AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AHMAD HASSAN TEXTILE MILLS LIMITED** as at June 30, 2006 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 conduct 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:

I The Company capitalized Exchange Risk Coverage Fee starting from the accounting year 1995 (note 14.2) contrary to IAS 23 . Had Exchange Risk Coverage Fee capitalised in prior years been properly taken to the profit and loss account, unappropriated profit as on June 30, 2006 would have been lower by Rs. 36,39,721 and profit for the year would have been higher by Rs 414,413.

(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 except for the changes stated in the note 2.7 with which we concur;

(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 , except for the non compliance of IAS-23 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 except to the extent to which the above mentioned reservation in para I above affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Dated:
Place: Multan

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

AHMAD HASSAN TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital 20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid up capital 12,528,912 (2005: 12,528,912) ordinary shares of Rs. 10/- each		125,289,120	125,289,120
Share deposit money	3	28,190,052	-
Capital reserve	4	23,349,600	23,349,600
Unappropriated profit		193,499,819	215,637,324
		370,328,591	364,276,044
NON-CURRENT LIABILITIES			
Long term financing	5	190,397,086	235,233,758
Long term loans from related parties	6	25,000,000	25,000,000
Liabilities against assets subject to finance lease	7	107,969,382	69,714,624
Long term morabaha	8	133,333,334	160,000,000
Deferred liabilities	9	58,622,143	36,430,514
CURRENT LIABILITIES			
Trade and other payables	10	66,955,897	78,258,878
Interest/ markup on loans	11	30,693,215	23,901,096
Short term borrowings	12	520,801,224	470,653,091
Current portion of			
Long term financing		117,026,792	79,711,948
Liabilities against assets suject to finance lease		29,599,718	21,307,548
Provision for taxation	13	11,651,336	27,140,889
Workers' welfare fund		-	809,816
		776,728,182	701,783,266
CONTINGENCIES AND COMMITMENTS	14	-	-
		1,662,378,718	1,592,438,206

	Note	2006 Rupees	2005 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	15	997,581,706	962,194,012
Long term security deposits		4,582,497	4,582,497
		1,002,164,203	966,776,509
CURRENT ASSETS			
Stores, spares and loose tools	16	38,155,698	40,783,767
Stock-in-trade	17	432,458,900	374,080,584
Trade debts	18	111,900,493	96,304,996
Loans and advances	19	59,685,989	100,714,224
Trade deposits and short term prepayments	20	-	474,623
Other receivables	21	9,598,390	12,733,708
Cash and bank balances	22	8,415,045	569,795
		660,214,515	625,661,697
		1,662,378,718	1,592,438,206

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CFO**

AHMAD HASSAN TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Sales	23	2,032,595,077	1,305,251,112
Cost of sales	24	(1,833,874,238)	(1,166,244,745)
Gross profit		198,720,839	139,006,367
Other operating income	25	2,858,266	631,604
Distribution cost	26	(31,037,642)	(21,549,110)
Administrative expenses	27	(18,480,550)	(14,518,498)
Other operating expenses	28	(1,672,262)	(3,201,932)
Profit from operations		150,388,651	100,368,431
Finance cost	29	(121,619,474)	(40,156,890)
Profit before taxation		28,769,177	60,211,541
Provision for taxation	30	(35,245,546)	(7,442,637)
(Loss) / Profit for the year/ period		**(6,476,369)**	**52,768,904**
EARNINGS PER SHARE	31	**(0.52)**	**4.21**

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN ***CHIEF EXECUTIVE OFFICER*** ***DIRECTOR*** ***CFO***

AHMAD HASSAN TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	28,769,177	60,211,541
Adjustments for:		
Depreciation of property, plant and equipment	99,573,098	47,629,899
Staff retirement benefits- gratuity	3,442,873	3,163,661
Gain on sale of property, plant and equipment	(161,236)	(17,377)
Write back of WWF	(809,816)	-
Finance cost	121,619,474	40,156,890
Cash flow from operating activities before working capital changes	252,433,570	151,144,614
(Increase)/ decrease in current assets		
Stores, spares and loose tools	2,628,069	(8,796,002)
Stock in trade	(58,378,316)	(145,495,584)
Trade debtors	(15,595,497)	1,105,864
Loans and advances	13,183,465	(56,224,027)
Trade deposits and short term prepayments	474,623	14,633,474
Other receivables	(249,667)	(3,618,463)
(Decrease)/ increase in trade and other payables	(11,509,803)	21,682,972
	(69,447,126)	(176,711,765)
Cash generated from/ (used in) operations	182,986,444	(25,567,151)
Staff retirement benefits- gratuity paid	(4,845,454)	(1,375,800)
Income taxes refunded/ paid	4,088,869	(7,571,748)
Net Cash from/ (used in) operating activities	182,229,859	(34,514,699)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(135,611,558)	(377,139,697)
Sale proceeds of property, plant and equipment	812,000	35,000
Long term security deposits	-	(550,672)
Net Cash used in investing activities	(134,799,558)	(377,655,369)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share deposit money	28,190,052	-
Long term finances obtained	31,137,009	159,027,991
Long term finances repaid	(65,325,503)	(26,553,577)
Long term loans from directors	-	25,000,000
Lease rentals-net	46,546,928	(15,178,457)
Long term morabaha	-	160,000,000
Short term borrowings	50,148,133	130,959,934
Dividend paid	(15,454,315)	-
Finance cost paid	(114,827,355)	(20,756,845)
Net Cash (used in)/ from financing activities	(39,585,051)	412,499,046
Net Increase in cash and bank balances during the year/ period	7,845,250	328,978
Cash and and bank balances at the beginning of the year/ period	569,795	240,817
Cash and bank balances at the end of the year/ period	8,415,045	569,795

