

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the first quarterly (un-audited) accounts for the period ended September 30, 2006. During the period under review your company earned pretax profit of **Rs. 146.732 (m)** and after tax profit of **Rs. 122.047 (m)**.

The earning per share is **Rs. 6.75** (par value Rs.10/= per share).

By the grace of God your company earned handsome profits during the period in spite of increase in cotton prices and other costs like wages, power and mark-up rates.

Due to increase in cotton prices, next quarter results may not be as good. However, your management is trying their best to maintain the profitability.

Labour / management relations remained cordial.

The company has sold its Towel unit to the jointly controlled entity, Indus Home Limited. The said transaction is materialized in October 2006. The company has received Rs. 995 million as sale proceeds of land and fixed assets.

We further state that :

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

I would like to thank to the employees of the Company for their hard work and Company's Bankers for their co-operation.

Karachi : the **October 31, 2006**

For and behalf of Board
Shahzad Ahmad
Chief Executive