artisticdenim.com

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

CONTENTS

COMPANY INFORMATION

Board of Director

Chairman	Muhammad Yaqoob Ahmed
Chief Executive	Muhammad Faisal Ahmed
Director	Muhammad Iqbal Ahmed
Director	Muhammad Yousuf Ahmed
Director	Muhammad Javed Ahmed
Director	Muhammad Ali Ahmed
Director	Mrs. Hajra Ahmed

Audit Committee

Chairman	Muhammad Yousuf Ahmed
Member	Muhammad Iqbal Ahmed
Member	Muhammad Javed Ahmed

Company Secretary	S. D. Siddiqui
Manager Internal Audit	Syed Muhammad Ali
Chief Financial Officer	Nadeem A. Mazari
Auditors	M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Advisor	Monawwer Ghani Advocate
Bankers	Bank Al-Habib Limited Habib Bank AG Zurich National Bank of Pakistan Faisal Bank Limited
Registered Office	39-A, Block 6, PECHS, Karachi. 111-004-004, Fax No. 4556701 www.artisticdenim.com
Factory	Plot No. 5, 6, 7, 8, 9, 23, 24, 25, 26, Sector 16, Korangi Industrial Area, Karachi. 111-236-236, Fax No.5054652

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 13th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at the Registered Office of the Company at 39-A, Block-6, PECHS, Karachi, on Saturday, October 22, 2005 at 3:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 12th Annual General Meeting held on October 23, 2004.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2005 together with Reports of the Directors' and Auditors' thereon.
3. To consider and approve payment of 80 % Cash Dividend for the year ended June 30, 2005 as recommended by the Board of Directors.
4. To appoint Auditors for the Year 2005-2006 and to fix their remuneration.
5. To elect seven directors in place of following directors, retiring on November 22, 2005 for a term of three years in accordance with the provision of section 178 of the Companies Ordinance, 1984

   (1) Mr. Muhammad Yaqoob Ahmed
   (2) Mr. Muhammad Iqbal Ahmed
   (3) Mr. Muhammad Yousuf Ahmed
   (4) Mr. Muhammad Javed Ahmed
   (5) Mr. Muhammad Faisal Ahmed
   (2) Mr. Muhammad Ali Ahmed
   (7) Mrs. Hajra Ahmed

Under section 178(1) of the Companies Ordinance, 1984 the number of Directors has been fixed at seven (7). The retiring directors shall be eligible to offer themselves for re-election

SPECIAL BUSINESS

6. To approve placing of periodically financial statements on our website instead of sending the same by mail to the members.
7. To transact with permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board

(S. D. SIDDIQUI)
Company Secretary

Karachi:
September 29, 2005

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2005 to October 26, 2005 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 20, 2005 will be treated in time to determine the entitlement of 80 % dividend recommended by the Board of Directors.
2. Any person who seeks to contest the election to the office of Director shall, whether he is a retiring director or otherwise, file with the Company at its registered office not later fourteen (14) days before the date of the meeting, a notice of his intention to offer himself/herself for election as a director.
3. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another Member as his/her proxy to attend, speak and vote on his/her behalf.
4. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before at the time of the meeting and must be duly stamped, signed and witnessed. Form of Proxy is enclosed.
5. A Corporation, which is a member of the Company, may by resolution of its Board of Directors or Governing Body authorize a person to act as its representative at the meeting.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For Appointing Proxies:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC' numbers shall be mentioned on the form.

iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original NIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (Unless it has been provided earlier) along with proxy form to the Company.

7. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company have the pleasure in presenting the 13th Annual Report along with the audited financial statements for the year ended June 30, 2005.

YEAR UNDER REVIEW

Allhamdolillah, your Company has made appreciable improvement in sales, cost of sales and profit. With a 76% increase in turnover, net sales for the year is Rs.3.196 billions as compared to last year's Rs.1.813 billions. Export sales increased from Rs.1.765 billion to Rs.3.180 billion, registering 80% increase representing 99% of total sales. During current year, we have complied export orders exceeding to our production capacity, which were fulfilled by outsourced services. This could be possible due to extensive marketing efforts contributing increased export sales.

Cost of sales, in contrast to sales, has reduced by 9%. The same amounted to Rs.2.340 billion as compared to Rs.1.486 billion of last year's. The reduction were achieved as a result of cheaper cotton prices, controlled imports and procurement and good governance. Average price of cotton and yarn were Rs. 2,125/- per mound and Rs.510/- per 10 pounds during the period under review.

Distribution, administration cost and Other operating expenses were consistent with sales for the year. Financing cost of the Company increased by 179%. It was Rs.55.221 million as compared to Rs.19.777 million for last year. financing cost increased due to comparatively high interest cost and utilization of new loans for expansion and working capital management.

Resultantly, the gross and net profit realized at Rs.857 million and Rs.620 million as against Rs.327 million and 203 million of last year indicating an increase of 162% and 205% respectively. Earnings per share stood at Rs.44.27 against Rs.14.47 in previous year.

PRODUCTION

Your Company has heavily invested in expansion of production capacity. As a result, total assets of the Company increased from Rs.1.422 billion to Rs. 2.699 billion showing a 90% increase. Your Company has imported 36 looms for weaving and 10 ring frames for spinning department. Which are in erection phase. With this increase, Inshallah, your Company will be able reduce cost and meet new challenges with own sources.

SALES AND MARKETING

Your management, as a result of dedication and untiring marketing efforts, made it possible to touch unreachable sales horizon this year. Despite, the cut throat competition of price war in international markets, your Company has managed to increase the earning per share through value addition to the product range and extensive marketing efforts.

