

BALANCE SHEET

As at June 30, 2006

	Note	2006 Rupees	2005 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2005: 40,000,000) ordinary shares of Rs 10 each		400,000,000	400,000,000
30,000,000 (2005: 30,000,000) preference shares of Rs 10 each		300,000,000	300,000,000
		700,000,000	700,000,000
Issued, subscribed and paid up capital	3	246,487,500	246,487,500
Reserves	4	395,081,250	395,081,250
Unappropriated profit		195,501,910	96,621,469
		837,070,660	738,190,219
NON-CURRENT LIABILITIES			
Long term finances and other payables	5	1,025,666,218	1,158,062,811
Deferred liabilities	6	16,238,327	18,400,700
		1,041,904,545	1,176,463,511
CURRENT LIABILITIES			
Current portion of long term liabilities - secured	7	123,658,813	139,361,140
Finances under mark up arrangements and other credit facilities - secured	8	1,174,824,009	1,193,844,369
Trade and other payables	9	124,621,517	109,756,482
Markup accrued on loans and other payables	10	43,259,876	35,147,562
		1,466,364,215	1,478,109,553
CONTINGENCIES AND COMMITMENTS			
	11		
		3,345,339,420	3,392,763,283

Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
28. Finance cost			
Interest and mark up on			
- Term finance certificates		8,406,580	9,857,651
- Long term loans		68,332,918	26,412,649
- Finances under mark up arrangements and other credit facilities		87,670,569	37,868,208
- Finance lease			369,176
- Workers' profit participation fund	9.2	1,599,745	1,178,394
Exchange loss		6,151,133	3,494,981
Bank charges and commission		27,245,700	13,976,914
		199,406,645	93,157,973

29. Provision for taxation

For the year/ period]			
- Current		17,871,406	10,500,000
- Deferred		2,500,000	11,000,000
		20,371,406	21,500,000
Prior years			
- Current		61,652	(7,710,977)
- Deferred		-	2,000,000
		61,652	(5,710,977)
		20,433,058	15,789,023

29.1 The provision for current period taxation represents the tax liability under section 169 of the Income Tax Ordinance, 2001.

For purposes of current taxation, the unassessed tax losses available for carry forward as at 2005 are estimated approximately at Rs. 126.496 million (2005: Rs. 10.055 million).]

29.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company falls under final tax regime and hence tax has been provided under sections 169 and 120 of the Income Tax Ordinance, 2001.

30. Remuneration of Chief Executive Officer, Director and Executives

30.1 The aggregate amount charged in the financial statements for the year/ period for remuneration, including certain benefits, to the Chief Executive Officer and executives of the Company is as follows:

	Chief Executive Officer		Executives	
	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Managerial remuneration	1,200,000	900,000	5,007,000	3,007,569
House rent allowance	-	-	227,000	1,353,402
Utility allowance	-	-	1,146,818	1,50,378
Reimbursement of medical expenses	-	-	4,000	2,910
Leave encashment	-	-	345,833	228,837
Bonus	-	-	165,000	230,914
	1,200,000	900,000	6,895,651	4,974,001
Number of persons	1	1	5	4

NOTES TO THE FINANCIAL STATEMENTS

The company also provides the Chief Executive Officer, some of the directors and executives with free use of company maintained cars and residential phones.

30.2 Remuneration to other directors

No meeting fee has been charged in the financial statements for the year/ period to 6 directors (2005: 6 directors).

31. Transactions with related parties

The related parties comprise associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 28. Other significant transactions with related parties are as follows:

Description	For year	For nine months
	ended June 30, 2006 Rupees	ended June 30, 2005 Rupees
Purchase of goods and services	60,668,861	36,103,010
Sale of goods and services	3,016,225	755,786
Sale of property, plant and equipment	1,346,258	-

All transactions with related parties have been carried out on commercial terms and conditions.

32. Non adjusting event after balance sheet date

In respect of current year, the directors propose capitalization of Rs. 61,621,875 by way of issue of bonus shares @ 25 shares per 100 shares each of issued, subscribed and paid up share capital. Bonus issue is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a reserve in these financial statements. This will be accounted for subsequently in the year of issue.

33. Capacity and production

Unit 1 (Weaving)

Number of looms installed	91	116
Capacity after conversion into 50 picks - Meters	15,175,486	12,063,920
Actual production of fabric after conversion into 50 picks - Meters	13,204,632	10,886,920

Unit 2 (Weaving)

Number of looms installed	204	204
Capacity after conversion into 50 picks - Meters	41,332,426	26,287,239
Actual production of fabric after conversion into 50 picks - Meters	39,024,001	25,021,489

Under utilisation of available weaving capacity is due to:

- Change of articles required
- Width loss due to specification of the cloth
- Due to normal maintenance

Unit 3 (Spinning)

Number of spindles installed	14,400	14,400
Capacity after conversion into 20 count - Kgs	4,849,904	3,637,428
Actual production of yarn after conversion into 20 count - Kgs	3,963,791	3,055,207

Unit 4 (Spinning)

Number of spindles installed	21,120	21,120
Capacity after conversion into 20 count - Kgs	7,113,193	1,185,532
Actual production of yarn after conversion into 20 count - Kgs	6,570,167	785,118

Under utilisation of available spinning capacity is due to:

