Company profile

Board of Directors

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

Audit committee

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

Chief financial officer
Mr. Arif Abdul Majeed

Company secretary
Mr.Ahmed Faheem Niazi

Registered office

Office # 508.	Tel. 111-404-404
5th floor, Beaumont Plaza,	Fax. 5693593 - 94
Civil Lines Quarters, Karachi.	

Website www.indus-group.com

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

Factory location

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

INDUS DYEING & MANUFACTURING CO. LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

		Reserves				
		Capital		Revenue		
	Share Capital	* Share Premium	Merger Reserve (Note 4)	General Reserve	Un-appropriated Profit	Total
	.... Rupees					
Balance as at June 30, 2005	172,130,770	10,919,880	11,512,210	800,000,000	503,547,232	1,498,110,092
Final cash dividend for the period ended June 30, 2005 @ Rs. 1.5 per share	-	-	-	-	(25,819,615)	(25,819,615)
Bonus shares issued @ 5%	8,606,540	-	-	-	(8,606,540)	-
Profit for the year	-	-	-	-	406,702,897	406,702,897
Balance as at June 30, 2006	180,737,310	10,919,880	11,512,210	800,000,000	875,823,974	1,878,993,374
Transfer to General reserve	-	-	-	500,000,000	(500,000,000)	
Final cash dividend for the year ended June 30, 2006 @ Rs. 1.5 per share	-	-	-	-	(27,110,597)	(27,110,597)
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax and disposal	-	-	-	-	68,120	68,120
Profit for the year	-	-	-	-	430,448,118	430,448,118
Balance as at June 30, 2007	180,737,310	10,919,880	11,512,210	1,300,000,000	779,229,615	2,282,399,015

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

The annexed notes from 1 to 43 form an integral part of these financial statements.

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

INDUS DYEING & MANUFACTURING CO. LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

		Reserves				
		Capital		Revenue		
	Share Capital	* Share Premium	Merger Reserve (Note 4)	General Reserve	Un-appropriated Profit	Total
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SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

INDUS DYEING & MANUFACTURING CO. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	June 30, 2007	June 30, 2006
		……......……… Rupees	……….....…..
Continuing Operations			
Sales	25	6,411,377,139	6,160,289,230
Cost of goods sold	26	(5,466,377,334)	(5,274,253,480)
		944,999,805	886,035,750
Other operating income	27	74,078,390	24,102,245
		1,019,078,195	910,137,995
Distribution cost	28	(149,524,584)	(147,902,794)
Administrative expenses	29	(78,059,311)	(66,792,633)
Other operating expenses	30	(21,599,880)	(20,126,975)
Finance cost	31	(369,583,432)	(292,903,066)
Share of profit from Associate - net of tax	14	93,350,985	-
Share of profit from Joint Venture - net of tax	14	45,678,710	-
		(479,737,512)	(527,725,468)
Profit before taxation		539,340,683	382,412,527
Taxation for continuing operations	32	(140,866,379)	(60,358,191)
Profit after tax from continuing operations for the year		398,474,304	322,054,336
Discontinuing Operations			
Profit after tax for the period from discontinued operations	34	31,973,814	84,648,561
Profit for the year after tax		430,448,118	406,702,897
Earnings per share-Basic and diluted	35		
From continuing operations		22.05	17.82
From discontinuing operations		1.77	4.68

The annexed notes from 1 to 43 form an integral part of these financial statements.

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

DIRECTORS' REPORT

The Directors take great pride in presenting the 50th Annual Report of your Company, along with Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2007. Briefs of financial results for the period under review are as under:

Financial Review	Rs.'000
Profit after taxation	430,448
Un-appropriated profit brought forward	875,824
Profit available for appropriation	1,306,272
Transfer to General reserve	500,000
Dividend	27,110
Un-appropriated profit carried forward	779,230
Earning per share Rs	23.82

Present Year assessment.
Your Company has performed very well and earned a net profit Rs. 430.448 millions, including "Towel unit" profit Rs 31.974 millions. Net sales increased to the highest level of Rs.6.411 billions.

Dividend.
Your Directors are pleased to recommend 15% cash divined for the year.

Investments and Sources of Financing
During the year Rs 580 millions were invested in the fixed assets. This is part of the company's expansion/BMR plan to increase and modernize its capacity and to enhance its captive power plants. Depreciation cash flow of Rs. 331 millions, retained earnings and long term debts were used to finance this expansion.

Future Outlook
Due to increase in cotton prices and other input costs like power, wages & mark-up rates it seems difficult to sustain such performance for next year. But the management will try its best to achieve the optimal results.

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

a. The Financial Statement prepared by the Management, present fairly its state of affairs, the result of its operations, Cash Flows and changes in equity;
b. Proper books of accounts have been maintained;
c. Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.
e. Internal Auditors is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the management.
f. There are no significant doubts upon the company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. Key operating and financial data for last six years is annexed.
i. The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
j. During the period under review the trading in shares of the Company by the CEO. Directors and their spouses as follows:

	Purchase	Sales
1) Mian Mohammed Ahmed	NIL	10,000

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

Name of Director	Attendance
Mian Mohammad Ahmed	5
Mian Riaz Ahmed	4
Mr. Shahzad Ahmed	5
Mr. Naveed Ahmed	7
Mr. Imran Ahmed	6
Mr. Irfan Ahmed	5
Mr. Kashif Riaz	4
Mr. Shafqat Masood	7
Mr. Mansoob A. Akhtar	7

Pattern of shareholding
The pattern of shareholding as at June 30, 2007 is annexed.