In the light of good operating performance of your Company, the Directors are pleased to propose 80 % dividend for the year under review.

FUTURE OUTLOOK

The management is fully conversant with the changes in global environment. Your Company, in order to increase the profitability and viability of the existing facilities, is extensively working on the additional production facilities, which shall make your Company a distinctive player in denim fabric manufacturer.

CORPORATE COMPLIANCE

We are pleased to confirm that in compliance with the listing regulation 37 (xix) of the Karachi Stock Exchange (Guarantee) Limited/ Code of Corporate Governance, the Board of Directors hereby declares that:

- The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly state of its affairs, operating results, cash flow and changes equity.
- Proper books for account have been maintained in the manner required under Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The sound internal control system has been established and is being effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed by the listing regulations.

The Management is pleased to provide you with information as under:

- Key financial and operating data for the last six years in summarized form is annexed.
- Number of Board meetings held during the year July 1, 2004 to June 30, 2005 were seven. The attendance of the directors is as under:

Name of Directors	Meetings Attended
Mr. Muhammad Yaqoob Ahmed	5
Mr. Muhammad Iqbal Ahmed	7
Mr. Muhammad Yousuf Ahmed	7
Mr. Muhammad Javed Ahmed	7
Mr. Muhammad Faisal Ahmed	7
Mr. Muhammad Ali Ahmed	6
Mrs. Hajra Ahmed	7

- Pattern of shareholding is annexed.
- During the fiscal year July 1, 2004 to June 30, 2005 the trading in the shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is annexed.

AUDITORS

The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and are eligible for reappointment.

The Board Audit Committee has recommended the reappointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors of the Company for the year 2004 – 2005.

ACKNOWLEDGEMENT

We wish to express our sincere thanks to all the financial institutions who have been associated with us for their continued support and co-operation. We also would like to thank all our valued customers and suppliers for rendering their patronage to the Company.

We are confident that with the untiring efforts and dedication of management staff/workers and all concerned, your Company will Inshallah continue to grow and prosper.

ON BEHALF OF THE BOARD

(Faisal Ahmed)
Chief Executive

Karachi: September 26, 2005.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2005

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four independent non-executive directors.

The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

Casual vacancy occurred in the Board during the year but fulfilled according to law.

The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The directors have been provided orientation to apprise them of their duties and responsibilities.

During the year there was no new appointment of Chief Financial Officer, and CEO. Their remuneration and terms and condition of employment determined by the Board. However, there was no new appointment of Company Secretary and Head of Internal Audit. Although, the Board has approved remuneration and terms and conditions of employment of Company Secretary and Head of Internal Audit, as determined by the CEO.

The Directors' report has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.

The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

The Company has complied with all the corporate and financial reporting requirements of the Code.

The Board has formed an Audit Committee. It comprises three members, of whom two members are non-executive directors including the Chairman of the Committee.

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.

The Board has set-up an effective internal audit function.
The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with.

Karachi: September 9, 2005.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARTISTIC DENIM MILLS LIMITED** as at June 30, 2005 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 accounts 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 change as stated in note 2.3 to the financial statements 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 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, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi - **Chartered Accountants.**

ARTISTIC DENIM MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2005

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	(Restated)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	**2,071,329**	763,865
Long term loans	4	**1,879**	704
Long term deposits	5	**447**	1,512
CURRENT ASSETS			
Stores and spares	6	**16,479**	8,882
Stock-in-trade	7	**279,011**	296,111
Trade debts	8	**205,306**	210,777
Loans and advances	9	**12,735**	8,234
Trade deposits and short term prepayments	10	**2,123**	950
Other receivables	11	**84,947**	78,168
Taxation	12	**1,791**	11,104
Cash and bank balances	13	**22,919**	42,058
		625,311	656,284
TOTAL ASSETS		**2,698,966**	1,422,365
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	**140,000**	140,000
Reserves	15	**1,219,108**	655,384
		1,359,108	795,384
NON-CURRENT LIABILITIES			
Long term financing	16	**367,143**	75,000
Long term murabaha	17	**257,857**	-
Deferred liability	18	**10,005**	7,016
CURRENT LIABILITIES			
Trade and other payables	19	**201,974**	210,971
Mark-up accrued on loans and other payables	20	**11,021**	2,712
Short term borrowings	21	**441,858**	280,000
Provision for fuel and power		**-**	26,282
Current maturity of long term financing		**50,000**	25,000
		704,853	544,965
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**2,698,966**	1,422,365

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

Chief Executive **Director**

ARTISTIC DENIM MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
NET SALES	23	**3,196,198**	1,812,715
Cost of sales	24	**(2,339,660)**	(1,485,547)
GROSS PROFIT		**856,538**	327,168
Distribution cost	25	**(104,762)**	(60,589)
Administrative expenses	26	**(30,160)**	(25,862)
Other operating expenses	27	**(34,305)**	(11,550)
		(169,227)	(98,001)
Provision for fuel and power written back	28	**12,534**	-
Other operating income	29	**7,173**	8,083
		19,707	8,083
		707,018	237,250
Finance cost	30	**(55,221)**	(19,777)
PROFIT BEFORE TAXATION		**651,797**	217,473
Taxation	31	**(32,073)**	(14,888)
NET PROFIT FOR THE YEAR		**619,724**	202,585
BASIC EARNINGS PER SHARE (Rs. per share)	32	**44.27**	14.47