- Processing mix of coarser and finer counts
- Electricity shut downs

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

		For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
34. Cash generated from operations	Note		
Profit before tax		143,962,249	111,765,533
Adjustments for:			
Depreciation on property, plant and equipment		188,289,400	88,232,615
Employees retirement benefits accrued		5,153,281	4,212,959
Gain on disposal of property, plant and equipment		(1,485,461)	
Donation of property, plant and equipment		483,182	
Exchange gain		(1,845,391)	[16,834,510]
Bad debts written back		(1,006,829)	-
Finance cost		193,255,512	89,662,992
Gain on remeasurement of short term investment at fair value		(23,546)	-
Profit before working capital changes		526,782,397	277,069,589
Effect on cash flow due to working capital changes			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		(12,542,718)	[7,732,627]
- Stock in trade		(39,916,901)	[149,770,027]
- Trade debts		(24,160,023)	[63,105,359]
- Loans and advances		136,626,854	[253,206,379]
- Trade deposits and prepayments		(1,911,177)	2,577,197
- Tax refunds due from government		(9,701,260)	[6,066,221]
- Other receivables		1,409,733	[2,142,786]
Increase/ (decrease) in current liabilities			
- Trade and other payables		14,642,496	34,253,607
(unclaimed dividends)		64,447,004	(445,192,595)
Cash generated from/ (used in) operations		591,229,401	[168,123,006]
		2006	2005
35. Cash and cash equivalents	Note	Rupees	Rupees
Cash and bank balances	21	32,572,103	8,434,247
Finances under mark up arrangements and other credit facilities	8	(1,174,824,009)	[1,193,844,369]
		(1,142,251,906)	[1,185,410,122]
		For year ended June 30, 2006	For nine months ended June 30, 2005
36. Earnings per share	Note	Rupees	Rupees
36.1 Basic earnings per share			
Net profit for the year/ period	Rupees	123,529,191	95,976,510
Weighted average number of ordinary shares	Number	24,648,750	24,648,750
Basic earnings per share	Rupees	5.01	3.89
36.2 Diluted earnings per share			
There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.			
37. Rate of exchange			
Liabilities in foreign currency have been translated into Rupees at US \$ 1.657 (2005: US \$ 1.670), JPY 195.427 (2005: JPY 184.060) and CHF 2.1538 (2005: CHF 2.137) equal to Rs. 100. Assets in foreign currency have been translated into Rupees at US \$ 1.6625 (2005: US \$ 1.675) equal to Rs. 100.			

NOTES TO THE FINANCIAL STATEMENTS

Rupees

38. Financial assets and liabilities:

	Interest/mark up bearing		Non interest/mark up bearing		Total June 30, 2006	Credit Risk	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		Total June 30, 2006	Total June 30, 2005
Financial assets							
Long term deposits					2,421,340	2,421,340	2,421,340
Trade debts			229,707,309	229,707,309	229,707,309	229,707,309	204,540,457
Loans and advances			131,487,320	131,487,320	131,487,320	131,487,320	263,139,378
Trade deposits and prepayments			917,530	917,530	917,530	917,530	675,311
Other receivables			1,612,193	1,612,193	1,612,193	1,612,193	3,021,926
Cash and bank balances	11,100,450	21,471,653	11,100,450	21,471,653	32,572,103	31,424,771	311,442
Off balance sheet	11,100,450	385,196,005	11,100,450	385,196,005	396,296,455	366,179,863	474,109,854
Total	11,100,450	385,196,005	11,100,450	387,617,345	398,717,795	482,112,659	474,109,854
Financial liabilities							
Long term finances and other payables - secured		988,791,218		988,791,218	988,791,218	1,165,402,051	
Finances under mark up arrangements - secured	1,174,824,009		1,174,824,009		1,174,824,009	1,193,844,369	
Trade and other payables			93,883,490	93,883,490	93,883,490	92,864,391	
Markup accrued on loans and other payables			43,259,876	43,259,876	43,259,876	35,147,562	
Off balance sheet	1,298,482,822	988,791,218	2,287,274,040	174,018,366	2,461,292,406	2,487,258,373	
Total	6,818,000	27,000,000	6,818,000	27,000,000	6,818,000	1,311,681	
Guarantees	21,300,000		21,300,000		21,300,000	48,300,000	
Letters of credit other than for capital expenditure	73,170,000		73,170,000		73,170,000	9,144,507	
Contracts for capital expenditure	101,288,000	27,000,000	128,288,000		128,288,000	58,755,588	
Total	1,399,770,822	1,315,791,218	2,445,562,040	174,018,366	2,589,580,406	2,546,013,961	
On balance sheet gap	(1,287,382,372)	(988,791,218)	(2,276,173,590)	213,598,979	(2,062,574,611)	(2,005,145,714)	
Off balance sheet gap	(1,01,288,000)	(27,000,000)	(128,288,000)		(128,288,000)	(58,755,588)	

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

NOTES TO THE FINANCIAL STATEMENT

38.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's discount rate, Treasury Bills rate and Karachi Inter Bank Offer Rate (KIBOR), credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 35 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) 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. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 390.751 million (2005: Rs. 482.233 million) financial assets which are subject to credit risk amount to Rs. 358.213 million (2005: Rs. 474.230 million). To manage exposure to credit risk, the company applies credit limits to its customers.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts.

(c) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risks exposures are primarily managed by contracting minimum and maximum of interest rates as referred to in note 5.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

35.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39. Number of employees

The company employed 2,202 employees as at June 30, 2006 (2005: 2,001).

40. Date of authorisation

These financial statements were authorised for issue on September 23, 2006 by the board of directors of the company.

NOTES TO THE

41. Figures

In the financial statement have been rounded off to the nearest rupee, except stated otherwise

42. Corresponding figures

42.1 Following reclassification have been made in the financial statements for better presentation.

Previous classification	Current classification	Rupees
Creditors, accrued and other liabilities	Trade and other payables	109,756,482
	Markup accrued on loans and other payables	35,147,562
Advances, deposits, prepayments and other receivables	Loans and advances	286,804,021
	Trade deposits and prepayments	3,893,245
	Tax refunds due from government	60,515,927
	Other receivables	3,021,926

42.2 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows

	From	To	
Trade and other payables	Accrued liabilities	Deferred Letter of Credit	132,021,900
Capital work in progress	Capital work in progress	Property, plant and equipment	788,104,092
Cash and bank balances	Current accounts	Saving accounts	3,429,571
Loans and advances	Advances to employees	Cash in hand	120,000
Sales - net	Waste sale	Local Sale	4,184,000

The above figure has been re-arranged as the re-classification made is considered more appropriate for purposes of presentation.