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

For and behalf of the Board
Karachi: 06th October, 2007.

Shahzad Ahmad
Chief Executive

INDUS DYEING & MANUFACTURING CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 As resolved by the Board of Directors in extra ordinary general meeting held on April 24, 2006 to dispose off the property, plant and equipment of weaving unit to the jointly controlled entity, Indus Home Limited. The said transaction has been completed during the year in the mid of October 2006. Further, the property, plant and equipment of weaving unit has been disposed off at their carrying values except for land that has been disposed off at fair value as resolved by the Board of Directors. The carrying amount of assets and operating results of weaving unit are disclosed in notes 13.1 and 34 respectively to the financial statements.

1.3 The financial statement are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Financial Reporting Standards as are notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards and Interpretations that have been issued but are not yet effective

The following standards and interpretations of approved accounting standards are not expected to have significant impact on the Company's financial statements.

IFRS 3	Business Combinations	Agreements entered on or after March 31, 2004
		Effective for annual periods beginning on or after
IFRS 2	Share-based Payment	January 1, 2007
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2007
IFRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2007
IFRIC 10	Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	IFRS 2—Group and Treasury Share	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 13	Customer loyalty programmes	July 1, 2008

2.3 Basis for Preparation

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

- recognition of certain employee retirement benefits at present value

- certain investments have been included at fair value
- investment in associate and investment in joint venture under equity method

The principal accounting policies adopted are set out below:

2.4 Taxation

Current

Taxation is based on applicable tax rates under such regime. The provision for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and available rebates, if any, or minimum taxation provision the rate of one-half percent of turn over which ever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rate under such regime.

Deferred

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

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

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

2.5 Staff retirement benefits

Defined benefit plan

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

2.6 Trade and other payables

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

2.7 Property, plant and equipments

2.7.1 Company owned

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

Depreciation is charged to income applying the reducing balance method at the rates specified in the relevant note. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

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

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

Depreciation methods, useful lives and residual values are reviewed annually.

2.7.2. Capital work-in-progress

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

2.7.3 Assets subject to finance lease

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

Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

2.7.4. Impairment

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

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

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

2.8 Leases

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

As Lessee

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

2.9 Stores, spares and loose tools

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

at invoice values plus other charges incurred thereon.

2.10 Stock in trade

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

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

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

2.11 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.12 Investments

2.12.1 Interest in a joint venture

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

2.12.2 Investment in associates

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

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

2.12.3 Financial asset at fair value through profit and loss

Investments, which are acquired for the purpose of generating profit from short term fluctuation in prices or dealers margin, are classified as held for trading. These investments are initially recognised on trade - date basis and recorded on fair value that is consideration paid plus directly attributable transaction cost and are subsequently measured at fair value and resulting gain / (loss) is taken to income currently.

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

2.13 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.14 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. Monetary assets and liabilities in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates.

Exchange gains and losses are included in income currently.

2.15 Provisions

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

2.16 Revenue recognition

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

2.17 Financial instruments

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

2.18 Offsetting of financial assets and financial liabilities

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

2.19 Cash and cash equivalents

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

2.20 Dividend

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

2.21 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the company's accounting policies, the management has not identified any area where critical judgemets have been exercised which have significant impact on the financial statements. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainity at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.

3. ISSUED, SUBSCRIBED AND PAID-UP

2007	2006		Note	June 30, 2007	June 30, 2006
No. of shares				………..…….. Rupees ……………	
9,637,116	9,637,116	Ordinary shares of Rs.10 each fully paid in cash		96,371,160	96,371,160
		Other than cash			
5,282,097	5,282,097	Issued to the shareholders of YTML	3.1	52,820,970	52,820,970
3,154,518	3,154,518	As bonus shares		31,545,180	31,545,180
18,073,731	18,073,731			180,737,310	180,737,310

3.1 5,292,097 ordinary shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation in accordance with the share-swap ratio therein less 10,000 ordinary shares of Rs. 10 each held by Yusuf Textile Mills Limited (YTML) as at October 01, 2004.	52,820,970	52,820,970

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

At the beginning of the year	18,073,731	17,213,077
Add: Issued during the year as bonus shares	-	860,654
At the end of the year	18,073,731	18,073,731

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

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

4. RESERVES

	Note		
Capital			
Share premium		10,919,880	10,919,880
Merger reserve	4.1	11,512,210	11,512,210
		22,432,090	22,432,090
Revenue			
General reserve		1,300,000,000	800,000,000
		1,322,432,090	822,432,090

4.1 Merger reserve represents excess of (a) assets of YTML over its reserves and liability of YTML merged with Indus Dyeing & Manufacturing Co. Limited (IDML) over (b) consideration to shareholders of YTML as per the Scheme of Amalgamation approved by honourable High Court of Sindh.