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

Chief Executive **Director**

ARTISTIC DENIM MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	(Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**759,833**	136,925
Income tax paid		**(22,762)**	(18,706)
Gratuity paid		**(924)**	(1,192)
Financial charges paid		**(46,912)**	(19,819)
Long term deposits – net		**1,066**	83
Net cash generated from operating activities		**690,301**	97,291
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,389,567)**	(38,619)
Long term loans – net		**(1,176)**	(524)
Return on bank deposits received		**384**	286
Sale proceeds of fixed asset		**59**	25
Net cash used in investing activities		**(1,390,300)**	(38,832)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loan repaid		**(25,000)**	(75,482)
Long-term Murabaha acquired		**257,857**	-
Long-term loan acquired		**342,143**	100,000
Short term borrowings acquired		**211,858**	280,000
Short term borrowing paid		**(50,000)**	(267,869)
Dividends paid		**(55,998)**	(55,977)
Net cash used in financing activities		**680,860**	(19,328)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(19,139)**	39,131
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**42,058**	2,927
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	**22,919**	42,058

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

Chief Executive **Director**

ARTISTIC DENIM MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2005

	Share Capital	Capital Reserve	Revenue Reserve	
	Issued, Subscribed and paid-up	Premium on Issue of Ordinary shares	Unappropriated Profit	Total
	(Rupees in '000)			
Balance as at June 30, 2003 as previously reported	140,000	105,000	347,799	592,799
Effect of change in accounting policy due to the revision of the Fourth Schedule to the Companies Ordinance, 1984 (note 2.3)	-	-	56,000	56,000
Balance as at June 30, 2003 (Restated)	140,000	105,000	403,799	648,799
Dividend declared and paid	-	-	(56,000)	(56,000)
Net profit for the year	-	-	202,585	202,585
Balance as at June 30, 2004	140,000	105,000	550,384	795,384
Balance as at June 30, 2004 as previously reported	140,000	105,000	494,384	739,384
Effect of change in accounting policy due to the revision of the Fourth Schedule to the Companies Ordinance, 1984 (note 2.3)	-	-	56,000	56,000
Balance as at June 30, 2004 (Restated)	140,000	105,000	550,384	795,384
Dividend declared and paid	-	-	(56,000)	(56,000)
Net profit for the year	-	-	619,724	619,724
Balance as at June 30, 2005	**140,000**	**105,000**	**1,114,108**	**1,359,108**

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

Chief Executive **Director**

ARTISTIC DENIM MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1. THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited was incorporated in Pakistan on May 18, 1992 under the Companies Ordinance, 1984 and is currently listed on the Karachi Stock Exchange. The principal activity of the company is to manufacture and sell rope dyed denim fabric and yarn.

The registered office of the company is located at 39-A, Block 6, P.E.C.H.S, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, 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 Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 CHANGES IN ACCOUNTING POLICIES

2.3.1 Subsequent to the revision of the Fourth Schedule to the Companies Ordinance, 1984, the company, during the current year, revised its policy to recognize dividend as a liability in the period in which it is declared. Previously, dividends proposed after the balance sheet date but before the financial statements were authorized for issue had been recorded as a liability.

The said change in the accounting policy has been applied retrospectively in order to conform with the benchmark treatment prescribed by IAS - 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", which requires that any resulting adjustment should be reported as an adjustment to the opening balance of retained earnings of the earliest period presented and comparative information should be restated as if the new policy had always been in use. Accordingly, proposed dividend recognized as a liability in the financial statements for the year ended June 30, 2004, amounting to Rs.56.00 million has been excluded from current liabilities and the opening balance of unappropriated profit has been adjusted by the same amount, as shown in the Statement of Changes in Equity.

Further, unappropriated profit as at June 30, 2003 has also been increased by Rs.56.00 million, which is the amount of adjustment (proposed dividend) relating to the periods up to June 30, 2003.

2.3.2 In order to conform to the requirements of IAS – 7 “Cash Flow Statement”, the management of the company has changed its accounting policy in respect of cash and cash equivalents. Cash and cash equivalents now comprise of cash and bank balances whereas previously these also included the short-term borrowings. This change in accounting policy has not caused any change in the profit and loss account or the balance sheet.

2.4 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Leasehold land is amortised over the period of lease. Depreciation is calculated on a reducing balance method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 3.1 to the financial statements. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the item is derecognised.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible fixed assets in the course of their construction and installation.

2.5 Stores and spares

Stores and spares are valued at the lower of cost, determined on a first-in-first-out (FIFO) basis, and net realisable value. Provision is made for any slow moving and obsolete items.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

2.6 Stock-in-trade

Stock-in-trade are valued at the lower of cost and net realisable value.

Cost for raw and packing materials is determined using first-in-first-out (FIFO) basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials and labor and a proportion of manufacturing overheads based on normal capacity. Cost is determined on FIFO basis.

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

2.7 Trade debts

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.9 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 future for goods and services received, whether or not billed to the company.

2.10 Staff retirement benefit

The company operates an unfunded gratuity plan (defined benefit scheme) for all its permanent employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. The latest valuation was carried out as at June 30, 2005. Actuarial gain / loss is recognised on the basis of actuarial recommendation. Projected Unit Credit Method, using following assumptions, is used for valuation of the scheme:

- Expected rate of increase in salaries at 8% per annum.
- Expected discount rate at 9% per annum.

2.11 Actuarial gains and losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

2.12 Compensated absences

The company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

2.13 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) 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 can be made of the amount of the obligation.

2.14 Taxation

Current

The company falls under the final tax regime under Section 169 of the Income Tax Ordinance, 2001. Provision for tax on other income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

Deferred

Since the income of the company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these financial statements as the company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales whereas, temporary differences in respect of other income are expected to be negligible.

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Specific revenue recognition criteria is as follows:

(i) Sales are recorded when goods are dispatched and invoiced.
(ii) Return on bank deposits is recognised on an accrual basis.
(iii) Duty draw back on export sales is recognised on an accrual basis at the time of making the export sale.

