008

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
RUPEES							
Vehicles							
ALR - 215	1,198,000	219,633	978,367	950,000	(28,367)	Negotiation	E. F. U General Insurance, 8th Floor Business Plaza, I. I. Chundrigar Road Karachi
ABS - 136	687,475	611,659	75,816	390,000	314,184	Negotiation	Mr. Attaullah, M. S. 108, Shah Bari District, Bharat Banu.
G - 6974	298,620	294,276	4,344	110,000	105,656	Negotiation	Mr. Sajid Ali, Chak No. 105/NP, Dhakana Nawa KOT, Khanpur
30-Jun-08	2,184,095	1,125,568	1,058,527	1,450,000	391,473		

YEAR ENDED 30 JUNE 2007

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
RUPEES							
Vehicles							
Honda Civic - LXD 3207	887,020	787,511	99,509	450,000	350,491	Negotiation	Mr. Ahmad Hammed 21-C-1, Fiasal Town, Lahore
Suzuki Cultus - LRK 3508	565,850	327,801	238,049	275,000	36,951	Negotiation	Mr. Anjum Sohail House no. 556-B, Faisal Twon, Lahore
Suzuki Khyber - LXH 889	377,738	332,848	44,890	240,000	195,110	Negotiation	Mr. Javid Akhter House no. P-125, Minal market, Gulberg II Lahore
Toyota Corolla - ABM - 390	650,000	381,264	268,736	470,000	201,264	Negotiation	Mr. Arif pervaiz, House no. A-344 Block 3, Gulshan-e-Iqbal Karachi.
Toyota Hiace - CK - 8861	891,200	659,524	231,676	495,000	263,324	Negotiation	Mr. Hussain House no. 1393, Sakuna Manzil, St. no. 04 Yaqoob Shara Road, Nawabad Layari, Karachi
30-Jun-07	3,371,808	2,488,948	882,860	1,930,000	1,047,140		

		June 30, 2008	June 30, 2007
		Rupees	Rupees
16 CAPITAL WORK IN PROGRESS			
Building and other civil work		5,462,210	8,570,512
Machinery		207,994	677,547
		5,670,204	9,248,059
17 LONG TERM INVESTMENTS			
Available for sale			
50,000 ordinary shares of Rs. 10 each.	17.1	500,000	500,000
Provision for diminution in the value of investments	17.2	(125,000)	(75,000)
		375,000	425,000
17.1			
The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.			
17.2			
The market value of these shares was PKR 7.50 per share as at June 30, 2008 (June 2007: PKR 8.50 per share)			
18 LONG TERM LOANS - SECURED			
Un-secured but considered good			
Loan and advances to staff	18.1	14,305,678	13,641,355
Less current maturity	18.2	(5,680,180)	(4,396,039)
		8,625,498	9,245,316

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

18.1 These are interest free loans advanced to employees against future salaries and retirement benefits as per terms of employment and are repayable over a period of two to five years.

	June 30, 2008	June 30, 2007
	Rupees	Rupees
19 LONG TERM DEPOSITS		
Electricity	2,305,560	2,078,060
Telephone	67,900	67,900
Others	120,476	136,591
	<u>2,493,936</u>	<u>2,282,551</u>
20 STORES, SPARES AND LOOSE TOOLS		
Stores, spare parts & loose tools	43,177,053	22,052,117
Packing material	6,509,417	6,359,991
	<u>49,686,470</u>	<u>28,412,108</u>

20.1 It is impracticable to distinguish stores, spares and loose tools, each from the other.

20.2 Stores, spares and loose tools are generally held for internal use only.

20.3 No item of stores, spares and loose tools is pledged as security as at the reporting date.

21 STOCK IN TRADE

Raw material	711,160,193	563,632,349
Raw material in transit	-	15,419,134
Work in process	51,641,689	36,649,985
Finished goods	21.1 198,373,077	222,341,935
Waste	651,013	577,603
	<u>961,825,972</u>	<u>838,621,006</u>