	June 30, 2007	June 30, 2006
	……….…..... Rupees …....……….	

6. LONG-TERM MURABAHA FINANCE

Banking companies	39,945,847	62,500,000
Less: Current maturities shown under current liabilities	(14,945,847)	(20,000,000)
	25,000,000	42,500,000

6.1 These are payable in quarterly installments of Rs. 2.5 million and half yearly installments of Rs. 5 million (2006: Rs 2.5 million and Rs. 5 million) for a markup at the rate of 10% to 11.43% (2006:10.00% to 10.31%) per annum, and are secured by first pari passu charge on plant and machinery of the company.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

	2007		2006	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	……..………. Rupees ……………		……..………. Rupees ………………..	
Within one year	48,244,507	44,452,345	57,438,038	48,445,946
After one year but not more than five years	18,542,101	17,959,838	76,338,288	71,425,127
Total minimum lease payments	66,786,608	62,412,183	133,776,326	119,871,073
Less: Amount representing finance charges	(4,374,425)	-	(13,905,253)	-
Present value of minimum lease payments	62,412,183	62,412,183	119,871,073	119,871,073
Less: Current portion	(44,452,345)	(44,452,345)	(48,445,946)	(48,445,946)
	17,959,838	17,959,838	71,425,127	71,425,127

7.1 These represent finance lease entered into with leasing companies for plant & machinery and vehicles. Lease rentals are payable in equal monthly and quarterly installments upto February 2009. Interest rates ranging from 5.2 % to 12.91 % (2006: 5.20 % to11.90 %) per annum have been used as discounting factors.

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

8. DEFERRED LIABILITIES

	Note	June 30, 2007	June 30, 2006
		…......…….. Rupees …………….	
Deferred taxation	8.1	206,337,942	122,770,031
Gratuity	8.2	44,821,644	29,721,839
Excise levy payable	8.3	16,354,602	16,354,602
		267,514,188	168,846,472

	June 30, 2007	June 30, 2006
	…......…….. Rupees …………….	

8.1 Deferred taxation

Deferred tax liability on taxable temporary differences of:		
Accelerated tax depreciation allowance	200,337,929	124,183,576
Leased assets	17,594,665	14,797,330
Share of profit from		
Associate	8,193	-
Joint Venture	2,283,936	-
	220,224,723	138,980,906
Deferred tax assets on deductible temporary differences of:		
Provision for gratuity	(5,804,403)	(2,912,740)
Liability against leased assets	(8,082,378)	(13,110,079)
Provision for slow moving and obsolete items	-	(188,056)
	(13,886,781)	(16,210,875)
	206,337,942	122,770,031

8.2 Gratuity

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

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

	June 30, 2007	June 30, 2006
	………….. Rupees …………….	
Principal actuarial assumptions		
Discount rate per annum	10%	9%
Expected rate of increase in salary per annum	9%	8%
Average expected remaining working life of employees	5 years	6 - 10years
Balance sheet liability		
Liability at the beginning of the year	29,721,839	28,319,929
Gratuity charge for the year	26,664,201	8,730,198
Benefits paid during the year	(11,564,396)	(7,328,288)
Liability at the end of the year	44,821,644	29,721,839
Changes in actuarial (losses) / gains		
Unrecognized actuarial gains at beginning of year	1,148,057	2,785,767
Actuarial loss arising during the year	(2,988,093)	(1,318,098)
Net actuarial gains recognized during the year	-	(319,612)
Unrecognized actuarial loss/gain at end of year	(1,840,036)	1,148,057
Charged to profit and loss account		
Current service cost	9,488,035	6,421,587
Interest cost	2,571,640	2,325,335
Net actuarial gains recognized	-	(319,612)
Past service cost	14,604,526	-
Transitional obligation recognized	-	302,888
	26,664,201	8,730,198

8.3 The company has filed an appeal in the Honourable Supreme Court against the levy of central excise duty on borrowings. The matter is pending in the Honourable Supreme Court. However provision is made in accounts on prudent basis.

	Note	June 30, 2007	June 30, 2006
		………….. Rupees …………….	

9. TRADE AND OTHER PAYABLES

Creditors	9.1	34,813,956	83,794,170
Accrued liabilities		158,856,072	122,427,496
Workers' Profit Participation Fund	9.2	22,985,906	25,083,685
Witholding tax payable		63,737	595,384
Advance from customer		16,087,807	-
Unclaimed dividends		6,398,101	5,312,239
Others		6,354,784	13,167,783
		245,560,363	250,380,757

9.1 It includes Rs. Nil (2006: Rs. 212,500) due to associated undertakings.

9.2 Workers' Profit Participation Fund

Balance as at beginning of year	25,083,685	23,768,307
Allocation for the year	22,985,906	25,083,685
Interest charged during the year the funds utilized by the company	1,785,870	1,098,924
	49,855,461	49,950,916
Payments made during the year	(26,869,555)	(24,867,231)
Balance at end of year	22,985,906	25,083,685