2.16 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates prevailing on the date of transaction. All differences are taken to the profit and loss account.

2.17 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	**1,084,329**	763,865
Capital work-in-progress	3.2	**987,000**	-
		2,071,329	763,865

3.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	As at July 01, 2004	Additions	(Disposals)	As at June 30, 2005	Period / Rate %	As at July 01, 2004	For the Year	(On disposals)	As at June 30, 2005	As at June 30, 2005
	(Rupees in '000)					(Rupees in '000)				
Leasehold land	53,582	381,355	-	434,937	65 to 72 yrs	4,716	6,106	-	10,822	424,115
Building on leasehold land	131,798	-	-	131,798	10	46,907	8,489	-	55,396	76,402
Plant and machinery	977,817	-	-	977,817	10	400,628	57,719	-	458,347	519,470
Factory equipment	58,363	10,179	-	68,542	10	19,287	4,925	-	24,212	44,330
Furniture and fixtures	6,522	180	-	6,702	10	1,670	503	-	2,173	4,529
Office equipment, including Computers	7,628	880	-	8,508	33	5,590	963	-	6,553	1,955
Vehicles	18,492	9,974	(128)	28,338	20	11,539	3,360	(89)	14,810	13,528
June 30, 2005	**1,254,202**	**402,568**	**(128)**	**1,656,642**		**490,337**	**82,065**	**(89)**	**572,313**	**1,084,329**
June 30, 2004	1,131,583	122,779	(160)	1,254,202		408,421	81,956	(40)	490,337	763,865

3.1.1 During the current year, the following amounts have been transferred from capital work-in-progress to:

	June 30, 2005	June 30, 2004
	(Rupees in '000)	
Building on leasehold land	**-**	43,016
Plant and machinery	**-**	63,808
Factory equipment	**10,179**	11,997
	10,179	118,821

3.1.2 Depreciation / amortization charge for the year has been allocated as follows:

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
Cost of sales	24	**75,746**	75,645
Distribution cost	25	**164**	164
Administrative expenses	26	**6,155**	6,147
		82,065	81,956

3.1.4 The following assets were disposed of during the year:

Description	Cost	Accumulated Depreciation	Written Down value	Sale Proceed	Mode of disposal	Particulars of Buyer
	---- (Rupees in '000) ----					
Vehicles						
Motorcycle	69	40	29	27	Negotiation	Aleem Ahmed Khan, Khudadad Colony, Karachi
Motorcycle	59	49	10	32	Insurance claim	EFU General Insurance
	128	**89**	**39**	**59**		

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
3.2 Capital work-in-progress			
Civil works:			
Building on leasehold land		**157,323**	-
Plant and machinery under installation		**814,347**	-
Advances to suppliers		**15,330**	-
		987,000	-

4. LONG TERM LOANS

	Note	2005	2004
Considered good – secured			
Executives	4.1	**650**	-
Employees		**2,938**	1,252
		3,588	1,252
Recoverable within one year shown under current assets			
Executives	9	**(300)**	-
Employees	9	**(1,409)**	(548)
		(1,709)	(548)
		1,879	704

The secured loans to executives and employees are either personal loans or given for medical expenses. These are granted in accordance with the terms of their employment and are secured against their Gratuity balances. These loans are recoverable in monthly installments over a period, ranging between 1 and 4 (2004: 1 and 4) years, and are interest free.

The maximum aggregate amount due from executives at the end of any month during the year was Rs.1.020 (2004: Rs.1.184) million.

4.1 Reconciliation	2005	2004
Opening balance	**-**	-
Disbursements during the year	**800**	-
	800	-
Repayments made during the year	**(150)**	-
	650	-

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
5. LONG TERM DEPOSITS			
Security deposits			
Utilities		**284**	1,312
Others		**163**	200
		447	1,512
6. STORES AND SPARES			
Stores – in hand		**11,716**	2,146
Spares			
in hand		**4,763**	2,879
in transit		**-**	3,857
		4,763	6,736
		16,479	8,882
7. STOCK-IN-TRADE			
Raw and packing materials			
In hand		**164,957**	120,659
In transit		**3,728**	71,730
		168,685	192,389
Work-in-process		**80,984**	78,547
Finished goods		**29,342**	25,175
		279,011	296,111
8. TRADE DEBTS			
Considered good			
Secured – against letters of credit			
Casual Sports Wear – a related party		**10,829**	33,012
Others		**96,490**	125,086
		107,319	158,098
Unsecured			
Related parties:			
Artistic Garment Industries (Private) Limited		**1,825**	5,718
Artistic Milliners		**3,768**	32
		5,593	5,750
Others		**92,394**	46,929
		97,987	52,679
		205,306	210,777

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
9. LOANS AND ADVANCES			
Considered good			
Loans			
Secured			
Current portion of long term loans			
Executives	4	**300**	-
Employees	4	**1,408**	548
		1,708	548
Short term loans			
Executives		**100**	-
Employees		**259**	288
		359	288
Advances			
Suppliers		**9,523**	6,673
Contractors		**1,145**	725
		10,668	7,398
		12,735	8,234

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		2005	2004
Trade deposits			
Security deposits		**117**	128
Margin against letters of credit		**1,641**	-
		1,758	128
Short term prepayments			
Insurance		**341**	581
Export quota		**-**	241
Others		**24**	-
		365	822
		2,123	950

11. OTHER RECEIVABLES

	Note	2005	2004
Duty draw back on export sales		**9,971**	12,647
Sales tax – net		**66,263**	56,349
Refund of custom duty	11.1	**8,434**	8,434
Miscellaneous		**279**	738
		84,947	78,168