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN *CHIEF EXECUTIVE OFFICER* *DIRECTOR* *CFO*

AHMAD HASSAN TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	Capital Reserve	Share deposit money	Unappropriated profit	Total
			(R U P E E S)		
Balance as at September 30, 2004	125,289,120	23,349,600	-	162,868,420	311,507,140
Profit for the nine months ended June 30, 2005	-	-	-	52,768,904	52,768,904
Balance as at June 30, 2005	125,289,120	23,349,600	-	215,637,324	364,276,044
Balance as at July 01, 2005	125,289,120	23,349,600	-	215,637,324	364,276,044
Share deposit money received against issue of right shares including premium @ Rs. 5 per share	-	-	28,190,052	-	28,190,052
(Loss) for the year ended June 30, 2006	-	-	-	(6,476,369)	(6,476,369)
Final Cash dividend for the period ended June 30, 2005 @ Rs. 1.25 per share	-	-	-	(15,661,136)	(15,661,136)
Balance as at June 30, 2006	125,289,120	23,349,600	28,190,052	193,499,819	370,328,591

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CFO**

AHMAD HASSAN TEXTILE MILLS LIMITED
NOTES TO THE FINANCIALSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1. STATUS AND ACTIVITIES

1.1 The Company was incorporated in Pakistan on 03 December, 1989 as a Public Limited Company under the Companies Ordinance 1984. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn and fabric.The registered office of the company is situated in Multan.The mill is located at District Muzaffargarh.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, and approved accounting standards as applicable in Pakistan, except for IAS-23- Borrowings Costs (note-15.2). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Whenever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

Last year as per SRO 684 (1) 2004 dated August 10,2004 issued by Central Board of Revenue, the Company's tax year/financial year was required to end on June 30, instead of September 30. In order to make the Company's accounting period consistent with the aforementioned requirement the Company had prepared the financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for the nine months ended June 30 2005 the same have been disclosed as comparatives, hence, the comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

2.2 Adoption of revised International Accounting Standards

In the current year, the Company has adopted all of revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting period beginning on or after January 01, 2005. The adoption of these revised Standards and Interpretations has however resulted in no changes to the Company's accounting policies.

2.3 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.6
- recognition of employee retirement benefits which are carried at present value.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

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

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits rebates and exemption available, if any, or minimum tax at the rate of 0.5 % of turnover, whichever is higher. However, for income under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method in respect of all major temporary differences between the carrying amounts of assets and liabilities for the reporting purposes and the amounts used for the taxation purposes. Deferred tax assets, if any, are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unusual tax losses and tax credits can be utilized. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

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

2.5 Staff retirement benefits (defined benefit plan)

The company operates an un-funded retirement gratuity scheme for those employees who have completed specified period of service with the Company. Eligibility is determined subject to completion of a prescribed qualifying period of service. Provision is made annually to cover obligation under the plan .The cost of providing benefits is determined by using the projected unit method . The last actuarial valuation has been conducted on September 30, 2004.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

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

Details of the scheme are given in note 8.2 to these financial statements.

2.6 Foreign currency translations

Translations in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

2.7 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Cost of plant and machinery consists of historical cost, exchange risk coverage fee and exchange fluctuations on foreign currency loans. Borrowings costs pertaining to erection/ construction are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost and capitalized exchange fluctuations/ exchange risk coverage fee over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 15.1 Depriciation is charged on additions from the month in which an asset is acquired or capitalised and no depriciation is charged for the month in which asset is disposed. Gains/ losses on disposal of fixed assets are taken to profit and loss account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand-by, are retired.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal for each period.

Depreciation is charged to income at the rates stated in note 15.1 applying reducing balance method to write-off the cost of the assets over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Financial charges and depreciation on leased assets are charged to income currently.

2.8 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

Where the 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.

2.9 Stores, spares and loose tools

These are valued at cost, determined on basis of moving average cost less allowance for obsolete and slow moving items, except for items-in-transit which are valued at cost accumulated to the balance sheet date.

2.10 Stock in trade

Basis of valuation is as follows:

Raw material at ware house	At lower of Annual average cost and net releasable value.
Work in process	At manufacturing cost
Finished goods	At lower of cost and net realizable value
Waste	At net realizable value

- Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.
- Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to such sale.

2.11 Trade debtors

Known bad debts are written off and provision is made against debts considered doubtful.

2.12 Revenue Recognition

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

- Direct local sales are recorded when goods are delivered to customers and invoices are raised.
- Local sales through agents are booked on intimation from the agents.
- Export sales are booked on shipment basis.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.14 Provisions

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

2.15 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value amortised cost or cost, as the case may be.

All purchases and sales of financial assets are recognized on the trade date when the company become the party to the contractual provision.