10. INTEREST / MARK-UP PAYABLE

Long-term financing	39,871,651	41,684,859
Long-term morabaha finances	1,171,291	1,695,300
Short-term borrowings	30,509,729	27,284,424
	71,552,671	70,664,583

11. SHORT-TERM BORROWINGS

From banking companies - Secured			
Running finances	11.1	262,492,316	1,334,951,114
Finance against imported merchandise	11.2	641,980,326	-
Finance against export	11.3	256,631,172	-
		1,161,103,814	1,334,951,114
Related party - Unsecured			
Loan from Directors		5,149,978	-
		1,166,253,792	1,334,951,114

11.1 The company has aggregated running finance facilities amounting to Rs. 2,984 million (2006: Rs. 1,390 million) from various commercial banks. These are subject to mark-up ranging from 9.98% to 11.13% (2006: 5.33 % to 10.84%). These are secured against hypothecation charge over raw material, finished goods, store and spares, receivables and collateral of personal guarantees of all directors.

11.2 The company has aggregated finance facilities amounting to Rs. 1,657 million from various commercial banks. These are subject to mark-up ranging from 5.85% to 6.08%.

11.3 The company has aggregated finance facilities amounting to Rs. 1,937 million from various commercial banks. These are subject to mark-up ranging from 5.82% to 6.16%.

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

	June 30, 2007	June 30, 2006
	………..…….. Rupees ……………	

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Claim of arrears of social security contribution not acknowledged, appeal is pending in Honourable High Court of Sindh. The management is hopeful for favourable outcome.	452,997	452,997
Bank guarantees	122,759,757	96,430,971

12.2 Commitments

Building extension	-	15,264,115
Letter of credits for raw material, stores and spares and machinery	246,498,273	365,605,357

	Note	June 30, 2007	June 30, 2006
		………..…….. Rupees ……………	

13.2. CAPITAL WORK-IN-PROGRESS

	Note	June 30, 2007	June 30, 2006
Civil work and construction	13.2.1	6,961,400	70,797,638
Plant and machinery under erection	13.2.2	9,649,550	637,409

		16,610,950	71,435,047

13.2.1 Civil work and construction

Opening balance as at year		70,797,638	148,336,909
Addition during the year		36,641,177	105,517,199
		107,438,815	253,854,108
Less: Transfer during the year		(100,477,415)	(183,056,470)
Closing balance as at year		6,961,400	70,797,638

13.2.2 Plant and machinery under erection

Opening balance as at year		637,407	437,448,403
Addition during the year		14,890,490	167,552,015
		15,527,897	605,000,418
Less: Transfer during the year		(5,878,347)	(604,363,009)
Closing balance as at year		9,649,550	637,409

14. LONG TERM INVESTMENTS

Investment in Associate	14.1	135,801,355	-
Investment in Joint Venture	14.2	795,678,680	2,500,000
		931,480,035	2,500,000

14.1 Investment in Sunrays Textile Mills Limited - an associate

Balance as at July 01,		-	-
Investment during the year		42,382,250	-
Share of associate's transfer of revaluation surplus on account of incremental depreciation		68,120	-
Share of profit from associate	14.1.3	93,350,985	-
		93,419,105	-
		135,801,355	-
Number of shares held		1,695,290	-
Cost of investments (Rupees)		42,382,250	-
Ownership interest		24.57%	-

14.1.1 The market value of investment is Rs. 43,908,011.

	June 30, 2007	June 30, 2006
	……..…….. Rupees ……………	

14.1.2 Summarized financial highlights as at June 30, 2007 of Sunrays Textile Mills Limited are as follows:

	June 30, 2007	June 30, 2006
Total assets as at	1,529,501,181	-
Total liabilities as at	963,662,197	-
Revenue	1,688,924,101	-
Profit for the year	8,192,856	-

14.1.3 This amount includes fair value adjustment of Rs. 93,350,986.

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

The share of assets, liabilities, of the jointly controlled entity at June 30, 2007

	Note	June 30, 2007	June 30, 2006
		……..…….. Rupees ……………	
Current assets		294,122,424	2,532,554
Non - current assets		1,358,186,654	51,575
		1,652,309,078	2,584,129
Current liabilities		(122,090,154)	84,129
Non - current liabilities		(734,540,244)	-
	14.2.1	795,678,680	2,500,000

		June 30, 2007	June 30, 2006
14.2.1	Ownership interest	49.99%	49.99%
	Cost	749,999,970	2,500,000
	Share of post acquisition profit	45,678,710	-
	Total	795,678,680	2,500,000

15. LONG-TERM DEPOSITS

	Note	June 30, 2007	June 30, 2006
Lease security deposits	15.1	9,525,152	10,109,652
Others		573,250	605,400
		10,098,402	10,715,052
Less: Current portion of lease security deposits	20	(4,111,750)	(584,500)
		5,986,652	10,130,552

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

	Note	June 30, 2007	June 30, 2006
		……..…….. Rupees ……………	

16. STORES, SPARES AND LOOSE TOOLS

	Note	June 30, 2007	June 30, 2006
Stores, spares and loose tools	16.1	61,944,566	70,584,512
Less: Provision for slow moving and obsolete items		-	(1,918,937)
		61,944,566	68,665,575