11.1 This represents custom duty paid by the company during the year ended June 30, 2001 on import of certain plant and machinery although the same was exempt from the levy of custom duty. In order to recover the said duty, the company, in prior years, filed an application with the relevant appellate authorities. During the current year, the case has been decided in favour of the company and, hence, the said custom duty is expected to be recovered in foreseeable future.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
12. TAXATION			
Advance income tax – net		**1,791**	281
Income tax refundable		**-**	10,823
		1,791	11,104
13. CASH AND BANK BALANCES			
In hand		**11**	190
At banks in			
current accounts		**22,908**	164
deposit accounts		**-**	41,704
		22,908	41,868
		22,919	42,058

14. SHARE CAPITAL

No. of Shares June 30, 2005	No. of Shares June 30, 2004			
		Authorized Share Capital		
20,000,000	20,000,000	Ordinary shares of Rs.10 each	**200,000**	200,000
		Issued, Subscribed and Paid-up Capital		
14,000,000	14,000,000	Ordinary shares of Rs.10 each fully paid in cash	**140,000**	140,000

	Note	June 30, 2005	June 30, 2004
15. RESERVES			
Capital reserve			
Premium on issue of Ordinary shares		**105,000**	105,000
Revenue reserve			
Unappropriated profit		**1,114,108**	550,384
		1,219,108	655,384
16. LONG-TERM FINANCING			
Secured			
Term finances from banks	16.1	**417,143**	100,000
Current maturity shown under current liabilities		**(50,000)**	(25,000)
		367,143	75,000

16.1 The term finances comprise the following:

(a) a local currency loan, amounting to Rs.100.00 (2004: Rs.100.00) million, arranged by the company from a bank for a period of two years. The loan is repayable in four equal half-yearly installments, commencing April 15, 2005 to October 15, 2006 and is secured against the first equitable mortgage charge over factory land, building and hypothecation of specific machinery, amounting to Rs.200 million, along with a demand promissory note provided by the company in favour of the bank, amounting to Rs.139.545 million. It carries markup at the Base Rate (3 year Pakistan Investment Bond Cut-off yield) plus 1%, payable quarterly, on the principal sum of the loan and other dues, if any, outstanding from time to time.

(b) a local currency loan, amounting to Rs.342.143 million (2004: Rs.Nil), out of the total facility of Rs.400.00 million, arranged by the company during the current year, for the purpose of capital expenditure and for rationalizing the financial structure of the company. The loan is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. The loan carries mark-up at 6 months KIBOR plus 1.5%, payable half yearly, and is secured against first equitable mortgage over immovable property of the company and hypothecation of plant and machinery, amounting to Rs.534.00 million. The mark-up rate will be set on the 1st day of every six months mark-up period and will remain valid for the whole six months.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
17. LONG-TERM MURABAHA		**257,857**	-

This represents a long-term murabaha facility, amounting to Rs.257.857 million, out of the total facility of Rs.300.00 million, arranged by the company during the current year from a bank, for the purpose of capital expenditure. It is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. It carries mark-up at the rate of KIBOR plus 1.5%, payable half yearly, and is secured against mortgage of immovable property and hypothecation of the movable property, amounting to Rs.400 million. The mark-up rate will be set on the 1st day of every six months mark-up period and will remain valid for the whole six months.

18. DEFERRED LIABILITY

	Note	June 30, 2005	June 30, 2004
Staff gratuity	18.1	**10,005**	7,016

18.1 Staff gratuity

	Note	June 30, 2005	June 30, 2004
Opening balance		**7,016**	5,522
Charge for the year	18.1.1	**3,913**	2,686
		10,929	8,208
Paid during the year		**(924)**	(1,192)
		10,005	7,016

18.1.1 Charge for the year

	June 30, 2005	June 30, 2004
Current service cost	**2,973**	1,851
Interest cost	**780**	625
Transition cost	**-**	41
Recognition of actuarial loss	**160**	169
Expense chargeable	**3,913**	2,686

Reconciliation

	June 30, 2005	June 30, 2004
Present value of defined benefit Obligation	**16,384**	9,751
Benefits due but unpaid	**2**	-
Unrecognised net loss	**(6,381)**	(2,735)
	10,005	7,016

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
19. TRADE AND OTHER PAYABLES			
Creditors		**132,166**	184,538
Accrued expenses		**21,908**	10,906
Advance payments		**9,341**	3,589
Unpaid and unclaimed dividend		**165**	164
Other payables			
Retention money		**3,686**	37
Workers' Profit Participation Fund	19.1	**34,305**	11,455
Workers' Welfare Fund		**-**	97
Tax deducted at source		**403**	185
		38,394	11,774
		201,974	210,971

19.1 Workers' Profits Participation Fund

	Note	June 30, 2005	June 30, 2004
Balance at the beginning of the year		**11,455**	9,465
Allocation for the year	28	**34,305**	11,455
		45,760	20,920
Payments made during the year		**(11,455)**	(9,465)
		34,305	11,455

20. MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

	Note	June 30, 2005	June 30, 2004
Mark-up accrued on secured:			
long term financing		**2,033**	1,260
long term murabaha		**723**	-
short term running finances		**2,224**	-
short term loans		**6,041**	1,451
		11,021	2,712

21. SHORT TERM BORROWINGS

	Note	June 30, 2005	June 30, 2004
From banks – secured			
Short term loans	21.1	**430,000**	280,000
Short term running finances	21.2	**11,858**	-
		441,858	280,000

21.1 Short term loans

	Note	June 30, 2005	June 30, 2004
Term finance		**-**	50,000
Export refinance – I	21.1.1	**200,000**	-
Export refinance – II	21.1.2	**230,000**	230,000
		430,000	280,000

21.1.1 This represents export refinance facility, amounting to Rs.200.00 million, arranged by the company from a bank, repayable by September 30, 2005.