42.3 Nomenclature of the following account has been changed.

Previous nomenclature	Current nomenclature
Staff gratuity	Employees retirement benefits- gratuity

Chief Executive Officer

Director

PATTERN OF SHAREHOLDING

As at June 30, 2006

S. #	PARTICULARS	CDC	PHYSICAL	TOTAL	%AGE
DIRECTORS					
1	MR. FAWAD AHMAD MUKHTAR	5,933,240		5,933,240	24.071
2	MR. FAZAL AHMAD SHEIKH	6,278,878		6,278,878	25.473
3	MR. FAISAL AHMAD MUKHTAR	5,941,457		5,941,457	24.104
4	MRS. AMBREEN FAWAD	112,500		112,500	0.456
5	MRS. FARAH FAISAL	90,000		90,000	0.365
6	MRS. FATIMA FAZAL	112,500		112,500	0.456
CHARITABLE TRUSTS					
1	TRUSTEES MOOSA LAWAI FOUNDATION	9,600		9,600	0.039
NIT AND ICP					
1	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	962,496		962,496	3.905
2	INVESTMENT CORPORATION OF PAKISTAN	9,292	1,460	10,752	0.044
MUDARBA COMPANY					
1	M/S. B.F. MODARABA		7,200	7,200	0.029
N.B.F.I. COMPANY					
1	NATIONAL DEVELOPMENT FINANCE CORPORATION		1,104	1,104	0.004
MUTUAL FUNDS					
1	CDC TRUSTEE-PAKISTAN STOCK MARKET FUND	247,050		247,050	1.002
2	CDC TRUSTEE-PAKISTAN CAPITAL MARKET FUND	240,000		240,000	0.974
3	CDC-TRUSTEE PAK STRATEGIC ALLOC. FUND	672,000		672,000	2.726
4	PAKISTAN PREMIER FUND LIMITED	87,900		87,900	0.357
JOINT STOCK COMPANIES					
1	ARIF HABIB SECURITIES LIMITED	132,000		132,000	0.536
2	MOOSANI SECURITIES (PVT) LTD.	1,500		1,500	0.006
3	Y.S. SECURITIES & SERVICES (PVT) LTD.	720		720	0.003
4	Y.S. SECURITIES & SERVICES (PVT) LTD.	200		200	0.001
5	S.H. BUKHARI SECURITIES (PVT) LIMITED	120		120	0.000
6	JAMSHAD & HASAN SECURITIES (PVT) LTD.	360		360	0.001
7	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	10,400		10,400	0.042
8	IQBAL USMAN KODVAVI SECURITIES (PVT) LTD	500		500	0.002
9	CAPITAL VISION SECURITIES (PVT) LTD.	100		100	0.000
10	LIVE SECURITIES (PRIVATE) LIMITED	37,600		37,600	0.153
11	HI TECH COMPUTERS PVT LTD.	220		220	0.001
12	GENERAL INVEST. & SECURITIES (PVT) LTD.	1,120		1,120	0.005
13	MEGA SECURITIES (PRIVATE) LIMITED	500		500	0.002
14	ARIF HABIB LIMITED	10,000		10,000	0.041
15	A.Z. SECURITIES (PVT) LTD.	240		240	0.001
16	M/S H.M INVESTMENTS (PVT) LTD.		432	432	0.002
17	M/S PYRAMID INVESTMENT (PVT) LTD		5,400	5,400	0.022
18	BAWA SECURITIES (PVT.) LTD.		1,740	1,740	0.007
OTHERS					
1	AMIR FINE EXPORTS (PVT) LTD	5,000	14,400	19,400	0.079
2	KARACHI LAHORE STOCK EXCHANGES		2	2	0.000
	INDIVIDUALS	2,325,088	1,394,431	3,719,519	15.090
TOTAL		23,222,581	1,426,169	24,648,750	100.00

PERSONS HAVING MORE THAN 10% SHARES

MR. FAWAD AHMAD MUKHTAR	5,933,240	24.071
MR. FAZAL AHMAD SHEIKH	6,278,878	25.473
MR. FAISAL AHMAD MUKHTAR	5,941,457	24.104

CHANGE IN THE HOLDING OF CEO, DIRECTORS AND THEIR SPOUSES

During the period CEO, Directors have made following transaction in the shares of the Company:

	Shares Acquired	Shares Acquired as a Gift
CEO		
Mr. Fazal Ahmad Sheikh	1,232,114	<u>27,600</u>
Directors		
Mr. Fawad Ahmad Mukhtar	886,476	27,600
Mr. Faisal Ahmad Mukhtar	894,694	<u>27,600</u>

During the period Mrs. Farrukh Mukhtar had gifted away her shares to three above mentioned directors with the same ratio.

Secondly neither CFO nor Company secretary along with their spouses and minor children had made any transaction in the shares of the Company.

As at June 30, 2006

Categories	Shares	Holders	Shares	Holders	Shares	Holders	%age
1-100	3,336	67	4,679	66	8,015	133	0.03
101-500	83,889	520	50,607	171	134,496	691	0.55
501-1000	392,336	543	90,708	120	483,044	663	1.96
1001-5000	135,660	67	244,808	112	380,468	179	1.54
5001-10000	43,380	6	213,712	30	257,092	36	1.04
10001-20000	61,368	4	276,600	18	337,968	22	1.37
20001-30000	90,360	4	78,900	3	169,260	7	0.69
30001-40000	30,240	1	182,824	5	213,064	6	0.86
40001-50000	40,200	1	127,000	3	167,200	4	0.68
60001-70000	62,280	1	124,200	2	86,480	3	0.76
70001-80000	70,560	1			70,560	1	0.29
80001-90000			349,860	4	349,860	4	1.42
104001-135000			688,902	6	688,902	6	2.79
160501-160600	160,560	1			160,560	1	0.65
239001-248000			726,550	3	726,550	3	2.95
275001-275200			275,160	1	275,160	1	1.12
252000-255000	252,000	1			252,000	1	1.02
671001-672100			672,000	1	672,000	1	2.73
962401-962500			962,496	1	962,496	1	3.90
5933201-5933250			5,933,240	1	5,933,240	1	24.07
5941401-5941500			5,941,457	1	5,941,457	1	24.10
6278801-6278900			6,278,878	1	6,278,878	1	25.47
TOTAL	1,426,169	1,217	23,222,581	549	24,648,750	1,766	100

PARTICULARS	HOLDERS	SHARES	%AGE
DIRECTORS	6	18,468,575	74.93
CHARITABLE TRUSTS	1	9,600	0.04
NIT AND ICP	2	971,788	3.94
MUDARBA COMPANY	1	7,200	0.03
N.B.F.I. COMPANY	1	1,104	0.004
MUTUAL FUNDS	4	1,246,950	5.06
JOINT STOCK COMPANIES	18	203,152	0.82
OTHERS	2	19,402	0.08
INDIVIDUALS	1731	3,720,979	15.10
TOTAL	1,766	24,648,750	100.00

BALANCE SHEET

As at June 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,963,229,490	2,036,092,537
Long term deposits		2,421,340	2,421,340
		1,965,650,830	2,038,513,877
CURRENT ASSETS			
Stores, spares and loose tools	13	92,855,401	80,312,683
Stock in trade	14	746,643,801	706,726,900
Trade debts	15	229,707,309	204,540,457
Loans and advances	16	150,177,167	286,804,021
Trade deposits and prepayments	17	5,804,422	3,893,245
Tax refunds due from government	18	49,793,062	60,515,927
Other receivables	19	1,612,193	3,021,926
Short term investments	20	70,523,132	-
Cash and bank balances	21	32,572,103	8,434,247
		1,379,688,590	1,354,249,406
		3,345,339,420	3,392,763,283

The annexed notes from 1 to 42 form an integral part of these financial statements.