16.1 It includes stores and spares in transit amounting to Rs. 8,209,075 (2006: Rs 9,948,794).

		Note	June 30, 2007	June 30, 2006
			……......……. Rupees ……………	
17.	**STOCK-IN-TRADE**			
	Raw material	17.1	1,021,858,737	1,246,789,618
	Packing material		19,572,368	15,947,635
	Work-in-process		74,608,941	71,195,517
	Finished goods		130,272,352	130,161,165
	Waste		5,240,823	2,865,277
			1,251,553,221	1,466,959,212

17.1 It includes raw material in transit amounting to Rs. 52,889,733 (2006: Rs. 144,655,986).

		Note	June 30, 2007	June 30, 2006
18.	**TRADE DEBTS**			
	Considered good			
	Foreign debtors - secured		395,250,153	135,459,340
	Local debtors - unsecured			
	associated undertaking		20,520,447	6,286
	others		348,413,074	281,387,903
			368,933,521	281,394,189
			764,183,674	416,853,529
	Considered bad & doubtful debts - unsecured		2,053,191	2,053,191
			766,236,865	418,906,720
	Less: Provision for bad & doubtful debts	18.1	(2,053,191)	(2,053,191)
			764,183,674	416,853,529
18.1	**Movement**			
	Opening Balance		2,053,191	3,063,997
	Charge for the year		-	-
	Write off against debtors		-	(1,010,806)
	Closing Balance		2,053,191	2,053,191
19.	**LOANS AND ADVANCES**			
	Considered good			
	Loans to staff		8,130,712	6,538,900
	Advance income tax		73,540,538	74,675,155
	Advances to			
	Suppliers		6,977,538	12,843,855
	Others		7,510,431	2,972,109
			14,487,969	15,815,964
			96,159,219	97,030,019

	Note	June 30, 2007	June 30, 2006
		……......…….. Rupees ……………	

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2007	2006
Lease security deposits	15	4,111,750	584,500
Other security deposits		823,062	1,480,062
Margin deposits		17,483,193	27,595,503
Prepayments		5,133,425	1,654,777
		27,551,430	31,314,842

21. OTHER RECEIVABLES

		2007	2006
Rebate receivable		83,130	400,494
Cotton claim receivable		4,395,570	1,978,490
Due from associated undertaking		4,209,624	1,865,130
Receivables of ginning units		78,635	196,338
Others		9,617,256	6,380,698
		18,384,215	10,821,150

22. OTHER FINANCIAL ASSETS

		2007	2006
Financial assets at fair value through profit and loss held for trading - listed equity securities		3,363,596	2,119,103
Fair value (loss) / gain		(530,881)	1,244,493
		2,832,715	3,363,596

23. TAX REFUNDS

		2007	2006
Income tax refundable		4,048,201	35,001,702
Sales tax refundable		20,807,377	54,737,570
		24,855,578	89,739,272

24. CASH AND BANK BALANCES

		2007	2006
With banks			
On deposit accounts		4,831,419	2,385,909
On current accounts		32,235,467	18,522,952
		37,066,886	20,908,861
Demand drafts in transit		-	1,300,000
Cash in hand		4,125,149	6,461,202
		41,192,035	28,670,063

	Note	June 30, 2007	June 30, 2006
		……......…….. Rupees ……………	

25. SALES

	Note		
Export sales			
Direct		4,230,755,110	4,298,813,806
Less: Commission expense		(150,553,146)	(107,311,024)
		4,080,201,964	4,191,502,782
Local sales			
Yarn	25.1	2,267,102,471	1,938,067,441
Waste		83,991,281	45,912,313
Local sales net of sale tax	25.2	2,351,093,752	1,983,979,754
Less: Brokerage	.	(19,918,577)	(15,193,306)
		2,331,175,175	1,968,786,448
		6,411,377,139	6,160,289,230

25.1 It includes sales to related parties amounting to Rs. 272,619,406 (2006: Rs.1,067,021).

26. COST OF GOODS SOLD

	Note		
Raw material consumed	26.1	4,316,289,237	3,823,001,945
Stores and spares consumed		124,401,874	127,120,656
Manufacturing expenses	26.2	1,017,410,277	874,526,158
Outside purchases - yarn		41,115,815	452,041,824
		5,499,217,203	5,276,690,583
Work in process - Opening		58,576,073	43,590,502
- (Closing)		(74,608,941)	(58,576,073)
		(16,032,868)	(14,985,571)
Cost of goods manufactured		5,483,184,335	5,261,705,012
Finished goods - Opening		118,706,174	131,254,642
- (Closing)		(135,513,175)	(118,706,174)
		(16,807,001)	12,548,468
		5,466,377,334	5,274,253,480

26.1 Raw material consumed

	Note		
Opening stock		1,066,182,825	776,740,495
Purchases	26.1.1	4,219,075,416	4,112,444,275
		5,285,258,241	4,889,184,770
Closing stock		(968,969,004)	(1,066,182,825)
		4,316,289,237	3,823,001,945

26.1.1 It includes purchases from associated undertaking amounting to Rs. 46,926,464 (2006: Rs. 217,578,168).

	Note	June 30, 2007	June 30, 2006
		……..…….. Rupees …………….	