The loan carries mark-up at the rate of 0.25% above the Minimum Export Refinance rate, determined on six monthly basis and payable quarterly, and is secured against the registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.375.00 million.

21.1.2 This represents another export refinance facility, amounting to Rs.230.00 million, arranged by the company from a bank, repayable by February 13, 2006.

The loan carries mark-up at the rate of 0.25% above the Minimum Export Refinance rate, determined on a six monthly basis, and is secured against the registered hypothecation charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.375.00 million.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	
21.2 Short-term running finance			
From banks – secured			
Under mark-up arrangements		**11,858**	-

The company has arranged facilities for short term running finance from banks on mark-up basis to the extent of Rs.175.00 (2004: Rs.175.00) million. These finances are secured against registered hypothecation charge over movables and receivables for Rs.375.00 million and demand promissory note provided by the company for Rs.203.096 million.

The above finance carries mark-up at 1% above 3 months average KIBOR (2004: 6.00% and 7.00%), to be reviewed on the first working day of each calendar quarter, payable quarterly. The purchase prices are repayable on various dates, latest by September 30, 2005.

The company has also arranged short term running finance facilities from other banks, aggregating to Rs.225.00 million, which remained unavailed at the end of the current year.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

22.1 Claims not acknowledged as debt		**-**	1,003
22.2 Foreign bills discounted		**281,668**	170,554
22.3 Inland bills discounted		**37,470**	3,315
22.4 Outstanding counter guarantees		**16,641**	16,609

Commitments

22.5 Commitments in respect of building on leasehold land and plant and machinery at the end of the current year amounted to Rs.Nil (2004: Rs.260.00 million) and Rs.15.787 (2004: Rs.117.692 million), respectively.

22.6 Outstanding letters of credit at the end of the year amounted to Rs.115.242 (2004: Rs.29.539) million.

23. NET SALES

Local		**24,880**	63,576
Exports	23.1	**3,180,494**	1,765,308
		3,205,374	1,828,884
Returns		**(2,650)**	(299)
Commission		**(6,526)**	(15,870)
		3,196,198	1,812,715

23.1 Included herein is a sum of Rs.829.672 (2004: Rs. 626.502) million, representing indirect exports made by the company during the current year, either by arranging inland letters of credit or standardised purchase orders from certain direct exporters in favour of the company, pursuant to the Banking Policy and Regulation Department (BPRD) Circulars No.24 and 31 dated June 28, 1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	

24. COST OF SALES

	Note	2005	2004
Opening stock – finished goods		**25,175**	12,844
Cost of good manufactured	24.1	**2,343,827**	1,497,878
		2,369,002	1,510,722
Closing stock – finished goods		**(29,342)**	(25,175)
		2,339,660	1,485,547

24.1 Cost of goods manufactured

	Note	2005	2004
Raw and packing materials consumed	24.2	**1,962,583**	1,216,990
Stores and spares consumed	24.3	**59,060**	39,677
Salaries, wages and other benefits	24.4	**38,101**	33,499
Contract wages		**66,127**	57,681
Fuel and power		**74,225**	60,627
Weaving and sarning charges		**48,113**	30,772
Repairs and maintenance		**8,068**	8,563
Printing and stationery		**703**	828
Postage and photocopy		**541**	487
Telephone and telex		**952**	884
Conveyance		**32**	46
Rent, rates and taxes		**926**	848
Insurance		**4,001**	3,770
Water charges		**5,248**	7,678
Transportation		**158**	208
Depreciation	3.1.2	**75,746**	75,645
Security charges		**505**	515
Traveling and lodging		**860**	228
Miscellaneous		**315**	239
		2,346,264	1,539,185
Opening work-in-process		**78,547**	37,240
Closing work-in-process		**(80,984)**	(78,547)
		2,343,827	1,497,878

24.2 Raw and packing materials consumed

	Note	2005	2004
Opening stock		**120,659**	70,702
Purchases		**2,026,187**	1,281,700
Duty draw back on export sales	24.2.1	**(19,306)**	(14,753)
		2,006,881	1,266,947
		2,127,540	1,337,649
Closing stock		**(164,957)**	(120,659)
		1,962,583	1,216,990

24.2.1 A sum of Rs.14.753 million, previously classified under net sales, has been reclassified to and deducted from raw and packing materials consumed, in order to comply with the requirements of the Selected Opinion issued by the Institute of Chartered Accountants of Pakistan in this regard.

24.3 Stores and spares consumed

	2005	2004
Opening stock	**5,025**	4,430
Purchases	**70,514**	40,272
	75,539	44,702
Closing stock	**(16,479)**	(5,025)
	59,060	39,677

24.4 Included herein is a sum of Rs.2.701 (2004: Rs.1.661) million in respect of staff retirement benefits.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	

25. DISTRIBUTION COST

	Note	June 30, 2005	June 30, 2004
Salaries, allowances and other benefits	25.1	**2,704**	1,986
Insurance		**4,014**	1,276
Freight and transportation		**65,988**	36,931
Export development surcharge and clearing charges		**15,202**	5,839
Postage and stamps		**6,688**	4,030
Advertisement, publicity and exhibitions		**4,728**	2,726
Export quota		**2,484**	4,105
Depreciation	3.1.2	**164**	164
Travelling and lodging		**2,288**	2,950
Vehicle running expenses		**-**	52
Bad debts written off		**123**	-
Telephone and telex		**84**	111
Miscellaneous		**295**	419
		104,762	60,589