Director

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-net	22	3,122,414,478	2,061,671,982
Cost of sales	23	(2,699,848,853)	(1,803,756,782)
Gross profit		422,565,625	257,915,200
Other operating income	24	17,840,572	20,305,651
Administration expenses	25	(48,421,073)	(27,691,287)
Distribution and marketing expenses	26	(39,031,369)	(38,357,316)
Other operating expenses	27	(9,584,861)	(7,248,742)
Finance cost	28	(199,406,645)	(93,157,973)
Profit before tax		143,962,249	111,765,533
Provision for Taxation	29	(20,433,058)	(15,789,023)
Profit for the year/ period		123,529,191	95,976,510
Earnings per share	36	5.01	3.89

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

For the Year Ended June 30, 2006

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Cash flows from operating activities			
Cash generated from/ (used in) operations	34	591,229,401	(168,123,006)
Finance cost paid		(196,446,255)	(74,959,519)
Taxes paid		(18,419,737)	(6,795,613)
Tax refunded		20,910,804	-
Employees retirement benefits paid		(9,815,654)	(1,226,242)
Net cash from/ (used in) operating activities		387,458,559	(251,104,380)
Cash flows from investing activities			
Fixed capital expenditures		(131,389,013)	(519,885,949)
Sale proceeds of property, plant and equipment		14,517,929	-
Short term investments		(70,499,586)	-
Net cash (used in) investing activities		(187,370,670)	(519,885,949)
Cash flows from financing activities			
Repayment of term finance certificates		(42,857,142)	(21,428,571)
Proceeds from long term loans		-	356,348,500
Repayment of long term loans		(126,521,320)	(73,130,526)
Loan from director		36,875,000	-
Repayment of finance lease liabilities		-	(12,834,692)
Dividend paid		(24,426,211)	(20,336,207)
Net cash (used in)/ from financing activities		(156,929,673)	228,618,504
Net increase/ (decrease) in cash and cash equivalents		43,158,216	(542,371,825)
Cash and cash equivalents at beginning of the year/ period		(1,185,410,122)	(643,038,297)
Cash and cash equivalents at end of the year/ period	35	(1,142,251,906)	(1,185,410,122)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

						Rupees	
	Share capital	Share premium	Reserve for issue of bonus shares	General reserve	Unappropriated profit	Total	
Balance as at September 30, 2004	205,406,250	41,081,250	41,081,250	354,000,000	21,185,584	662,754,334	
Final dividend for the year ended September 30, 2004 Re. 1 per share					(20,540,625)	(20,540,625)	
Nominal value of bonus shares issued	41,081,250		- (41,081,250)				
Profit for the period					95,976,510	95,976,510	
Balance as at June 30, 2005	<u>246,487,500</u>	<u>41,081,250</u>		<u>354,000,000</u>	<u>96,621,469</u>	<u>738,190,219</u>	
Final dividend for the period ended June 30, 2005 Re. 1 per share			-		(24,648,750)	(24,648,750)	
Profit for the year					123,529,191	123,529,191	
Balance as at June 30, 2006	<u>246,487,500</u>	<u>41,081,250</u>	<u>-</u>	<u>354,000,000</u>	<u>195,501,910</u>	<u>837,070,660</u>	

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

1. Legal status and nature of business

- 1.1 The company is incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. It is principally engaged in the manufacture and sale of yarn and fabric.
- 1.2 The Financial statements are presented in Pak Rs., which is the Company's functional and presentation currency.

2. Significant accounting policies**2.1 Basis of preparation**

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan. Approved Accounting Standards comprise of such IASs 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 (SECP) 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 (I) 2004 dated August 10, 2004 issued by the Central Board of Revenue, the Company's financial year was required to end on June 30, instead of September 30 as per practice in previous years. 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 available are for the nine months ended June 30 2005 the same have been disclosed as comparatives. Hence, the comparative amounts for the income statement, cash flow statement, statement of changes in equity, 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 (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 resulted in no changes to the company's accounting policies.

2.3 Accounting convention

These financial statements have been prepared on the basis of historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits 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**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.5 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing cost as referred to in note 2.20.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 12.1

Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year. However, depreciation on major additions is charged from the month in which the assets are put to use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment loss or its reversal, if any, is also charged to profit. Where an impairment loss is recognised, depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Major renewals and improvements are capitalised. Maintenance and normal repairs are charged to profit as and when incurred. The profit 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 profit or loss.

2.6 Leases

The company is the lessee:

Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the assets on a reducing balance method. Depreciation of leased assets is charged to profit.

Full year's depreciation is charged on additions while no depreciation is charged on deletions during the year. However, depreciation on major additions is charged from the month in which the assets are put to use.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

2.7 Employee retirement benefit - gratuity

The main features of the scheme operated by the company for its employees are as follows:

Defined benefit plan

The company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at September 30, 2004. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 8 percent per annum.
- Expected rate of increase in salary level 7 percent per annum.

The company's policy with regard to actuarial gains/ losses is to follow minimum recommended approach under IAS 19.

2.8 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.9 Stock in trade

These are stated at the lower of cost and net realisable value except for waste stock which is valued at net realisable value.

Raw materials are stated at weighted average cost.

Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.10 Investments

Held for trading

Investments which are acquired principally for the purpose of selling in the near term or the

investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments are determined on the basis of prevailing market prices.

In associates

Investments in associates were measured at cost in accordance with international accounting standard 28 "Accounting for investment in Associates". Subsequent to revision of international accounting standard 28 "Investment in Associates" applicable for annual periods beginning on or after January 01, 2005, investments in associates on which the Company has significant influence are accounted for using the equity method unless otherwise the investment is acquired and held with a view to its disposal within 12 months of its acquisition.

2.11 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item of financial instruments.

2.12 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.13 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 comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.14 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included under markup accrued on loans and other payables in current liabilities to the extent of the amount remaining unpaid.