2.16 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.18 Related party transactions

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

3. SHARE DEPOSIT MONEY

The company, during the year offered 1,879,336.8 ordinary shares of Rs. 10 each at a premium of Rs. 5 per share as right shares to its existing shareholders, which were fully subscribed, subsequent to balance sheet date.

4. CAPITAL RESERVE - Share premium

4.1 The company, during the financial year ended September 30, 2001, offered 5,040,000 ordinary shares of Rs. 10 each at a premium of Rs. 4 per share as right shares to its existing shareholders, of which 2,989,920 shares were subscribed for. The un-subscribed portion of right issue was cancelled as per decision of the Board of Directors' meeting held on July 14, 2001.

4.2 The company, during the year September 30, 2004, offered 1,138,992 ordinary shares of Rs. 10 each at a premium of Rs. 10 per share as right share to its existing shareholders, which were fully subscribed.

5. LONG TERM FINANCING

Banking companies-Secured

	Bank Al Habib Limited		Habib Bank Limited					June 30, 2006	June 30, 2005
	TF-1	TF-2	DF-1	DF-2	DF-2(1)	DF-2(2)	DF-3	Rupees	Rupees
Opening balance	109,090,910	2,802,000	35,015,678	9,009,127	9,306,000	5,859,000	143,862,991	314,945,706	182,471,292
Obtained during the year/period	-	-	-	-	-		31,137,009	31,137,009	159,027,991
	109,090,910	2,802,000	35,015,678	9,009,127	9,306,000	5,859,000	175,000,000	346,082,715	341,499,283
Paid during the year/period	(36,363,636)	(1,868,000)	(15,006,815)	(4,504,552)	(4,653,000)	(2,929,500)	-	(65,325,503)	(26,553,577)
	72,727,274	934,000	20,008,863	4,504,575	4,653,000	2,929,500	175,000,000	280,757,212	314,945,706
Current portion grouped under current liabilities	(36,363,636)	(934,000)	(10,004,440)	(3,003,050)	(3,102,000)	(1,953,000)	(35,000,000)	(90,360,126)	(79,711,948)
	36,363,638	-	10,004,423	1,501,525	1,551,000	976,500	140,000,000	190,397,086	235,233,758
	5.1	5.2	5.3	5.3	5.3	5.3	5.3		

Repayment terms and conditions

	TF-1	TF-2	DF-1	DF-2	DF-2(1)	DF-2(2)	DF-3
No. of installments	11	9	9	7	6	6	10
Mode of payment	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Commenced from	02-Jan-03	Oct 03,02	Jun 30,04	July 7,03	Jan 26,05	Jan 31,05	Feb 12,05
Rate of markup	6 M-kibor +1.5%	6 M-kibor +1.5%	6 M-kibor +1.0%	6 M-kibor +1.0%	6 M-kibor +1.0%	6 M-kibor +1.0%	6 M-kibor +1.75%

Securities

The finance facilities stated in notes 5.1 and 5.2 are secured against registered hypothecation charge over current assets of the Company for Rs. 200 million, first mortgage charge over land, buildings and plant & machinery to the extent of Rs. 200 million.

The finance facilities stated in note 5.3 are secured against imported machinery , specific charge over the air compressor with air dryer, blowroom, autoconer, two for one twister, generator, boiler , transport equipment of the Company and personal guarantees of the company's directors.

6. LONG TERM LOANS FROM RELATED PARTIES- Unsecured.

The interest free loan was obtained from the directors of the company and management of the company has decided to pay back the same in future when resources are available.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- Secured

	Up to one year	From one year to five years	2006	2005
	----------------R U P E E S------------------------			RUPEES
Minimum lease payments	41,690,287	145,657,211	187,347,498	121,712,248
Less: Financial charges allocated to future periods	(12,090,569)	(24,733,351)	(36,823,920)	17,735,598
	29,599,718	120,923,860	150,523,578	103,976,650
Less: Security deposits adjustable on expiry of lease terms	-	12,954,478	12,954,478	12,954,478
Present value of minimum lease payments	29,599,718	107,969,382	137,569,100	91,022,172
Less: Current portion grouped under current liabilities			29,599,718	21,307,548
			107,969,382	**69,714,624**

The company has entered into lease agreement with Faisal Bank Ltd. to acquire plant and machinery in the year 2003. The liabilities under the lease agreements are payable in quarterly installments by January, 2009 and are subject to finance charges at the rates of KIBOR plus 2% and during the year markup was charged at the rates ranging from 7% to 11.75% (2005: 6.5% to 9.5%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the leased terms.The lease finance facility is secured against charge of Rs. 145 million over plant and machinery of the existing weaving unit and personal guarantees of the working directors of the Company. Currently in year 2005 the company has entered into a lease agreement with Meezan bank limited to acquire new looms.

The liabilities under the lease agreements are payable in bi-annualy by October, 2009 and are subject to finance charges at the rates of KIBOR plus 2% and during the year markup was charged at the rates ranging from 11.25% to 11.75% per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the leased terms.The lease finance facility is secured against charge of Rs. 45 million over plant and machinery of the weaving unit and personal guarantees of the working directors of the Company.

