

DIRECTORS' REPORT

The Directors take great pride in presenting the 49th Annual Report of your Company, along with Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2006. Briefs of financial results for the period under review are as under:

Financial Review	Rs.'000
Profit after taxation	406,703
Un-appropriated profit brought forward	503,547
Profit available for appropriation	910,250
Dividend	34,426
Un-appropriated profit carried forward	875,824
Earning per share Rs.	22.50

Present Year assessment.

Your Company has performed very well and earned a net profit Rs. 406.703 millions, including Towel unit profit Rs 83.467 millions. Net sales increased to highest level of Rs.7.279 billions

Dividend.

Your Directors are pleased to recommend 15.00% cash dividend for the year.

Investments and Sources of Financing

During the year Rs. 1,243 millions were invested in the fixed assets. This is part of the company's expansion/BMR plan to increase and modernize its capacity and to enhance its captive power plants. Depreciation cash flow of Rs. 340 millions, retained earnings and net increase in long term debts of Rs. 529 millions were used to finance this expansion.

Future Outlook

Due to increase in cotton prices and other costs like power, wages & mark-up rates it seems difficult to achieve such results in future, but we hope that company will inshallah earn handsome profits for the coming year.

In order to fully utilize the business potential we have an extensive expansion plan of Rs. 450 million to be invested in the fixed assets. This is part of the company's expansion/BMR plan to increase its spinning capacity by 15,000 spindles with necessary back process & combing machines.

The company is disposing off its Towel Unit as mentioned in note 1.2, to the jointly controlled entity, Indus Home Limited. The said transaction is expected to be materialized in October 2006. The Company recognizes its interest in the Joint venture using equity method of accounting.

Corporate and Financial Reporting Framework:

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

- a The Financial Statement prepared by the Management, present fairly its state of affairs, the result of its operations, Cash Flows and changes in equity;
- b Proper books of accounts have been maintained;

- c Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
- d International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.
- e Internal Auditors is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the management.
- f There are no significant doubts upon the company's ability to continue as a going concern.
- g There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h Key operating and financial data for last six years is annexed.
- l The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
- j During the period under review the trading in shares of the Company by the CEO, Directors and their spouses as follows:

	<u>Purchase</u>	<u>Sales</u>
1) Mian Mohammed Ahmed	NIL	1,000
2) Mr. Shahzad Ahmed	NIL	12,000
3) Mr. Naveed Ahmed	NIL	8,500

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

Name of Director	Attendance
1 Mian Mohammad Ahmed	4
2 Mian Riaz Ahmed	4
3 Mr. Shahzad Ahmed	5
4 Mr. Naveed Ahmed	6
5 Mr. Imran Ahmed	5
6 Mr. Irfan Ahmed	3
7 Mr. Kashif Riaz	4
8 Mr. Shafqat Masood	6
9 Mr. Mansoob A. Akhtar	6

Pattern of shareholding

The pattern of shareholding as at June 30, 2006 is annexed.

Thanks & Gratitude

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

For and behalf of the Board
Karachi: October 07, 2006.

Shahzad Ahmad
Chief Executive