2.15 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

2.16 Provisions

Provisions are recognised when the company has a present obligation as a result of past event, which, if probable, will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.17 Derivative financial instruments

These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

2.18 Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers.

Return on deposits is accrued on a time proportion basis by reference to the principle outstanding and applicable rate of return.

2.19 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

All exchange differences are charged to the profit and loss account.

2.20 Borrowing cost

Mark up, interest and other charges on long term loans are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to profit.

3. Issued, subscribed and paid up capital

2006 (Number of shares)	2005		2006 Rupees	2005 Rupees
17,801,875	17,801,875	Ordinary shares of Rs 10 each fully paid in cash	178,018,750	178,018,750
6,846,875	6,846,875	Ordinary shares of Rs 10 each issued as fully paid bonus shares	68,468,750	68,468,750
24,648,750	24,648,750		246,487,500	246,487,500

Ordinary shares of the company held by associated undertakings are as follows:

	(Number of Shares)
Mukhtar Trading Company (Private) Limited	-
Farrukh Trading Company (Private) Limited	875,256
Fatima Trading Company (Private) Limited	867,036
	924,636
	2,666,928

4. Reserves

Movement in and composition of reserves is as follows:

Capital reserve

	Note	Rupees	Rupees
- Share premium	4.1	41,081,250	41,081,250
- Reserve for issue of bonus share			
At the beginning of the year/ period		-	41,081,250
Nominal value of bonus shares issued		-	(41,081,250)

Revenue

- General reserve		354,000,000	354,000,000
		395,081,250	395,081,250

4.1 This reserve can be utilised by the company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2006 Rupees	2005 Rupees
5. Long term finances and other payables			
These are composed of:			
Secured			
- From banking companies			
Term finance certificates	5.1	42,857,145	85,714,287
Long term loans	5.2	604,285,129	730,806,449
Deferred letters of credit	5.3	444,700,061	455,143,595
Other payables	5.4	20,607,696	25,759,620
Unsecured			
Loan from director	5.5	36,875,000	
		1,149,325,031	1,297,423,951
Less: Current portion shown under current liabilities			
- Term finance certificates		42,857,145	42,857,142
- Long term loans		80,801,668	96,503,998
		123,658,813	139,361,140
		1,025,666,218	1,158,062,811

Term finance certificates (TFCs)

The TFCs have been issued as fully paid scrips of Rs. 5,000 and Rs. 100,000 denominations or exact multiples thereof. These are listed on the Karachi Stock Exchange and their market value is Rs. 47.143 million (2005: Rs. 94.286 million) as at June 30, 2006.

Rate of return

The return on TFCs is payable semi annually and is calculated at the State Bank of Pakistan's discount rate + 2.5% per annum subject to a minimum of 15.25% and a maximum of 17.5%.

Terms of repayment

The TFCs are redeemable in seven equal semi annual installments commenced from February 2004 with a grace period of 18 months from the date of issue.

Security

These TFCs have been secured by way of first pari passu charge on present and future fixed assets of the company's Unit 1 (Weaving).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

5.2 Long term loans

Loan #	Lender - Nature	2006 Rupees	2005 Rupees	Rate of interest per annum	Number of instalments	Interest payable
1.	United Bank Limited - Demand Finance I	100,350,000	122,650,000	3 M KIBOR + 2%	18 equal quarterly instalments ending December 01, 2010	Quarterly
2.	United Bank Limited - Demand Finance II	1,967,970	5,903,290	6 M KIBOR + 2%	1 equal half yearly instalments ending July 30, 2006	Semi annually
3.	United Bank Limited - Demand Finance III	275,000,000	275,000,000	6 M KIBOR + 1.5%	10 equal half yearly instalments commencing June 30, 2007	Quarterly
4.	National Bank of Pakistan - Demand Finance	65,706,669	91,992,669	3 M KIBOR + 1.75%	5 equal half yearly instalments ending September 30, 2008	Semi annually
5.	Habib Bank Limited - Fixed Asset Financing I	87,911,990	153,911,990	6 M Treasury bills + 2.25%	4 equal half yearly instalments ending July 31, 2008	Quarterly
6.	Habib Bank Limited - Fixed Asset Financing II	73,348,500	81,348,500	6 M KIBOR + 1%	9 equal half yearly instalments commencing July 1, 2006	Quarterly
		<u>604,285,129</u>	<u>730,806,449</u>			

The company has Rs. 173,310 million (2005: Rs. 118,652 million) undrawn borrowing facilities as at June 30, 2006.

Security

Loan No. 1 & 2

These are secured by a first charge on fixed assets of the Unit 3 (Spinning) of the company.

Loan No. 3

It is secured by a first pari passu charge on all fixed assets of the Unit 4 (Spinning) of the company.

Loan No. 4

This loan is secured by a pari passu charge over the assets of Unit 2 (Weaving) of the company.

Loan No. 5

This loan is secured by a first charge on all the existing and future fixed assets of the company.

Loan No. 6

It is secured by a first pari passu charge on all fixed assets of Unit 2 (Weaving) and Unit 4 (Spinning) of the company.

5.3 These represent deferred letters of credit established with National Bank of Pakistan and Meezan Bank Limited for import of plant and machinery and are payable after 720 days from the date of bill of lading. These deferred letters of credit are secured by a hypothecation charge on all present and future current assets of the company including stock in trade, trade debts and lien on export bills as referred to note 8.2.

5.4 This represents the mark up payable by December 2010, under the repayment terms relating to loan no. 1 in note 5.2.

5.5 This represents subordinated loan obtained from one of company's directors.

	Note	2006 Rupees	2005 Rupees
6. Deferred liabilities			
These are composed of:			
Deferred taxation	6.1	15,500,000	13,000,000
Employees retirement benefits - gratuity	6.2	738,327	5,400,700
		<u>16,238,327</u>	<u>18,400,700</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