21.1 Finished goods of PKR 2.863 Million (2007: PKR NIL) are being carried at net realizable value.

22.2 No item of stock in trade is pledged as security as at the reporting date.

22 TRADE DEBTS

Foreign - secured against letter of credit	17,075,058	11,606,123
Local - unsecured - considered good	399,994,108	362,009,495
Local - unsecured - considered doubtful	6,978,974	6,978,974
	424,048,140	380,594,592
Provision for doubtful debts.	<u>(6,978,974)</u>	<u>(6,978,974)</u>
	<u>417,069,166</u>	<u>373,615,618</u>

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

23 LOANS AND ADVANCES	June 30, 2008	June 30, 2007
	Rupees	Rupees
Advances to :		
Suppliers - unsecured but considered good	2,560,332	660,242
Suppliers - unsecured and considered doubtful	4,850,000	5,000,000
Prepaid	1,502,033	10,381
Current portion of loan to staff	18 5,680,180	4,396,039
	<u>14,592,545</u>	<u>10,066,662</u>
Provision for doubtful supplier advances	<u>(4,850,000)</u>	<u>(5,000,000)</u>
	<u>9,742,545</u>	<u>5,066,662</u>
Particulars of provision for doubtful receivables		
As at beginning of the year	5,000,000	-
Provided during the year	-	5,000,000
Recovered during the year	<u>(150,000)</u>	<u>-</u>
As at end of the year	<u>4,850,000</u>	<u>5,000,000</u>
 24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	730,482	5,319,230
Deposits against infrastructure fees	24.1 18,700,000	14,600,000
Short term prepayments	288,848	104,973
Lease security deposit	-	7,257,493
Margin against letter of credit	504,048	470,227
	<u>20,223,378</u>	<u>27,751,923</u>
24.1 Effective mark up rate on these deposits range from 5% to 7% (June 30, 2007: 3% to 5%) per annum.		
 25 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD		
L/C in transit	4,218,614	2,451,079
Other receivables	2,254,068	862,937
KMC refundable	499,259	499,259
Shortage claim receivables - considered good	-	2,371,444
	<u>6,971,941</u>	<u>6,184,719</u>
Provision for doubtful receivables	<u>(1,066,694)</u>	<u>(1,066,694)</u>
	<u>5,905,247</u>	<u>5,118,025</u>
 26 TAXATION		
Advance income tax	51,935,413	43,300,484
Sales tax refundable	9,205,000	16,304,889
	<u>61,140,413</u>	<u>59,605,373</u>
 27 CASH AND BANK BALANCES		
Balances with banks on:		
Current accounts	18,445,971	55,522,876
Foreign currency account - current	83,306	94,611
	<u>18,529,277</u>	<u>55,617,487</u>

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

28 SALES - NET	2008		2007		June 2008 Rupees	June 2007 Rupees
	LOCAL	EXPORT	LOCAL	EXPORT		
	RUPEES					
Yarn	1,156,651,594	715,941,453	1,486,647,887	422,581,295	1,872,593,047	1,909,229,182
Fabric	429,831,447	1,160,552,615	839,658,245	755,368,923	1,590,384,062	1,595,027,168
Waste	47,115,528	-	42,791,619	-	47,115,528	42,791,619
	1,633,598,569	1,876,494,068	2,369,097,751	1,177,950,218	3,510,092,637	3,547,047,969
Rebate	-	311,851	-	1,497,405	311,851	1,497,405
Commission	(23,920,193)	(9,236,213)	(19,817,216)	(7,639,661)	(33,156,406)	(27,456,877)
	1,609,678,376	1,867,569,706	2,349,280,535	1,171,807,962	3,477,248,082	3,521,088,497
29 COST OF GOODS SOLD					June 30, 2008 Rupees	June 30, 2007 Rupees
Raw material			29.1	2,183,689,937	2,121,472,700	
Packing material				36,608,419	33,747,645	
Stores, spares and loose tools				105,695,312	95,512,389	
Salaries, wages and benefits			29.2	179,561,290	172,504,902	
Processing charges				5,768,176	2,293,190	
Fees and subscription				78,380	8,800	
Fuel, power and water				309,866,532	287,433,868	
Electric duty				1,772,792	1,981,696	
Insurance				8,310,888	8,845,610	
Vehicle running and maintenance				3,104,321	2,837,348	
Rent, rate and taxes				399,458	424,223	
Repair and maintenance				4,610,987	4,096,228	
Communication				565,015	546,953	
Traveling and conveyance				860,235	606,652	
Depreciation			15.1	182,477,493	198,358,080	
Other				954,179	1,677,096	
				3,024,323,414	2,932,347,380	
Work in process						
Opening stock				36,649,985	31,547,899	
Closing stock				(51,641,689)	(36,649,985)	
				(14,991,704)	(5,102,086)	
Cost of goods manufactured				3,009,331,710	2,927,245,294	
Yarn Purchased for Export				37,318,272	185,111,495	
Finished stocks						
Opening stock				222,919,538	155,082,309	
Cost of finished goods theft				(2,737,788)		
Closing stock				(199,024,090)	(222,919,538)	
				21,157,660	(67,837,229)	
				3,067,807,642	3,044,519,560	
29.1 Raw material consumed						
Opening stock				563,632,349	361,123,391	
Purchases - net				2,438,241,382	2,352,685,837	
				3,001,873,731	2,713,809,228	
Cost of raw material sold				(107,023,601)	(28,704,179)	
Closing stock				(711,160,193)	(563,632,349)	
				2,183,689,937	2,121,472,700	