26.2 Manufacturing expenses

Salaries, wages & benefits	26.2.1	320,915,858	250,819,866
Fuel, water and power		365,270,796	303,129,672
Rent, rates and taxes		513,933	815,842
Insurance expenses		9,563,355	9,666,797
Repairs and maintenance		9,644,499	9,006,522
Depreciation on property, plant and equipment	13.1.1	300,638,962	278,926,119
Provision for slow moving obsolete stock		-	1,918,937
Other expenses		10,862,874	20,242,403
		1,017,410,277	874,526,158

26.2.1 It includes staff retirement benefits amounting to Rs. 25,527,662 (2006: Rs. 7,789,175).

27. OTHER OPERATING INCOME

Operating profit of ice factory	27.1	757,271	808,255
Operating profit on trading of raw cotton	27.2	1,325,458	17,177,980
Other income	27.3	71,995,661	6,116,010
		74,078,390	24,102,245

27.1 Operating profit of ice factory

Sales		9,028,196	9,266,419
Cost of goods sold	27.1.1	(8,270,925)	(8,458,164)
Gross profit		757,271	808,255

27.1.1 Cost of goods sold

Salaries, wages and benefits	1,320,919	905,835
Salt consumed	43,440	44,809
Ammonia gas consumed	106,250	88,100
Electricity	5,300,815	6,212,111
Repairs and maintenance	709,891	691,024
Cartage expenses	-	75,291
Lease rentals	300,000	219,000
Miscellaneous expenses	489,610	221,994
	8,270,925	8,458,164

27.2 Operating profit on trading of raw cotton

Sales	37,748,673	209,798,115
Less: Cost of sale	(36,423,215)	(192,620,135)
	1,325,458	17,177,980

It includes sales to related parties amounting to Rs.17,345,424 (2006: Rs. 103,043,168).

27.3 Other income

	Note	June 30, 2007	June 30, 2006
		……..……. Rupees	…………….
Profit on disposal of property, plant and equipment		65,778,066	1,128,598
Insurance claim		931,815	171,970
Scrap sale		2,661,035	2,002,563
Gain on sale of investment		-	950,206
Exchange gain		2,171,663	-
Profit on fixed deposits		288,322	344,634

Dividend income		164,760	273,546
Fair value gain		-	1,244,493
		71,995,661	6,116,010

28. DISTRIBUTION COST

Freight and forwarding		136,919,766	136,276,539
Export development surcharge		10,779,330	10,824,335
Advertisement expenses		1,125,495	347,920
Godown expenses		-	454,000
Others		699,993	-
		149,524,584	147,902,794

29. ADMINISTRATIVE EXPENSES

Salaries, wages & benefits	29.1	31,861,385	26,558,756
Repairs and maintenance		1,094,346	1,025,852
Postage, telephone and telex		4,516,235	4,499,317
Travelling and conveyance		10,526,901	7,246,993
Vehicle running expenses		4,022,169	3,639,089
Printing and stationary		3,534,651	2,707,181
Rent and electricity		6,502,352	5,644,247
Entertainment		997,662	1,001,022
Fees and subscription		814,768	1,320,788
Other expenses		3,474,238	2,465,700
Legal expenses		279,885	666,100
Charity and donations	29.2	1,495,644	2,752,300
Auditors' remuneration	29.3	618,934	547,686
Depreciation on property, plant and equipment	13.1.1	8,320,141	6,717,602
		78,059,311	66,792,633

29.1 It includes staff retirement benefits amounting to Rs. 1,136,539 (2006: Rs. 799,156).

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

29.3 Auditors' remuneration

Audit fee	300,000	294,000
Half year limited review fee	165,000	100,000
Fee for certifications	40,000	40,000
Out of pocket expenses	113,934	113,686
	618,934	547,686

	June 30, 2007	June 30, 2006
	………..……. Rupees	…………….

30. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	21,068,999	20,126,975
Fair value loss	530,881	-
	21,599,880	20,126,975

31. FINANCE COST

Mark-up		
long-term financing	232,051,864	160,535,887
assets subject to finance lease	8,201,001	7,674,614
short-term borrowings	104,303,843	116,315,156
Interest on Workers' Profit Participation Fund	1,785,870	1,098,924
Bank charges	23,240,854	7,278,485
	369,583,432	292,903,066

32. TAXATION

Current		
For the year	59,726,158	69,616,677
Prior year	(2,427,690)	-
Deferred	83,567,911	(9,258,486)
	140,866,379	60,358,191

The income tax of the company has been finalized upto tax year 2006, based on the return filed. Tax provision has been made on estimated taxable income at current rates of taxation. There is no appeal pending before appellate authorities.