	Note	2006 Rupees	2005 Rupees
6.1 Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		60,000,000	16,500,000
Unused tax losses		(44,500,000)	(3,500,000)
		15,500,000	13,000,000
6.2 Employees retirement benefits-gratuity			
Present value of defined benefit obligation		5,350,043	11,645,406
Unrecognised actuarial loss		(942,286)	(944,418)
Unrecognised part of transitional liability		(3,669,430)	(5,300,288)
Liability as at June 30		738,327	5,400,700
Liability as at July 01/ October 01		5,400,700	2,413,983
Charge to profit and loss account		5,153,281	4,212,959
Payments made during the year/ period		(9,815,654)	(1,226,242)
Liability as at June 30		738,327	5,400,700
7. Current portion of long term liabilities - secured			
Term finance certificates	5	42,857,145	42,857,142
Long term loans	5	80,801,668	96,503,998
		123,658,813	139,361,140
8. Finances under mark up arrangements and other credit facilities - secured			
Short term running finances	8.1	142,908,139	678,667,226
Export finances	8.2	1,031,915,870	515,177,143
		1,174,824,009	1,193,844,369

8.1 Short term running finances are available from a consortium of commercial banks under mark up arrangements amount to Rs. 2,960 million (2005: Rs. 3,790 million). The rates of mark up range from Re. 0.2427 to Re. 0.2748 per Rs. 1,000 per diem or part thereof on the balance outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year, or earlier demand, additional mark ups to be computed at the rate of Re. 0.1781 per Rs. 1,000 per diem or part thereof on the balances unpaid.

8.2 The company has obtained export finance facilities from commercial banks aggregating to Rs. 2,795 million (2005: Rs. 2,045 million) being the sub-limit of the finance mentioned in note 8.1. The rates of mark up range from Re. 0.1227 to Re. 0.1709 per Rs. 1,000 per diem or part thereof on the outstanding balance. Of the aggregate facility of Rs. 1,170 million (2005: Rs. 1,075 million) for opening letter of credits and Rs. 115 million (2005: Rs. 115 million) for guarantees being the sub-limit of finances mentioned in note 8.1, the amount utilised at June 30, 2006 was Rs. 238.247 million (2005: Rs. 465.599 million) and Rs. 45.3 million (2005: Rs. 48.3 million) respectively.

The aggregate facilities are secured by a hypothecation charge on all present and future current assets of the company including stock in trade, trade debts and lien on export bills.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

	Note	2006 Rupees	2005 Rupees
9. Trade and other payable			
Trade creditors		47,942,940	48,210,867
Accrued liabilities		34,215,796	35,220,690
Advances from customers		7,566,296	2,981,263
Due to related parties	9.1	6,387,813	3,099,503
Workers' profit participation fund	9.2	23,171,731	13,910,828
Unclaimed dividends		3,622,722	3,400,183
Others		1,714,219	2,933,148
		124,621,517	109,756,482
9.1 These relate to normal business of the company and are interest free.			
Fatima Sugar Mills Limited		1,269,624	
Reliance Cotton (Private) Limited		1,628,858	1,734,158
Reliance Commodities (Private) Limited		1,181,842	453,301
Pak Arab Fertilizer (Private) Limited			381,515
Fazal Cloth Mills Limited		2,307,489	300,696
Fatima Fertilizer Company Limited			229,833
		6,387,813	3,099,503
9.2 Workers' profit participation fund			
Opening balance		13,910,828	6,850,038
Provision for the year/ period	27	7,661,158	5,882,396
Interest for the year/ period	28	1,599,745	1,178,394
Closing balance		23,171,731	13,910,828
10. Markup accrued on loans and other payables			
Markup accrued on:			
- Finances under mark-up arrangements and other credit facilities - secured		23,157,312	13,493,012
- Term finance certificates - secured		4,703,546	7,072,649
- Long term loans - secured		15,399,018	14,581,901
		43,259,876	35,147,562
11. Contingencies and commitments			
11.1 Contingencies			
(i) The company has provided bank guarantees in favour of Sui Northern Gas Pipe Line Limited amounting to Rs. 48.3 million (2005: Rs. 48.3 million) on account of payment of dues against gas sales etc.			
(ii) The Customs, Sales Tax and Excise Authorities have raised a demand of Rs. 4,688 million (including General Sales Tax and Iqra Surcharge) for non compliance with the provisions of Rule 12(a)(ii), 15(1), 15(2) and 11 of SRO 1140(I)97 in respect of input of raw cotton consignment. The Collector Adjudication has also imposed a penalty of Rs. 20 million on alleged offence under section 32 of the Customs Act, 1969. The company filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal - Lahore and paid 1/4th of the principal demand as per the directives of the Honourable Tribunal. The remaining 3/4th principal amount along with Iqra surcharge, additional dues and penalties have been stayed. This amount is currently included in tax refund from government - sales tax. The CBR nominated an Alternate Dispute Resolution Committee with mutual consent of Customs, Sales Tax and Excise Authorities and the company. The committee has given its recommendations in favour of the company and management is confident that CBR will also decide the same on the basis of these recommendations.			
11.2 Commitments			
		Rupees in million	
Capital expenditures		6.82	1.31
Letters of credit other than capital expenditures		73.17	9.15
		79.99	10.46

12. Property, plant and equipment

Operating assets
Capital work in progress

	2006 Rupees	2005 Rupees
Note		
12.1	1,908,305,889	1,247,988,445
12.4	54,923,601	788,104,092
	1,963,229,490	2,036,092,537

12.1 Operating Assets

Particulars	As at June 30, 2005	Transfer in/ (adjustments)	Cost		Rate %	As at June 30, 2005	Depreciation		Book value as at June 30, 2005
			Additions during the year/ period	(Deductions) during the year/ period			For year/ period	As at June 30, 2005	
Freehold land	31,775,233	-	-	-	-	31,775,233	-	-	31,775,233
Buildings	166,701,435	-	129,445,755	-	10	59,687,411	20,737,194	80,424,605	215,721,965
Plant and machinery	1,661,972,522	-	690,909,485	(43,830,801)	10	595,773,096	159,392,167	(31,616,102)	722,545,161
Electric installations	37,616,947	-	20,694,694	-	10	17,048,282	5,735,424	20,783,706	37,727,730
Factory equipment	5,425,550	-	6,805,435	-	10	2,331,791	757,710	3,129,501	9,011,484
Office equipment	6,174,738	-	4,834,573	(17,800)	10	1,952,609	814,795	(1,335)	2,766,069
Electric appliances	3,491,233	-	1,967,895	-	10	1,393,787	383,658	1,777,445	3,681,683
Furniture and fixtures	4,796,347	-	2,270,645	-	10	1,646,757	512,692	2,159,449	4,907,243
Vehicles	20,896,641	-	4,894,812	(2,470,561)	20	10,118,863	2,915,760	(1,186,075)	11,847,848
2006	1,937,940,341	-	862,122,454	(46,319,162)	-	689,951,896	188,289,400	(32,803,512)	845,437,784
2005	1,643,836,185	31,930,348	762,773,808	1,937,940,341	-	601,719,281	86,232,615	699,951,896	1,247,988,445