	NOTE	2006 Rupees	2005 Rupees
8. LONG TERM MORABAHA			
Opening balance		160,000,000	-
Obtained during the year/ period		-	160,000,000
		160,000,000	160,000,000
Paid during the year/ period		-	-
		160,000,000	160,000,000
Current portion grouped under current liabilities		(26,666,666)	-
		133,333,334	**160,000,000**

The company during period ended June 30, 2005 obtained Morabaha term finance from Faysal Bank Limited to import textile spinning machinery. The liability under agreement is payable in half yearly installments by February 2012 subject to finance charge of 6 month KIBOR +2% per annum.The loan is secured against 1st pari passu charge over fixed assets of Rs. 215 million including land, building and plant and machinery and personal guarantee of directors.

	NOTE	2006 Rupees	2005 Rupees
9. DEFERRED LIABILITIES			
Deferred taxation	**9.1**	53,109,210	29,515,000
Provision for gratuity	**9.2**	5,512,933	6,915,514
		58,622,143	**36,430,514**

9.1 Deferred taxation

The deferred taxation liability comprises of temporary differences arising due to:

	2006 Rupees	2005 Rupees
Credit balance arising in respect of		
- accelerated tax depreciation allowances	73,629,842	28,689,000
- lease finances	968,118	1,630,000
Debit balances arising in respect of:		
- staff retirement benefits-gratuity	(970,577)	(804,000)
- carry forward losses	(20,518,173)	-
	53,109,210	**29,515,000**

9.2 Actuarial valuation was conducted on September 30, 2004 on the basis of the projected unit credit method by an independent Actuary. Charge for the year has been calculated on the basis of actuarial assumptions as were for the preceding year. The projected unit credit method is based on the following significant assumptions.

	2006 Rupees	2005 Rupees
- Discount rate	8%	8%
- Expected rate of increase in salary	7%	7%
- Average expected remaining life time of employees	7 Years	7 Years
The amount recognized in the Balance Sheet is determined as follows:		
Present value of defined benefit obligation	6,618,437	8,070,756
Unrecognized actuarial losses	(1,105,504)	(1,155,242)
Balance sheet liability	**5,512,933**	**6,915,514**
Movement in the liability recognized in the Balance Sheet is as follows:		
Liability as at July 1, 2005/ October 1, 2004	6,915,514	5,127,653
Amount recognized during the year/ period	3,472,873	3,166,161
	10,388,387	8,293,814
Benefit paid during the year/ period	(4,845,454)	(1,378,300)
	5,542,933	**6,915,514**
Expense recognized in the profit and loss Account is as follows:		
Current service cost	2,747,475	2,567,733
Interest cost	645,660	509,542
Actuarial loss recognized	79,738	86,386
	3,472,873	**3,163,661**

The Company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS-19 (Employee Benefits).

	NOTE	2006 Rupees	2005 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		19,338,179	36,934,490
Accrued liabilities		34,493,463	30,441,660
Unclaimed dividend		2,589,232	2,382,411
Advance payments		8,518,452	4,718,712
Excise duty on bank borrowings		21,800	21,800
Tax deducted at source		471,709	589,773
Workers' profit participation fund	**10.1**	1,523,062	3,170,032
		66,955,897	**78,258,878**

	NOTE	2006 Rupees	2005 Rupees
10.1 WORKERS' PROFIT PARTICIPATION FUND			
Opening balance		3,170,032	825,991
Interest on amount utilized in company's business		168,993	19,067
		3,339,025	845,058
Less:			
Amount paid to the fund		3,339,025	845,058
		-	-
Allocation for the year/ period		1,523,062	3,170,032
		1,523,062	**3,170,032**

11. INTEREST/ MARKUP PAYABLE

		2006 Rupees	2005 Rupees
Long term financing		15,577,568	12,667,364
Lease finance charges		3,863,363	1,418,302
Short term borrowing		11,252,284	9,815,430
		30,693,215	**23,901,096**

12. SHORT TERM BORROWINGS

		2006 Rupees	2005 Rupees
Secured		**520,801,224**	**470,653,091**

Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs. 1,375 million (2005: Rs. 1,289 million) and U.S$ 3.5 million (2005: US$ 0.5 million) of which facilities aggregating Rs. 854 million (2005: Rs. 264 million) remained unutilized at the year end. These facilities, during the year, carried mark up at the rates ranging from 6.75% to 10.25% (2005: 3% to 9%) calculated on daily product basis. The aggregate facilities are secured against pledge/ hypothecation of stocks in trade, on book debts, lien on export bills, lien on documents of title to goods and the personal guarantees of all the working directors of the company.

Facilities available for opening letters of credit and guarantee aggregate Rs. 487million (2005: Rs. 80 million) and are secured against shipping documents and personal guarantees of all the working directors of the Company.

13. PROVISION FOR TAXATION - NET

		2006 Rupees	2005 Rupees
Opening balance		27,140,889	27,289,165
Add: Provision made during the year/ period		11,651,336	7,442,637
		38,792,225	34,731,802
Payments/ adjustments against completed assessments		(27,140,889)	(7,590,913)
		11,651,336	**27,140,889**

13.1 Income tax assessments of the Company have been completed upto the Transitional Tax Year 2005.

13.2 Provision for Corporate Assets Tax levied vide the Finance Act, 1991 amounting to Rs. 1.440 million including Additional Tax of Rs. 0.440 million has not been made in the books of account as the Company has challenged the validity of these levies through a writ petition with the Lahore High court, Multan Bench. However, demanded Corporate Assets Tax has been paid under protest and grouped under other receivables (note 21).