	June 30, 2007	June 30, 2006
	……..……. Rupees ……………	

37. CASH GENERATED FROM OPERATIONS

Profit before taxation	575,761,910	476,590,006
Adjustment for		
Depreciation	330,906,517	339,868,922
Provision for gratuity	26,664,201	8,730,198
Provision for bad and doubtful debts	-	-
Fair value loss / (gain) on other financial assets	530,881	(1,244,493)
Provision for slow moving and obsolete stock	-	1,918,937
(Gain) / loss on disposal of property, plant and equipment	(65,778,066)	(1,698,190)
Finance cost	383,468,560	356,650,434
Share of Profit from Associate	(93,350,985)	-
Share of Profit from Joint Venture	(45,678,710)	-

Cash generated before working capital changes	1,112,524,308	1,180,815,814
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	6,721,009	13,514,416
Stock in trade	215,405,991	(300,641,040)
Trade debts	(347,330,145)	(128,289,561)
Loans and advances	(263,817)	30,030,487
Trade deposits and short term prepayments	3,763,412	(13,669,946)
Other receivables	(7,563,065)	1,041,213
Other financial assets	-	8,904,000
	(129,266,615)	(389,110,431)
Increase / (decrease) in current liabilities		
Trade and other payables	(5,906,256)	21,080,228
	(135,172,871)	(368,030,203)
	977,351,437	812,785,611

38. TRANSACTION WITH RELATED PARTIES

The related parties comprise of associated undertaking, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with related parties. Short term loan obtained from directors are disclosed in note 11 to the financial statement where as amount due to / from related party is shown under trade and other payables in note 9 and trade debt in note 18 to the financial statements. Remuneration of key management personnel is disclosed in note 36 to the financial statements and amount due in respect of staff retirement benefits is disclosed in note 8.2. Other significant transaction with related parties are as follows.

Relationship with the company	Nature of transactions	June 30, 2007	June 30, 2006
		……..…….. Rupees	…………….
Associate	Sale of property, plant and equipment	12,405,590	6,786,740
	Sales of yarn	47,923,733	1,067,021
	Sales of cotton	-	103,043,168
	Sales of stores and spares	1,184,701	-
	Purchase of yarn	69,043,150	-
	Purchase of machinery	16,166,000	-
	Purchase of waste	2,868	-
	Purchase of cotton	46,926,464	217,578,168
	Purchase of stores and spares	559,799	-
	Investment in Associate	42,382,250	-
Joint Venture	Sale of property, plant and equipment	1,115,818,401	-
	Sales of stores and spares	16,160,723	-
	Sales of yarn	249,716,126	-
	Investment in Joint Venture	747,500,000	-

39.2 FINANCIAL RISK MANAGEMENT

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

a) Interest rate / mark-up rate risk

Interest rate / markup rate risk arises from the possibility that changes in interest rates / markup rates will effect the value of financial instruments. The company has long-term Rupee based loans at variable rates. Financial liabilities exposed to floating interest rate risk include in the above amounting to Rs. 3,753.140 million (2006: Rs. 3,953.962 million).

b) Foreign exchange risk

Foreign Exchange Risk arises mainly due to conversion of foreign currency assets and liabilities into local currencies. This exists due to the company's exposure resulting from outstanding import payments and outstanding export debtors. The company takes the currency exposure for limited periods. Financial assets exposed to foreign exchange rate risk included in the above amounting to Rs. 395.250 million (2006: Rs. 135.459 million).

Rs. 395.250 million (2006: Rs. 135.459 million).

c) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.859.109 million (2006: Rs.499.499 million), the financial assets which are subject to credit risk amounted to Rs. 854,984 million (2006: Rs. 467.465 million). This risk is mitigated through regular monitoring of debtors outstanding beyond the normal credit period allowed, initiation of effective follow-up till realization, restriction on further business and provision for impairment losses, if any.

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

d) Liquidity risk

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

e) Fair value of financial instruments

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

40. CAPACITY AND PRODUCTION

	June 30, 2007	**June 30, 2006**
	……..……….. Rupees ……………	
Spinning unit		
Total number of spindles installed	130,224	108,993
Total number of spindles worked per annum (average)	130,224	94,823
Number of shifts worked per day	3	3
Installed capacity of yarn converted into 20 counts (lbs.) based on 365 days	105,454,666	83,092,609
Actual production of the year after conversion into 20 counts (lbs.)	107,733,368	86,507,096

	June 30, 2007	**June 30, 2006**
	……..……….. Rupees ……………	
Ginning Unit		
Installed capacity to produce cotton bales	50,100	35,100
Actual production of cotton bales	57,388	47,892
Number of shifts	50	50
Capacity attained in (%)	114.55%	136.44%
Weaving unit		
Total number of looms installed	-	36
Total number of looms worked	-	30
Installed capacity in kgs.	-	5,619,585
Actual production in kgs.	-	5,917,102

Number of shifts	-	1,095
Capacity attained in (%)	-	105.29%

41. SUBSEQUENT EVENTS

The Board of Directors proposed the final dividend for the year ended June 30, 2007 of Rs. 1.5 per share amounting to Rs. 27.110 million (2006: Rs. 1.5 per share amounting to Rs. 27.110 million) at their meeting held on October 06, 2007 for the approval of the members at the Annual General Meeting to be held on October 30, 2007. These financial statements do not reflect dividend payable.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on 06th October, 2007 by the Board of Directors of the Company.