For nine months
ended June
30, 2005

Rupees

12.2. The depreciation charge for the year/ period has been allocated as follows: Note

Cost of sales

Administration expenses

Rupees

23

25

184,334,675

3,954,725

188,289,400

12.3. Disposal schedule of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value (R u p e e s)	Sales proceeds	Gain/ (loss)/ (donation)	Mode of disposal	Sold/ donated to
24 Nos. Toyotaoma Air Jet Trains	41,611,800	30,015,425	11,596,375	12,931,920	1,335,545	Negotiation	ACS Textile (Bangladesh) Limited Plot No.1, Road No.10, Block-K, Bandhara, Dhaka, Bangladesh
1 No. Unil Bear Trolley	485,176	390,034	135,142	73,951	(61,191)	Negotiation	ACS Textile (Bangladesh) Limited Plot No.1, Road No.10, Block-K, Bandhara, Dhaka, Bangladesh
1 No. Toyotaoma Air Jet Loom	1,034,925	280,643	443,182	-	(483,182)	Donation	Bahauddin Zakariya University, Multan.
1 No. Mobile set	17,600	1,355	16,465	15,800	1,665	Insurance claim	M/s E.F.U. General Insurance Ltd. Multan.
1 No. Toyota Corolla MNU-6	774,227	663,817	110,410	150,000	39,590	Negotiation	Mr. Tariq Khan, Multan.
1 No. Baleno M/G-30	821,145	433,172	697,973	821,145	123,172	Negotiation	Fazal Cloth Mills Limited, 129/Y Old Banawalpur Road, Multan.
1 No. Corolla XLi ML-52	675,189	395,096	476,903	525,113	49,010	Negotiation	Falima Fertilizer Company Limited, 2nd Floor, Trust Plaza, L.M.D Road, Multan.
	46,319,162	32,803,512	13,515,650	4,517,929	1,002,279		

L STATEMENTS

For the Year Ended June 30, 2006

	2006 Rupees	2005 Rupees
12.4 Capital work in progress		
Civil works and buildings	51,794,048	132,644,995
Plant and machinery	-	632,499,626
Unallocated expenditure	-	13,310,684
Advances	3,129,553	9,648,787
	<u>54,923,601</u>	<u>788,104,092</u>
13. Stores, spares and loose tools		
Stores [including in transit Rs. 0.432 million (2005: Rs. 1.732 million)]	42,181,818	41,864,069
Spares [including in transit Rs. Nil (2005: Rs. 2.448 million)]	50,684,142	38,574,999
Loose tools	219,463	103,637
	<u>93,085,423</u>	<u>80,542,705</u>
Provision for obsolete items	(230,022)	(230,022)
	<u>92,855,401</u>	<u>80,312,683</u>
13.1	Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.	
13.2	Included in stores are chemicals valuing Rs. Nil (2005: Rs. 1.674 million) and machine parts valuing Rs. Nil (2005: Rs. 69 thousands) held with third party.	
14. Stock in trade		
Raw materials [including in transit Rs. 8.702 million (2005: Rs 2.408 million)]	429,562,639	424,998,133
Work in process	45,621,521	49,433,264
Finished goods [including in transit Rs. Nil (2005: Rs 1.472 million)]	267,987,641	228,682,390
Waste	3,472,000	3,613,113
	<u>746,643,801</u>	<u>706,726,900</u>
14.1	Included in raw materials are 318 bags (2005: 14.3 bags) of yarn valuing Rs. 1.810 million (2005: 0.553 million) held at AAA Doubiers (Private) Limited for doubling purpose.	
14.2	Raw materials and finished goods amounting to Rs. 753.851 million (2005: Rs. 653.681 million) are pledged with lenders as security against finances obtained under mark up arrangements as referred to in note 8.	
15. Trade debts		
Considered good		
Export - secured	165,704,731	93,932,547
Local - unsecured	64,002,578	110,607,910
Considered doubtful	690,748	3,243,350
	<u>230,398,057</u>	<u>207,783,807</u>
Provision for doubtful debts	(690,748)	(3,243,350)
	<u>229,707,309</u>	<u>204,540,457</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

	Note	2006 Rupees	2005 Rupees
16. Loans and advances			
Advances - considered good			
- To employees	16.1	7,965,874	2,287,711
- To suppliers		18,689,847	23,664,643
Advances against issue of shares - related party	16.2	100,000,000	240,000,000
Advisory fee against TFCs		1,500,000	
Due from related parties	16.3	8,107,056	4,433,305
Letters of credit - margins, deposits, opening charges, etc.		13,914,390	16,418,362
		<u>150,177,167</u>	<u>286,804,021</u>
16.1	Included in advances to employees are amounts due from executives Rs. 0.045 million (2005: Rs.0.425 million).		
16.2	These represent payment to Fatima Fertilizer Company Limited for issue of shares.		
16.3	Due from related parties		
	Reliance Commodities (Private) Limited		4,123,715
	Fatima Sugar Mills Limited	-	5,668
	Fatima Fertilizer Company Limited	22,832	
	Pak Arab Fertilizer (Private) Limited	7,282,763	
	Gadoon Packing Limited	294,550	227,350
	Reliance Fabrics Limited	19,997	19,997
	Fazal Cloth Mills Limited	486,914	56,575
		<u>8,107,056</u>	<u>4,433,305</u>
	These relate to normal business of the company and are interest free.		
17. Trade deposits and prepayments			
Security deposits		917,530	675,311
Prepayments		4,886,892	3,217,934
		<u>5,804,422</u>	<u>3,893,245</u>
18. Tax refunds due from government			
Export rebate		5,688,107	8,036,026
Income tax		16,209,743	36,633,868
Custom duty		-	2,474,303
Sales tax		27,895,212	13,371,730
		<u>49,793,062</u>	<u>60,515,927</u>
19. Other receivables			
Insurance claim receivable		-	552,800
Other receivables		1,612,193	2,469,126
		<u>1,612,193</u>	<u>3,021,926</u>
20. Short term investments			
Held for trading - quoted (At fair value)			
Pakistan Stock Market Fund	20.1	523,546	
Investment in associate- (At cost)			
Pak Arab Fertilizer (Private) Limited	20.2	69,999,586	
		<u>70,523,132</u>	
20.1	This represents 4,580,852 units invested in Pakistan Stock Market Fund (Mutual Fund) managed by Arif Habib Investment Management Limited.		