29.2 Salaries, wages and benefits includes employees benefits amounting to Rs. 9,206,477 (June 30, 2007: PKR 8,486,171).

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

		June 30, 2008	June 30, 2007
		Rupees	Rupees
30 OTHER OPERATING INCOME			
Income from financial assets			
Interest income		1,788	2,081
Provision for diminution in value of investment		(50,000)	-
Bad debts recovered		150,000	-
		<u>101,788</u>	<u>2,081</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		391,473	1,047,140
Gain on sale of cotton	30.1	9,317,476	346,067
Rental income		60,000	25,000
		<u>9,768,949</u>	<u>1,418,207</u>
		<u>9,870,737</u>	<u>1,420,288</u>
30.1 Gain on sale of cotton		106,238,813	14,997,615
Sales		(89,296,708)	(14,651,548)
Cost of sales of cotton		(1,324,610)	-
Salaries and wages		(9,021)	-
Loading and unloading		(1,110,232)	-
Insurance		(1,385,919)	-
Commission		(3,794,847)	-
Markup on cotton purchased		<u>(96,921,337)</u>	<u>(14,651,548)</u>
		<u>9,317,476</u>	<u>346,067</u>
31 DISTRIBUTION COST			
Export		28,325,177	13,847,371
Freight on export sales		1,518,434	1,957,545
Export development surcharge		516,336	253,482
Adhesive Stamps		1,711,825	561,658
foreign Bank Acceptance Charges		599,362	3,056,804
Others		32,671,134	19,676,860
Local		9,569,844	8,196,178
Freight on local sales		261,883	671,507
Others		<u>9,831,727</u>	<u>8,867,685</u>
		<u>42,502,861</u>	<u>28,544,545</u>
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration	38	1,920,000	1,920,000
Staff salaries and benefits	32.1	25,284,507	21,635,735
Computer Expenses		201,353	314,022
Traveling, conveyance and entertainment		3,493,631	3,235,952
Printing and stationery		1,951,556	1,290,602
Communication		2,599,826	2,400,459
Vehicles running and maintenance		4,257,192	3,631,548
Legal and professional		597,194	731,725
Auditors' remuneration	32.2	372,500	340,000
Fee and subscription		488,923	1,146,513
Repair and maintenance		1,573,491	1,067,724
Depreciation	15.1	4,847,147	4,807,625
Rent, rates and utilities		1,880,218	1,765,491
Donation	32.3	574,200	944,240
Doubtful Debts		-	6,856,318
Sales Tax under amnesty		1,041,234	-
Others		686,720	998,561
		<u>51,769,692</u>	<u>53,086,515</u>

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

32.1 Salaries, wages and benefits includes employees benefits amounting to Rs. 2,826,468 (June 30, 2007 1,069,128).

	June 30, 2008	June 30, 2007
	Rupees	Rupees
32.2 Auditors' remuneration		
Annual statutory audit	247,500	225,000
Half yearly review	90,000	80,000
Out of pocket expenses	35,000	35,000
	<u>372,500</u>	<u>340,000</u>