13.3 The Company, in view of the Supreme Court of Pakistan's Judgment dated June 04, 1997, was not liable to pay Minimum Tax under section 80- D of the Repealed Income Tax Ordinance, 1979 upto September 30, 1999. Accordingly, Minimum Tax paid upto September 30, 1999 has been accounted for as refundable from the Income Tax Department (note 21).Susequent to the balance sheet date the company has received refund order from the tax authorities dated July 08, 2006.

13.4 Relationship between tax expense and accounting profit.

		2006 Rupees	2005 Rupees
Accounting profit before tax		28,769,177	60,211,541
Tax at the applicable rate of 35%		10,069,212	21,074,039
Tax effect of profit subject to presumptive taxation		1,582,124	(13,631,402)
Tax charge for the current year/ period		**11,651,336**	**7,442,637**

14. CONTINGENCIES AND COMMITMENTS

14.1 Refer contents of note 13.2 & 13.3

14.2 Commitments for letters of credit outstanding at the year/ period end were as follows:

		2006 Rupees	2005 Rupees
Capital expenditure		170,000,000	40,000,000
Foreign bills purchased		-	50,000,000
		170,000,000	**90,000,000**

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2006 Rupees	2005 Rupees
Operating assets	15.1	997,581,706	576,781,430
Capital work in progress	15.5	-	385,412,582
		997,581,706	962,194,012

15.1 Operating assets

Particulars	COST					DEPRECIATION				
	As at July 01, 2005	Additions	Disposal	As at June 30, 2006	Rate %	As at July 01, 2005	For the year/ period	On Disposals	As at June 30, 2006	Book Value as at June 30, 2006
	Rupees					Rupees				
Owned										
Land-Freehold	2,577,758	-	-	2,577,758		-	-	-	-	2,577,758
Buildings on freehold land										
-Factory	97,754,674	58,211,324	-	155,965,998	10%	41,966,074	8,489,426	-	50,455,500	105,510,498
-Residential	20,011,132	13,373,430	-	33,384,562	10%	8,534,565	1,370,547	-	9,905,112	23,479,450
	117,765,806	71,584,755	-	189,350,560		50,500,639	9,859,973	-	60,360,612	128,989,948
Plant and machinery	676,925,954	371,741,830	-	1,048,667,784	10%	305,865,543	70,988,778	-	376,854,321	671,813,463
Generator	14,744,086	-	-	14,744,086	10%	7,883,589	686,050	-	8,569,639	6,174,447
Electric installation	27,554,702	26,405,638	-	53,960,340	15%	15,856,354	4,945,340	-	20,801,694	33,158,646
Factory equipments	223,750	6,500	-	230,250	10%	164,490	6,143	-	170,633	59,617
Office equipments	1,419,491	1,009,783	-	2,429,274	10%	482,167	163,106	-	645,273	1,784,001
Telephone instalations	378,724	18,500	-	397,224	10%	246,831	15,039	-	261,870	135,354
Furniture and fixtures	2,244,371	227,740	-	2,472,111	10%	990,340	137,992	-	1,128,332	1,343,779
Arms and ammunition	11,800	-	-	11,800	10%	7,472	433	-	7,905	3,895
Weighing scales	643,982	-	-	643,982	10%	338,995	30,498	-	369,493	274,489
Tubewell	345,649	-	-	345,649	10%	210,500	13,515	-	224,015	121,634
Fire extinguishing equipment	263,497	-	-	263,497	10%	134,176	12,932	-	147,108	116,389
Vehicles	11,902,836	3,242,977	1,958,562	13,187,251	20%	5,385,907	1,148,922	1,307,798	5,227,031	7,960,220
	857,002,406	474,237,723	1,958,562	1,329,281,566		388,067,004	88,008,721	1,307,798	474,767,927	854,513,640
Leased										
Plant and machinery	129,544,778	46,786,416	-	176,331,194	10%	21,698,751	11,564,377	-	33,263,128	143,068,066
Vehicles	-	-	-	-	20%	-	-	-	-	-
2006	**986,547,184**	**521,024,139**	**1,958,562**	**1,505,612,760**		**409,765,755**	**99,573,098**	**1,307,798**	**508,031,055**	**997,581,706**
2005	**947,065,412**	**39,735,062**	**253,290**	**986,547,184**		**362,371,523**	**47,629,899**	**235,667**	**409,765,755**	**576,781,430**

15.2 Additions to owned plant and machinery during prior years included Exchange Risk Coverage Fee. International Accounting Standards and a Technical Release issued by the Institute of Chartered Accountants of Pakistan do not permit capitalisation of this fee. The Company, however, had not accepted this recommended treatment from the accounting year ended September 30, 1995 to accounting year ended September 30, 1998. Had Exchange Risk Coverage Fee capitalised in prior years been properly taken to the profit and loss account, unappropriated profit as at June 30, 2005 would have been lower by Rs. 3,639,721 (2005 : Rs.4,044,133) and loss for the year would have been lower by Rs. 414,413. (2005: profit for the period would have been higher by Rs. 327,903)