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

20.2 This represents 1,178,431 fully paid ordinary shares of Rs. 10 each. The Company's shareholding is 1.59% (2005: Nil). These have been stated at cost as fair value is not determinable. The investment has been acquired and held with a view to its disposal within twelve months of acquisition and company is actively seeking a buyer for its disposal. In case if the investment is not disposed off within twelve months from the date of acquisition it will be remeasured under the equity method with retrospective effect under the IAS-28.

	Note	2006 Rupees	2005 Rupees
21. Cash and bank balances			
Balances at banks			
on current accounts:			
- Pak rupee		19,757,756	4,218,844
- Foreign currency - US \$ 19,183.92 (2005: US \$ 2,109)		1,153,913	125,873
		20,911,669	4,344,717
on saving accounts			
Cash in hand	21.1	11,100,450	3,429,571
		559,984	659,959
		32,572,103	8,434,247

21.1 Effective mark up rate in respect of saving accounts ranges from 4 % to 4.4% (2005: 3.5 % to 3.9%) per annum.

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
22. Sales - net			
Export		1,782,964,284	1,313,226,307
Local		1,302,651,773	755,063,612
Waste		64,963,595	9,383,372
		3,150,579,652	2,077,673,291
Less: Commission		31,645,656	19,897,315
		3,118,933,996	2,057,775,976
Add: Doubling income		1,318,700	1,838,610
Export rebate		2,161,782	2,057,396
		3,480,482	3,896,006
		3,122,414,478	2,061,671,982

22.1 Sales are exclusive of sales tax of Rs. Nil (Nine months ended June 30, 2005: Rs. 74,198 million).

23. Cost of sales			
Raw material consumed		2,026,393,592	1,452,875,335
Stores and spares consumed		104,582,112	62,363,210
Packing material consumed		25,446,600	11,947,809
Salaries, wages and other benefits		149,019,436	80,792,111
Fuel and power	23.1	217,261,497	119,789,669
Insurance		9,688,170	4,827,409
Repairs and maintenance		7,204,224	3,266,718
Depreciation on property, plant and equipment	12.2	184,334,675	86,098,811
Utilities		935,362	428,979
Other expenses		10,335,580	4,752,199
		2,735,201,248	1,827,142,250

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Opening work in process		49,433,264	37,719,287
Closing work in process		(45,621,521)	(49,433,264)
		3,811,743	(11,713,983)
Cost of goods manufactured		2,739,012,991	1,815,428,267
Opening stock	Finished goods	228,682,390	219,172,905
	- Waste	3,613,113	1,451,113
		232,295,503	220,624,018
Closing stock	Finished goods	(267,987,641)	(228,682,390)
	- Waste	(3,472,000)	(3,613,113)
		(271,459,641)	(232,295,503)
		2,699,848,853	1,803,756,782

23.1 Salaries, wages and other benefits include the following in respect of employees retirement benefits:

Current service cost	2,226,247	2,065,892
Interest cost for the year/ period	801,204	511,029
Actuarial loss recognized	1,833	-
Transitional liability	1,402,538	1,054,227
	4,431,822	3,631,148

24. Other operating income

Exchange gain	24.1	7,996,524	20,299,481
Gain on sale of property, plant and equipment		1,485,461	-
Mark up on investment in associates		7,088,261	-
Bad debts written back		1,006,829	-
Others		263,497	6,160
		17,840,572	20,305,641

24.1 This represents the gain on translation of letters of credit at closing rate. These letters of credit have been opened to import plant and machinery.

25. Administration expenses

Salaries, wages and other benefits	25.1	17,385,156	9,151,287
Printing and stationery		600,568	721,526
Motor vehicle running		2,450,417	1,210,503
Traveling and conveyance		12,255,288	6,524,697
Rent, rates and taxes		1,103,000	831,449
Telephone and postage		3,474,200	1,846,735
Fee, subscription and periodicals		870,330	1,394,342
Utilities		947,995	471,123
Insurance		396,018	332,145
Repairs and maintenance		1,198,780	991,964
Entertainment		844,114	290,994
Advertisement		211,720	243,900
Depreciation on property, plant and equipment	12.2	3,954,725	2,133,804
Professional services	25.2	1,227,124	843,318
Other expenses		1,501,638	703,000
		48,421,073	27,691,287

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
25.1	Salaries, wages and other benefits include the following in respect of employees retirement benefits:		
	Current service cost	362,412	331,015
	Interest cost for the year/ period	130,429	81,880
	Actuarial loss recognized	298	-
	Transitional liability	228,320	168,916
		<u>721,459</u>	<u>581,811</u>
25.2	Professional services		
	The charges for professional services include the following in respect of auditors' services for:		
	M. Yousuf Adil Saleem & Co.		
	Statutory audit	200,000	
	Half yearly review	150,000	
	Certification	50,000	
		<u>400,000</u>	
	A. F. Ferguson & Company		
	Statutory audit	-	200,000
	Half yearly review	-	150,000
	Tax services	-	233,000
	Certification and other services	164,463	50,000
	Out of pocket expenses	-	64,339
		<u>164,463</u>	<u>697,339</u>
26.	Distribution and marketing expenses		
	Ocean freight and shipping	16,330,113	14,048,777
	Local freight	11,037,055	8,193,400
	Export development surcharge	4,419,823	3,124,155
	Forwarding and clearing expenses	4,615,225	4,239,092
	Marketing expenses	799,983	1,127,013
	Other expenses	1,829,170	7,624,879
		<u>39,031,369</u>	<u>38,357,316</u>
27.	Other operating expenses		
	Term finance expenses	25,000	146,812
	Workers' profit participation fund	9.2 7,661,158	5,882,396
	Donations	27.1 1,898,703	1,219,534
		<u>9,584,861</u>	<u>7,248,742</u>
27.1	Donations		
	Names of donees in which a director or his spouse has an interest:		
	Farrukh Mukhtar Girls High school (Mian Faisal, Director is the Trustee)	675,713	
	Farrukh Mukhtar Hospital, Multan (Mian Faisal, Director is the Trustee)	365,500	772,662
	Mian Mukhtar Trust, Multan (Mian Faisal, Director is the Trustee)	72,000	