32.3 No director or his spouse had any interest in the donee

33 OTHER OPERATING EXPENSES

Workers' profit participation fund **10.1** 4,194,048 9,768,886

34 FINANCE COST

Mark-up on:

- long-term financing	86,237,534	109,859,978
- long-term murabaha	2,692,370	4,396,401
- short-term borrowings	121,839,700	75,613,729
- liabilities against assets subject to finance lease	7,931	1,347,953
- workers' profit participation fund	2,450,542	2,034,500

213,228,077 193,252,561

Bank charges and commission 2,051,125 5,097,247

Inland letter of credits discounting 3,211,875 -

Derivatives financial instrument **6.6 & 6.7** 22,666,586 2,630,630

Imputed interest income on interest free loan (20,280,612) -

220,877,051 200,980,438

35 PROVISION FOR TAXATION

Current

- for the year **35.1** 18,081,657 17,735,240

- for prior years (2,557,766) (2,068,065)

15,523,891 15,667,175

Deferred **9.3 & 35.4** 20,538,092 46,175,234

36,061,983 61,842,409

35.1 Provision for current tax for the year has been made in accordance with section 18 and section 154 of the Income Tax Ordinance 2001. The income tax assessment of the company has been finalized up to the tax year 2007. The company has filed an appeal against the order of DCIT for the tax year 2006 regarding proportionation of expenses under FTR (Final Tax Regime).

35.2 Provision for WWF has been made as required under section 4 (1) of the Workers' Welfare Fund Ordinance 1971 as amended on 01 July 2006 and has been provided at the rate of 2 % of total income as is assessable under the Income Tax Ordinance 2001. NO provision for W.W.Fund has been made on presumptive Income. The amendments in W.W.Fund Ord. 1971 having been enacted in Finance Bill 2008, becomes effective from Tax year 2009 unless otherwise indicated.

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

Applicable tax rate 35.00 35.00

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

Tax effect of amounts that are:	June 30, 2008	June 30, 2007
	Rupees	Rupees
adjustment of the prior years	(2.55)	(1.11)
income chargeable to tax at different rate	(2.3)	(1.68)
inadmissible expenses	0.72	0.51
others	0.60	0.60
	<u>1.07</u>	<u>(1.68)</u>
Effective tax rate	<u>36.07</u>	<u>33.32</u>

35.4 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated as that proportion of total timing differences that the local sales, other than the indirect exports, bear to the total sales revenue. Deferred tax has been calculated at 35% (2007: 35%) of the timing differences so determined.

36 EARNING PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning per share of the company which is based on;

Earning

Earning for the purpose of basic earnings per share (net profit after tax for the year)	<u>63,905,542</u>	<u>123,766,432</u>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>3,000,000</u>	<u>3,000,000</u>
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Basic earning per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

Basic earning per share	<u>21.30</u>	<u>41.26</u>
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No figure for diluted earning per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

37 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, The Board of Directors in their meeting held on 20th September 2008 has proposed to pay cash dividend of @ 20% i.e PKR 2 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting.

38 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	CHIEF EXECUTIVE OFFICER		DIRECTOR		TOTAL	
	<u>Year ended June 30,2008</u>	<u>Year ended June 30,2007</u>	<u>Year ended June 30,2008</u>	<u>Year ended June 30,2007</u>	<u>Year ended June 30,2008</u>	<u>Year ended June 30,2007</u>
	R U P E E S					
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
Allowances	297,931	297,931	297,931	297,931	595,862	595,862
	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>1,920,000</u>	<u>1,920,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

38.1 In addition the Chief Executive, and all director are provided with free use of Company maintained cars and telephone for business use.