25.1 Included herein is a sum of Rs.0.254 (2004: Rs.0.130) million in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	June 30, 2005	June 30, 2004
Salaries, allowances and other benefits	26.1	**15,607**	13,600
Rent, rates and taxes		**234**	336
Depreciation	3.1.2	**6,155**	6,147
Legal and professional charges		**4,117**	1,879
Auditors' remuneration	26.2	**401**	355
Vehicle running expenses		**661**	577
Travelling and lodging		**118**	40
Printing and stationery		**200**	231
Insurance		**238**	247
Advertisement and publicity		**300**	185
Conveyance		**77**	55
Repairs and maintenance		**256**	488
Telephone and telex		**234**	600
Electricity charges		**250**	221
Postage and telegrams		**225**	250
Fees and subscriptions		**327**	117
Donations	26.3	**358**	190
Miscellaneous		**402**	344
		30,160	25,862

26.1 Included herein is a sum of Rs.0.958 (2004: Rs.0.895) million in respect of staff retirement benefits.

26.2 Auditors' remuneration

	June 30, 2005	June 30, 2004
Audit fee	**210**	210
Fee for half yearly review	**80**	80
Special certification	**81**	35
Out-of-pocket expenses	**30**	30
	401	355

26.3 Donations do not include any donee in whom any director or his spouse has any interest.

	Note	June 30, 2005	June 30, 2004
		(Rupees in '000)	

27. OTHER OPERATING EXPENSES

	Note	2005	2004
Workers' Profits Participation Fund	19.1	**34,305**	11,455
Loss on sale of fixed assets		**-**	95
		34,305	11,550

28. PROVISION FOR FUEL AND POWER WRITTEN BACK

		2005	2004
PROVISION FOR FUEL AND POWER WRITTEN BACK		**12,534**	-

This represents the write back of the provision for fuel and power recorded by the company during the year ended June 30, 2002 as a result of arrears billed by the Karachi Electric Supply Corporation (K.E.S.C) on account of electricity charges pertaining to various prior periods. The company filed a Constitutional petition in the Honourable High Court of Sindh during the above-referred year, challenging the demand made by the KESC, which was disputed by the company. The Division Bench of the said Court directed the company to take up the dispute before the Electric Inspector, appointed under Section 36 of the Electricity Act, 1910, as the matter involved in the Constitutional petition fell within his jurisdiction. The company, pursuant to the above-referred direction of the Division Bench, referred the dispute to the Electric Inspector. During the current year, the K.E.S.C. announced a Relief Package for all consumers who due to any reason were unable to pay off their outstanding dues, offering a rebate of 50%. Accordingly, the company availed this Relief Package and made a settlement with the KESC by paying Rs.13.748 million and, consequently, the remaining amount has been written back.

29. OTHER OPERATING INCOME

	2005	2004
Scrap sales	**6,430**	5,610
Exchange gain – net	**338**	2,187
Return on bank deposits	**384**	286
Gain on sale of fixed assets	**21**	-
	7,173	8,083

30. FINANCE COST

	2005	2004
Mark-up on secured:		
long-term financing	**16,103**	8,947
long-term murabaha	**7,931**	-
short-term running finances	**3,765**	2,113
short-term loans	**16,688**	5,337
	44,487	16,397
Bills discounting charges	**1,447**	378
Bank charges	**9,287**	3,002
	55,221	19,777

31. TAXATION

	2005	2004
Current	**32,091**	18,534
Prior	**(18)**	-
Deferred	**-**	(3,646)
	32,073	14,888

The income tax assessments of the company have been finalised up to and including tax year 2003. Further, return in respect of the tax year 2004 has also been filed and the same is deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

The relationship between income tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under the final tax regime and is taxed at a rate of 1% on total sales including scrap sales.

	June 30, 2005	June 30, 2004
	(Rupees in '000)	

32 BASIC EARNINGS PER SHARE

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Basic earnings per share has been computed by dividing the net profit for the year after taxation with the number of Ordinary shares issued by the company.

	(Rupees in '000)	
Net profit for the year	**619,724**	202,585
	Number of shares	
Number of Ordinary shares	**14,000**	14,000
	Rupees	
Basic earnings per shares	**44.27**	14.47

33. CASH GENERATED FROM OPERATIONS

Net profit before tax	**651,797**	217,473
Adjustments for non-cash charges and other items:		
Depreciation	**82,065**	81,956
Provision for gratuity	**3,913**	2,686
Financial charges	**55,221**	19,777
Return on bank deposits	**(385)**	(286)
Loss / (gain) on disposal of fixed asset	**(21)**	95
Provision for fuel and power	**(12,534)**	-
	128,259	104,228
Profit before working capital changes	**780,057**	321,701
(Increase) / Decrease in current assets		
Stores and spares	**(7,597)**	(3,063)
Stock-in-trade	**17,100**	(164,811)
Trade debts	**5,471**	(90,280)
Loans and advances	**(4,501)**	(6,225)
Deposit, prepayments and other receivables	**(7,952)**	(39,710)
	2,521	(304,089)
Increase in current liabilities	**(22,745)**	119,313
Cash generated from operations	**759,833**	136,925

34. CASH AND CASH EQUIVALENTS

Cash and bank balances	**22,919**	42,058

	June 30, 2005	June 30, 2004
	(Rupees in '000)	

35. UNAVAILED CREDIT FACILITIES

Short term running finances	**388,142**	340,000
Term finance	**-**	50,000
Long term Murabaha	**42,143**	-
Long term financing	**57,857**	-