15.3 Depreciation for the year/ period has been allocated as under:

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Cost of Sales	**24**	98,109,713	46,374,516
Administrative expenses	**27**	1,463,385	1,255,383
		99,573,098	**47,629,899**

15.4 Disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Sales Proceeds	Gain	Sold through negotiation to:
	Rupees					
Vehicle MNX 37	1,155,580	833,718	321,862	422,000	100,138	Mian Khalid Sabri Awaisi
Vehicle MNY 37	802,982	474,080	328,902	390,000	61,098	Mian Muhammad Hassan
2006	**1,958,562**	**1,307,798**	**650,764**	**812,000**	**161,236**	
2005	253,290	235,667	17,623	35,000	17,377	

	NOTE	2006 Rupees	2005 Rupees
15.5 CAPITAL WORK IN PROGRESS			
Building			
- Material and expenses		-	25,738,285
Plant and machinery		-	359,666,297
Others		-	8,000
		-	**385,412,582**
15.5.1 Unallocated capital expenditure			
Trial run loss	**15.5.2**	-	23,176,998
Less: allocated to:			
- buildings on freehold land		-	1,547,786
- plant and machinery		-	21,629,212
		-	**23,176,998**
			-
15.5.2 Trial run operations account			
Sales - Net			
Local		-	55,877,864
Export		-	23,679,437
Waste		-	950,141
		-	80,507,442
Less: Sales Tax		-	(1,844,593)
		-	78,662,849
Cost of sales			
Raw materials consumed		-	72,621,134
Salaries, wages and benefits		-	13,565,793
Stores consumed		-	6,224,423
Packing material consumed		-	761,772
Power and fuel		-	17,510,894
Others		-	83,248
		-	110,767,264
Adjustment of closing work-in-process		-	(3,359,161)
Cost of goods manufactured		-	-
		-	107,408,103
Adjustment of finished goods			
Closing stock		-	(18,146,560)
		-	89,261,543
Trial run (gross loss)		-	(10,598,694)
Administrative and selling expenses		-	(1,934,777)
		-	(12,533,471)
Financial charges		-	(10,643,527)
		-	**(23,176,998)**

16. STORES, SPARES AND LOOSE TOOLS

	NOTE	2006 Rupees	2005 Rupees
Stores		21,016,123	17,044,081
Spares		17,078,292	23,679,250
Loose tools		61,283	60,436
		38,155,698	**40,783,767**

17. STOCK IN TRADE

	NOTE	2006 Rupees	2005 Rupees
Raw material		297,688,068	246,204,100
Work in process	**17.1**	20,382,220	16,077,132
Finished goods	**17.2**	114,388,612	111,799,352
		432,458,900	**374,080,584**
17.1 Work in process from ordinary activities		20,382,220	12,717,971
Work in process from trial run		**-**	3,359,161
		20,382,220	**16,077,132**
17.2 Finished goods from ordinary activities		114,388,612	93,652,792
Finished goods from trial run		-	18,146,560
		114,388,612	**111,799,352**

18. TRADE DEBTS	NOTE	2006 Rupees	2005 Rupees
Considered good			
Foreign-Secured		28,480,173	37,133,678
Local-Unsecured		83,420,320	59,171,318
		111,900,493	**96,304,996**

19. LOANS AND ADVANCES

Advances to employees - considered good		934,165	1,517,628
Advance payments - considered good		46,682,428	59,282,430
Income tax deducted at source / advance income tax/ tax paid with return of income		12,069,396	39,914,166
		59,685,989	**100,714,224**

20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Prepayments		-	474,623
		-	**474,623**

21. OTHER RECEIVABLES

Corporate Assets Tax paid under protest	13.2	1,440,000	1,440,000
Minimum tax paid under protest	13.3	738,515	738,515
		2,178,515	2,178,515
Workers' welfare fund paid under protest		273,221	273,221
Income tax refundable		1,433,071	4,818,056
Octroi refundable		61,868	61,868
Sales tax refundable		5,639,795	5,390,128
Others		11,920	11,920
		9,598,390	**12,733,708**

22. CASH AND BANK BALANCES

Cash in hand		80,742	43,316
Cash at banks on current accounts		8,334,303	526,479
		8,415,045	**569,795**

23. SALES - Net	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Local:		
- Own manufactured goods		
Yarn	643,398,258	367,952,106
Fabric	377,226,099	322,050,538
Waste	58,680,413	37,084,182
	1,079,304,770	727,086,826
- Trading goods		
Yarn	1,991,600	4,816,872
	1,081,296,370	731,903,698
Export:		
Yarn	383,638,626	219,244,873
Fabric	589,675,621	439,675,653
	973,314,247	658,920,526
	2,054,610,617	1,390,824,224
Less:		
Commission	22,015,540	14,946,155
Sales tax	-	70,626,957
	22,015,540	85,573,112
	2,032,595,077	**1,305,251,112**

23.1 Export sales include indirect export sales amounting to Rs. 169,751,494 (Masood Fabrics Ltd. Rs. 62,720,410, Roomi Fabrics Ltd. Rs. 95,268,521, Nakshbandi Industries Ltd. Rs. 11,762,563 (2005:Nil). Under Standard Purchase Order.

		Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
24.	**COST OF SALES**			
	Raw materials consumed	**24.1**	1,376,673,852	965,029,470
	Salaries, wages and benefits	**24.2**	100,129,950	39,506,635
	Stores consumed		35,126,319	14,911,415
	Packing materials consumed		21,192,895	10,788,359
	Chemicals consumed		16,291,799	13,074,562
	Power and fuel		181,376,536	75,553,624
	Repair and maintenance		3,335,516	1,081,985
	Insurance		4,689,490	3,222,192
	Depreciation	**15.3**	98,109,713	46,374,516
	Others		1,883,783	749,008
			1,838,809,853	1,170,291,766
	Adjustment of work -in- process			
	Opening		16,077,132	17,740,490
	Closing		(20,382,220)	(12,717,971)
			(4,305,088)	5,022,519
	Cost of goods manufactured		1,834,504,765	1,175,314,285
	Adjustment of finished goods			
	Opening stock		111,799,352	64,222,330
	Purchases		-	15,622,134
	Closing stock		(114,388,612)	(93,652,792)
			(2,589,260)	(13,808,328)
	Cost of goods sold - Own manufactured		1,831,915,505	1,161,505,957
	Cost of goods sold - Trading goods			
	Purchases		1,958,733	4,738,788
			1,833,874,238	1,166,244,745

24.1	Raw material consumed		
	Opening stock	246,204,100	146,622,180
	Purchases including direct expenses	1,428,157,820	1,064,611,390
		1,674,361,920	1,211,233,570
Less:			
	Closing stock	(297,688,068)	(246,204,100)
		1,376,673,852	**965,029,470**

24.2 These include Rs. 3,124,965 (2005: Rs. 2,842,210) in respect of staff retirement benefits - gratuity.

25.	**OTHER OPERATING INCOME**		
	- Export rebate on packing materials	1,542,734	614,227
	- Gain on sales of fixed assets	161,236	17,377
	- Exchange fluctuation gain	344,480	-
	- Write back of WWF provision	809,816	
		2,858,266	**631,604**
26.	**DISTRIBUTION COST**		
	Export Development Surcharge	2,020,741	1,553,495
	Export Expenses	4,134,231	3,477,168
	Freight, forwarding and others	24,882,670	16,518,448
		31,037,642	**21,549,110**

27.	**ADMINISTRATIVE EXPENSES**			
	Directors' meeting fee		3,000	1,500
	Staff salaries and benefits	**27.1**	6,356,242	7,071,449
	Vehicles running and maintenance		1,476,372	658,859
	Utilities		361,571	184,993
	Traveling and conveyance		2,643,397	886,454
	Printing and stationery		419,705	587,632
	Insurance		239,307	558,123
	Communication		2,172,976	1,309,682
	Rent, rates and taxes		671,567	2,055
	Repair and maintenance		386,508	244,767
	Entertainment		801,894	407,152
	Fees and subscription		506,734	224,348
	Papers and periodicals		-	37,891
	Advertisement		82,250	27,230
	Depreciation	**15.3**	1,463,385	1,255,383
	Auditor's remuneration			
	- statutory audit fee		150,000	125,000
	- half yearly review		50,000	50,000
			200,000	175,000
	Legal and professional (other than Auditors' remuneration)		-	104,800
	Others		695,642	781,180
			18,480,550	**14,518,498**

27.1 These include Rs. 317,908 (2005: Rs. 321,451) in respect of staff retirement benefits- gratuity.

		Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
28.	**OTHER OPERATING EXPENSES**			
	Charity and Donation (Without directors' interest)		149,200	31,900
	Workers' profit participation fund		1,523,062	3,170,032
			1,672,262	**3,201,932**
29.	**FINANCE COST**			
	Lease financial charges		13,722,306	5,798,774
	Mark-up on:			
	- long term finances		49,755,037	8,424,690
	- short term finances		51,430,683	22,937,450
	Interest on workers' profit participation fund		168,993	19,067
	Bank Charges		6,542,455	2,976,908
			121,619,474	**40,156,890**
30.	**PROVISION FOR TAXATION**			
	Current		11,651,336	7,442,637
	Deferred tax		23,594,210	-
			35,245,546	**7,442,637**

31. EARNINGS PER SHARE

Profit attributable to the ordinary share holders	(6,476,369)	52,768,904
	No. of shares	
Weighted average of number of ordinary shares outstanding during the year/ period	12,528,912	12,528,912
Earning per share	(0.52)	4.21

There is no dilutive effect on the basic earning per share of the company.

32. RELATED PARTY TRANSACTIONS

The related parties comprised of an associated company, directors and key personnel.

32.1 The company, during the year/ period, purchased goods aggregating Rs. 369,644,771 (2005: Rs. 344,438,280).

32.2 Maximum aggregate amount due to the Associated Company (Ahmad Cotton Industries Private Limited) at any month-end during the year/ period was Rs. 112,641,178 (2005: Rs.110,232,557)

32.3 No interest was charged on the Associated Company's balances during the year as these arose due to normal trade dealings.