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

2008

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	SUB Total		
Financial assets								
Trade debts	-	-	-	417,069,166	-	417,069,166	417,069,166	
Loans and advances	-	-	-	4,062,365	-	4,062,365	4,062,365	
Trade deposits	18,700,000	-	18,700,000	1,523,378	-	1,523,378	20,223,378	3 to 7
Other receivables	-	-	-	5,905,247	-	5,905,247	5,905,247	
Bank balances	-	-	-	-	18,529,277	18,529,277	18,529,277	
Long-term loans	-	-	-	5,680,180	-	5,680,180	5,680,180	
Long-term deposits	-	-	-	-	2,493,936	2,493,936	2,493,936	
Long term investments	-	-	-	-	375,000	375,000	375,000	
	18,700,000	-	18,700,000	434,240,336	30,023,711	464,264,047	482,964,047	
Financial liabilities								
Long-term financing	333,798,704	610,159,699	943,958,403	-	-	-	943,958,403	7 and KIBOR + 1
Trade and other payables	-	-	-	167,874,690	-	167,874,690	167,874,690	
Mark-up accrued on loans	-	-	-	33,453,362	-	33,453,362	33,453,362	
Short-term borrowings	1,047,504,825	-	1,047,504,825	-	-	-	1,047,504,825	KIBOR + .5 to 1.5
	1,381,303,529	610,159,699	1,991,463,228	201,328,052	-	201,328,052	2,192,791,280	
On balance sheet gap	(1,362,603,529)	(610,159,699)	(1,972,763,228)	232,912,284	30,023,711	262,935,995	(1,709,827,233)	
Contingencies and commitments								
Guarantees							41,345,675	
Letters of credit							24,934,730	
Civil work							2,200,000	

2007

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	SUB Total		
Financial assets								
Trade debts	-	-	-	373,615,618	-	373,615,618	373,615,618	
Loans and advances	-	-	-	670,623	-	670,623	670,623	
Trade deposits	14,600,000	-	14,600,000	13,151,923	-	13,151,923	27,751,923	1.5
Other receivables	-	-	-	5,118,025	-	5,118,025	5,118,025	
Bank balances	-	-	-	55,617,487	-	55,617,487	55,617,487	
Long-term loans	-	-	-	4,396,039	9,245,316	13,641,355	13,641,355	
Long-term deposits	-	-	-	-	2,282,551	2,282,551	2,282,551	
Long term investments	-	-	-	-	425,000	425,000	425,000	
	14,600,000	-	14,600,000	452,569,715	11,952,867	464,522,582	479,122,582	
Financial liabilities								
Long-term financing	340,389,612	793,958,404	1,134,348,016	-	-	-	1,134,348,016	KIBOR + 1
Trade and other payables	-	-	-	159,701,323	-	159,701,323	159,701,323	
Mark-up accrued on loans	-	-	-	29,407,930	-	29,407,930	29,407,930	
Short-term borrowings	922,987,897	-	922,987,897	-	-	-	922,987,897	KIBOR + .5 to 1.5
	1,263,377,509	793,958,404	2,057,335,913	189,109,253	-	189,109,253	2,246,445,166	
On balance sheet gap	(1,248,777,509)	(793,958,404)	(2,042,735,913)	263,460,462	11,952,867	275,413,329	(1,767,322,584)	
Contingencies and commitments								
Guarantees							38,710,700	
Letters of credit							143,761,087	
Civil work							7,000,000	

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

39.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

39.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 482,964,047 (June 30, 2007: PKR 479,122,582), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 441,444,717 (June 30, 2007: PKR 393,045,621) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

39.3 Liquidity risk

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

39.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2008, the total foreign currency risk exposure was PKR 17,075,058 (June 30, 2007: PKR 11,606,123) in respect of foreign trade debts.

39.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

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

40 TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Transaction with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 17.1 and 37 are as follow :

	June 30, 2008	June 30, 2007
	Rupees	Rupees
Purchase of goods	245,615,472	302,282,745
Purchase of machinery	925,000	-
Sales of yarn/cotton/fabric	162,391,239	321,228,817
Services received	433,000	998,250
Services rendered	11,614,779	10,828,564
Electricity purchased	146,167,831	97,851,153

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

41 Accounting Estimates and Judgments

41.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

41.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

41.3 Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

41.4 Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

41.5 Interest rate and cross currency swap

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

42 PLANT CAPACITY AND ACTUAL PRODUCTION	June 30, 2008	June 30, 2007
	Rupees	Rupees
Number of spindles installed	67,776	67,776
Number of rotors installed	192	192
Number of looms installed	140	140
Number of spindles worked	67,776	67,776
Number of rotors worked	-	192
Number of looms worked	140	140
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,200,746	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	26,346,958	23,916,723
Installed capacity of fabric after conversion into 50 picks - Square meters	26,166,485	26,166,485
Actual production of fabric after conversion into 50 picks - square meters	29,025,904	33,878,770

Production activity of rotors has been temporarily discontinued due to unviability and unfavourable conditions of open end yarn.