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2005			2004		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	**1,426**	**1,593**	**2,823**	1,809	1,209	4,295
Bonus	**184**	**205**	**346**	233	156	384
House rent	**637**	**713**	**1,257**	810	540	-
Conveyance	**-**	**-**	**-**	-	-	-
Utilities	**142**	**158**	**279**	180	120	426
Retirement benefits	**268**	**300**	**529**	234	156	393
	2,657	**2,969**	**5,234**	3,266	2,181	5,498
Number of persons	**1**	**1**	**3**	1	1	4

36.1 A Director and few Executives are provided with free use of the company maintained cars.

37. FINANCIAL INSTRUMENTS

37.1 Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Effective yield / mark-up rate	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2005
	%	(Rupees in '000)						
June 30, 2005								
FINANCIAL ASSETS								
Loans and advances	-	-	-	-	**2,067**	**1,879**	**3,946**	**3,9467**
Trade deposits and short-term prepayments	-	-	-	-	**117**	**447**	**564**	**564**
Trade debts	-	-	-	-	**205,306**	-	**205,306**	**205,306**
Other receivables	-	-	-	-	**279**	-	**279**	**279**
Cash and bank balances	-	-	-	-	**22,919**	-	**22,919**	**22,919**
		-	-	-	**230,688**	**2,326**	**233,014**	**233,015**
FINANCIAL LIABILITIES								
Long term financing	**5-10**	**50,000**	**625,000**	**675,000**	-	-	-	**675,000**
Short term borrowings	-	**441,858**	-	**441,858**	-	-	-	**441,858**
Trade and other payables	-	-	-	-	**168,781**	-	**168,781**	**168,781**
		491,858	**625,000**	**1,116,858**	**168,781**	-	**168,781**	**1,286,050**

	Effective yield / mark-up rate	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2004
	%	(Rupees in '000)						
June 30, 2004								
FINANCIAL ASSETS								
Loans and advances		-	-	-	836	704	1,540	1,540
Trade deposits and short-term Prepayments		-	-	-	128	1,512	1,640	1,640
Trade debts		-	-	-	210,777	-	210,777	210,777
Other receivables		-	-	-	738	-	738	738
Cash and bank balances	1.5 – 3.0	41,704	-	41,704	354	-	354	42,058
		41,704	-	41,704	212,833	2,216	215,049	256,753
FINANCIAL LIABILITIES								
Long term financing	4.70 – 5.39	25,000	75,000	100,000	-	-	-	100,000
Short term borrowings	2.35 – 2.75	280,000	-	280,000	-	-	-	280,000
Trade and other payables		-	-	-	198,357	-	198,357	198,357
		305,000	75,000	380,000	198,357		198,357	578,357

37.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.233.015 (2004: Rs.256.754) million, the financial assets which are subject to credit risk amounted to Rs.210.098 (2004: Rs.214.695) million. The company manages credit risk in trade receivables by limiting significant exposure to any individual customers, by obtaining advance against sales.

The company is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The company seeks to minimise the credit risk exposure through dealings with customers considered credit worthy and obtaining securities where applicable.

37.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cashflow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the over all funding mix and avoidance of undue reliance on large individual customer.

37.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2005, the total foreign currency risk exposure was Rs.98.768 (2004: Rs.155.557) million in respect of trade debts against which the management takes out forward contracts to mitigate the risk, where appropriate.

37.5 Fair value of financial instruments

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

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

	June 30, 2005	June 30, 2004
	(Rupees in '000)	

38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the company comprise associated undertakings, directors and key management personnel. Amounts due from and to related parties, amounts due from executives and remuneration of Chief Executive, Directors and Executives are disclosed in the relevant notes. Other balances and transactions with related parties are given below:

Aggregate amounts in respect of:

Sales, including sale of quota amounting to Rs.Nil (2004: Rs.0.005 million)	**502,581**	290,599
Purchases, including purchase of quota amounting to Rs.Nil (2004: Rs.0.098 million)	**741,777**	319,380
Services received	**39,337**	16,346
Services rendered	**3,628**	110
Rent, telephone and utilities	**871**	218
Trade and other payables	**15,921**	6,543

The transactions between the company and related parties are carried out on an arm's length basis.

39. NUMBER OF EMPLOYEES

	June 30, 2005	June 30, 2004
Number of employees at the end of year	**225**	194

40. PLANT CAPACITY AND PRODUCTION

Spinning		
Number of rotors installed	**864**	864
Capacity after conversion into 7 count (Kgs.)	**5,767,125**	6,109,408
Actual production of yarn after conversion into 7 count (Kgs.)	**4,599,951**	5,320,024

Under utilisation of available capacity was due to quality change down time, machine maintenance and power break down

Weaving		
Number of looms installed	**124**	124
Capacity after conversion into 39.50 picks (meters)	**20,996,379**	19,606,169
Actual production of yarn after conversion into 39.50 picks (meters)	**19,041,657**	13,824,972

Under utilisation of available capacity was due to quality change down time, machine maintenance power break down and machine stoppage

41. CORRESPONDING FIGURES

41.1 Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 through SRO 589(I) / 2004 dated July 5, 2004, previous year's figures have been rearranged or reclassified as follows:

From	To	(Rupees in '000)
Short term loans	Short term borrowings	280,000
Creditors, accrued and other liabilities	Interest accrued on loans and other payables	2,712
Dividends	Trade and other payables	164

41.2 Corresponding figures in respect of remuneration of executives and long term loans to executives have been reclassified due to amendment in the definition of executives.

41.3 Following reclassifications have been made for the purposes of better presentation:

From	To	(Rupees in '000)
Accrued expenses	Trade and other payables	10,168
Net sales	Raw and packing materials consumed	14,753

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on ________________________ by the Board of Directors of the company.

43. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive **Director**