32.4 Remuneration and benefits to key management personnel under the term of their employment as disclosed in note 34

33. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The company, during the year offered 1,879,336.8 ordinary shares of Rs. 10 each at a premium of Rs. 5 per share as right shares to its existing shareholders, which were fully subscribed subsequent to balance sheet date.

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and liabilities

	Interest bearing			*Non-Interest bearing/ mark-up bearing*			
	Maturity upto one year	*Maturity after one year*	*Sub-total*	*Maturity upto one year*	*Maturity after one year*	*Sub-total*	Total
	Rupees						
Financial assets							
Long term security deposits	-	-	-	-	4,582,497	4,582,497	4,582,497
Trade debtors	-	-	-	111,900,493	-	111,900,493	111,900,493
Loans and advances	-	-	-	934,165	-	934,165	934,165
Cash and bank balances	-		-	8,415,045		8,415,045	8,415,045
June 30,2006	**-**	**-**	**-**	**121,249,703**	**4,582,497**	**125,832,200**	**125,832,200**
June 30,2005				98,392,419	4,582,497	102,974,916	102,974,916
Financial liabilities							
Long term finances	90,360,126	190,397,086	280,757,212	-	-	-	280,757,212
Liabilities against assets		-	-	-	-	-	-
subject to finance lease	29,599,718	107,969,382	137,569,100	-			137,569,100
Lomg term morabaha	26,666,666	133,333,334	160,000,000				160,000,000
Short term financing	520,801,224		520,801,224	-	-	-	520,801,224
Trade and other payables				66,955,897		66,955,897	66,955,897
Interest and markup payable	-	-	-	30,693,215	-	30,693,215	30,693,215
June 30,2006	**667,427,734**	**431,699,802**	**1,099,127,536**	**97,649,112**	**-**	**97,649,112**	**1,196,776,648**
June 30,2005	571,672,587	464,948,382	1,036,620,969	91,277,246	-	91,277,246	1,127,898,215
Off balance sheet item:							
June 30,2006	**-**	**-**	**-**	**170,000,000**	**-**	**170,000,000**	**170,000,000**
June 30,2005	-	-	-	90,000,000	-	90,000,000	90,000,000

34.2 Interest/mark-up rates

The effective interest/mark-up rates for the monetory financial assets and liabilities are mentioned in respective notes to the financial statements.

34.3 Foreign exchange risk management.

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk. As at June 30, 2006, the total foreign currency risk exposure was Rs 28 million (2005: Rs 37 million) in respect of trade debts.. Payables exposed to foreign exchange risk are covered through hedging.

34.4 Concentration of credit risk.

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs. 126 million (2005: Rs. 103 million) , the financial assets which are subject to credit risk amounted to Rs.117 million (2005: Rs. 102 million). The company manages credit risk in trade receivables by limiting significant exposure to any individual customers by obtaining advance against sales.Further the company attempts to control credit risk of debtors by continuing assesment of credit worthiness of customers.

34.5 Interest rate riskmangment.

Interest rate risk represents the value of financial instrument which will fluctuate due to changes in market interest rate. Since the company borrows most of the funds at fixed interest rate, exposure to interest rate risk is minimal.

34.6 Fair values of financial assets and liabilities.

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

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Working Directors	
	2006	2005
Managerial Remuneration	1,080,000	810,000
No. of persons	**2**	2

35.1 Meeting Fee amounting to Rs.3,000 (2005: Rs. 1,500) was paid to three (2005: three) non- working directors. The Chief Executive and the Working Directors are also provided with the Company maintained cars. The Chief Executive and some of the Directors are also provided with telephones at their residences.

36. CAPACITY AND PRODUCTION

		For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Yarn			
Number of spindles installed		33,120	17,640
Number of spindles worked		33,120	17,640
Number of shifts worked		1,091	821
Installed capacity after conversion into 20's count (1095 shifts)	Kgs	11,780,573	4,341,054
Actual production of yarn after conversion into 20's count	Kgs	10,855,388	4,177,831
Fabric			
Number of looms installed		112	103
Number of looms worked		112	103
Installed capacity after conversion into 60 picks	Sq. mtrs	19,124,958	13,922,659
Actual production of fabric after conversion into 60 picks	Sq. mtrs	17,672,296	13,953,409

The Company during the last period had installed 15,480 spindles making a total installed capacity of 33,120 spindles, which started its trial production from May 01, 2005 in the last period and commercial production has started from August 01, 2005 during current year.

It is difficult to describe precisely the production capacity in Spinning/ Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year.

37. NUMBER OF EMPLOYEES

	N u m b e r s	
Average number of employees during the year/ period	817	795

38. DATE OF AUTHORIZATION

These financial statements were authorized for issue on ……………………. by Board of Directors of the Company.

39. GENERAL

Figures

- in the financial statements have been rounded-off to the nearest rupee except stated otherwise.

40. RECLASSIFICATION

40.1 Following re classification / rearrangements have been made in the financial statements to give better presentation

Previous classification			Current classification		
SALES - Net		-	SALES - Net	Local - Trading goods	(4,816,872)
COST OF SALES	Raw materials sold	(4,816,872)	COST OF SALES	Trading goods	4,738,788
	Purchases	1,069,350,178		Purchases	1,064,611,390

CHAIRMAN ***CHIEF EXECUTIVE OFFICER*** ***DIRECTOR*** ***CFO***