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindles speed and twist etc. It would also vary accordingly to pattern of production adopted in a particular year.

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

43 DATE OF AUTHORIZATION FOR ISSUE

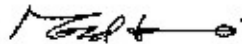
These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 20th September 2008

44 RE-ARRANGEMENT AND RE-CLASSIFICATION

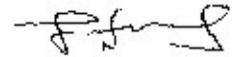
Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

45 GENERAL

The figures have been rounded off to the nearest Rupee.



MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR



MOHAMMAD SHAKEEL
DIRECTOR

Karachi
Dated: 20th September, 2008

PATTERN OF SHAREHOLDING AS AT 30-06-2008

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
96	1	100	9,600
31	101	500	9,100
11	501	1000	9,700
14	1001	5000	30,900
3	10001	15000	35,500
1	15001	20000	17,700
2	20001	25000	43,984
1	25001	30000	29,872
1	40001	45000	42,780
4	50001	55000	204,938
3	60001	65000	181,600
3	70001	75000	216,400
2	80001	85000	165,600
2	155001	160000	317,900
1	165001	170000	165,142
1	170001	175000	170,400
1	250001	255000	250,176
1	265001	270000	267,825
1	330001	335000	334,283
1	495001	500000	496,600
180			3,000,000

**CATEGORYWISE SUMMARY OF SHAREHOLDERS
AS AT 30-06-2008**

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Individuals	174	2,414,300	80.47
2 Investment Companies	-	-	-
3 Insurance Companies	1	70,500	2.35
4 Joint Stock Companies	5	515,200	17.18
5 Financial Institutions	-	-	-
6 Modaraba Companies	-	-	-
7 Foreign Investors	-	-	-
8 Co-Operative Society	-	-	-
9 Charitable Institutions	-	-	-
10 Others	-	-	-
TOTAL	180	3,000,000	100.00

The above two statements include 90 shareholders holding 634,000 shares through the Central Depository Company of Pakistan Limited (CDC)

**PATTERN OF SHAREHOLDINGS
AS AT 30-06-2008**

S.No.	Shareholders Category	Percentage	No. of Shares
1	Associated companies undertaking and related parties	-	-
2	NIT / ICP	-	-
3	CEO, Directors and their spouse and minor children		
	Mr. Mohammad Salim		21,929
	Mr. Mohammad Sharif		14,000
	Mr. Mohammad Shaheen		42,780
	Mr. Mohammad Shakeel		22,055
	Mr. Khurram Salim		60,500
	Mr. Bilal Sharif		60,500
	Mr. Mohammad Amin		159,500
	Mr. Adil Shakeel		267,825
	Mrs. Yasmeen Begum		29,872
	Mrs. Anjum Begum		165,142
	Mrs. Seema Begum		53,292
	Mrs. Nazli Begum		50,482
	Mrs Amna Khurram		73,400
	Mrs. Samia Bilal		334,283
	Mrs. Fatima Amin		170,400
	Master Abdullah Bilal		11,000
4	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds		
	State Life Insurance Corporation of Pakistan		70,500
5	Details of Trading in the Shares by the Directors, CEO, CFO, Company Secretary and their spouse and minor children		-
6	Shareholders Holding Ten Percent or more Voting Interest		
	Mrs. Saima Bilal	11.14%	334,283
	Admiral (Private) Limited	16.55%	496,600

PROXY FORM

I/We _____
of _____
being a member of BHANERO TEXTILE MILLS LIMITED and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 29th Annual General Meeting of the Company to be held on
Friday October 24, 2008 at 3:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

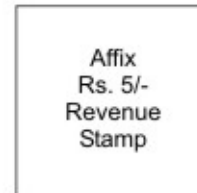
WITNESS

Signature _____

Name _____

Address _____

CNIC/Passport # _____



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

Signed this _____ day of _____ 2008

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, Bhanero Textile Mills Limited, Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. so as to reach not less than 48 hours before the time scheduled for holding the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the proxy form should also be submitted.
- (iii) The Proxy nominee shall produce his / her original CNIC or original Passport at the time of the meeting.
- (iv) In case of a Corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to the Company.