43. GENERAL

43.1 RECLASSIFICATION

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

From	To	Nature	Amount reclassified Rupees
Creditors	Advance to supplier	Advance to Supplier	398,303
Advance to others	Prepayments	Prepayment to Sui southern Gas	1,605,804
Creditors	Advance from customer	Advance from customer	7,660,585
Other liability	Accrued liabilities	Supplier cotton sales	937,382

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

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INDUS DYEING & MANUFACTURING CO. LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	June, 30 2007	June, 30 2006
		....…….……. Rupees …………...	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	977,351,437	812,785,611
Income taxes paid - net		(10,699,594)	(58,097,257)
Finance cost paid		(382,580,473)	(326,115,948)
Gratuity paid		(11,564,396)	(7,328,900)
Net cash from operating activities		572,506,974	421,243,506
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(579,986,587)	(1,243,500,964)
Proceeds on disposal of property, plant and equipment		1,033,313,464	17,556,070
Interest in Joint Venture		(747,499,970)	(2,500,000)
Investment in Associate		(42,382,250)	-
Long-term deposits		4,143,900	(2,522,902)
Net cash used in investing activities		(332,411,443)	(1,230,967,796)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing acquired		1,128,529,620	861,881,173
Repayment of long-term financing		(1,039,123,712)	(333,441,667)
Repayment to Director		(69,239,174)	-
Long-term murabaha acquired		-	-
Repayment of long-term murabaha		(7,500,000)	(33,500,000)
Repayment of liabilities against assets subject to finance lease		(45,518,236)	(36,996,525)
Short term borrowings		(168,697,322)	383,215,961
Dividend paid		(26,024,735)	(26,945,259)
Net cash (used in) / from financing activities		(227,573,559)	814,213,683
Net increase in cash and cash equivalents		12,521,972	4,489,393
Cash and cash equivalents at the beginning of the year		28,670,063	24,180,670
Cash and cash equivalents at the end of the year		41,192,035	28,670,063

The annexed notes from 1 to 43 form an integral part of these financial statements

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

INDUS DYEING & MANUFACTURING CO. LIMITED
BALANCE SHEET
AS AT JUNE 30, 2007

	Note	June 30, 2007	June 30, 2006
		.... Rupees	
SHARE CAPITAL AND RESERVES			
Authorised			
45,000,000 ordinary shares of Rs. 10 each		450,000,000	450,000,000
Issued, subscribed and paid-up	3	180,737,310	180,737,310
Reserves	4	1,322,432,090	822,432,090
Unappropriated profits		779,229,615	875,823,974
TOTAL EQUITY		2,282,399,015	1,878,993,374
NON CURRENT LIABILITIES			
Long term financing	5	1,808,709,476	1,932,906,543
Long term murabaha finance	6	25,000,000	42,500,000
Liabilities against assets subject to finance lease	7	17,959,838	71,425,127
Deferred liabilities	8	267,514,188	168,846,472
TOTAL NON CURRENT LIABILITIES		2,119,183,502	2,215,678,142
CURRENT LIABILITIES			
Trade and other payables	9	245,560,363	250,380,757
Interest / mark-up payable	10	71,552,671	70,664,583
Short-term borrowings	11	1,166,253,792	1,334,951,114
Current portion of			
long-term financing	5	675,091,939	503,733,332
long-term murabaha finances	6	14,945,847	20,000,000
liabilities against assets subject to finance lease	7	44,452,345	48,445,946
Taxation - income tax		64,173,571	79,145,595
TOTAL CURRENT LIABILITIES		2,282,030,528	2,307,321,327
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		**6,683,613,045**	**6,401,992,843**

	Note	June 30, 2007	June 30, 2006
		.... Rupees	
NON CURRENT ASSETS			
Property, plant and equipment	13	3,457,489,705	4,175,945,033
Long term investments	14	931,480,035	2,500,000
Long term deposits	15	5,986,652	10,130,552
TOTAL NON CURRENT ASSETS		4,394,956,392	4,188,575,585
CURRENT ASSETS			
Stores, spares and loose tools	16	61,944,566	68,665,575
Stock-in-trade	17	1,251,553,221	1,466,959,212
Trade debts	18	764,183,674	416,853,529
Loans and advances	19	96,159,219	97,030,019
Trade deposits and short-term prepayments	20	27,551,430	31,314,842
Other receivables	21	18,384,215	10,821,150
Other financial assets	22	2,832,715	3,363,596
Tax refunds	23	24,855,578	89,739,272
Cash and bank balances	24	41,192,035	28,670,063
TOTAL CURRENT ASSETS		2,288,656,653	2,213,417,258
TOTAL ASSETS		**6,683,613,045**	**6,401,992,843**

The annexed notes from 1 to 43 form an integral part of these financial statements.

SHAHZAD AHMED
CHIEF EXECUTIVE OFFICER

NAVEED AHMED
DIRECTOR

Deloitte.

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

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **INDUS DYEING & MANUFACTURING CO. LIMITED** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b. in our opinion :

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

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended;

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

M. Yousuf Adil Saleem & Co

Chartered Accountants

MYASC

Karachi
Dated: