

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** The company was incorporated in Pakistan on 23rd July, 1957 as a public limited company under the Companies Ordinance, 1984. Registered office of the company is situated at 5th Floor, Office No. 508, Beaumont Plaza, Civil Lines, Karachi. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited. The principal activity of the Company is to manufacture and sale of yarn and terry towel. The manufacturing facilities of the company are located in Hyderabad, Karachi, Lahore and Muzaffargarh District Multan. Indus Dyeing & Manufacturing Company Limited is also operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements in District Multan.
- 1.2** In extra ordinary general meeting held on April 24, 2006 the Board of Directors has resolved to dispose off the property, plant and equipment of weaving unit to the jointly controlled entity, Indus Home Limited. The said transaction is expected to be materialized subsequent to the balance sheet date in the mid of October 2006. Further, the Board of Directors resolved that the property, plant and equipment of weaving unit would be disposed off at their carrying values except for land that will be disposed off at fair value. The carrying amount of assets and operating results of weaving unit are disclosed in notes 13.1 and 34 respectively to the financial statements.
- 1.3** The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as are notified under the provisions of 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.

As per SRO 684 (1) 2004 dated August 10, 2004 issued by Central Board of Revenue, the Company's tax year is required to end on June 30, instead of September 30 was applied in the last year. Therefore, prior period financial statements of the company were prepared for nine months period. Since the audited figures are available for year ended June 30, 2005 the same has been disclosed as comparatives, hence the comparative amount of the profit and loss account, cash flow statement, statement of changes in equity and related notes are not comparable.

**2.2 New and revised International Accounting Standards and Interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following standards and Interpretations were in issue but not yet effective:

- i) IFRIC 4 - Determining whether an Arrangement contains a Lease
- ii) IFRIC 5 - Right to Interest Arising from Decommission, Restoration and
- iii) IFRIC 6 - Liabilities Arising from Participating in a Specific Market - Waste
- iv) IFRIC 9 - Reassessment of Embedded Derivatives

The management anticipate that the adoption of these Interpretations in future periods will have no material impact on the financial statements of the company.

**2.3 Basis for Preparation**

The financial statements have been prepared under the "historical cost convention", except that certain investments have been included at fair value and certain employee benefits which are carried at their present value.

The principal accounting policies adopted are set out below:

## **2.4 Taxation**

### ***Current***

Taxation is based on applicable tax rates under such regime. The provision for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and available rebates, if any, or minimum taxation provision the rate of one-half percent of turn over which ever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rate under such regime.

### ***Deferred***

Deferred tax is recognised using liability method for all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The effect of deferred taxation of the portion of the 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.

## **2.5 Employee benefit cost**

### ***Defined benefit plan***

The company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in accordance with the requirements of International Accounting Standard (IAS)-19 "Employee Benefits". The detail of which have been given in note 8.2 to the financial statements.

## **2.6 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 received whether billed to the Company or not.

## **2.7 Property, plant and equipments**

### **2.7.1 Company owned**

Operating fixed assets owned by the company are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method whereby cost of an asset is written-off over its estimate useful life at the rate specified in the property, plant and equipment note no.13.

Depreciation on additions during the year is charged on quarterly basis, while no depreciation is charged in the quarter of its disposal. Whereas, the capitalization of entire or part of project cost is depreciated proportionately from the date of capitalization.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the financial year in which they are incurred.

Gains and losses on disposal of assets, if any, are recognised as and when incurred.

### 2.7.2 *Assets subject to finance lease*

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

### 2.8 *Capital work-in-progress*

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during the installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

### 2.9 *Leases*

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *As Lessee*

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

### 2.10 *Stores, spares and loose tools*

These are valued on moving average cost method less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

### 2.11 *Stock in trade*

Stock in trade, except in transit which is valued at cost accumulated to the balance sheet date, is valued at lower of cost and net realizable value applying the following basis:

	<b>Basis of valuation</b>
Raw material	On average cost
Packing marterial	On moving average cost
Work in progress	Average cost of material and share of applicable factory overheads
Finished goods	Lower of average cost or net realizable value
Waste	Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

### 2.12 *Trade debts and other receivables*

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

### 2.13 *Investments*

#### 2.13.1 *Interest in a joint venture*

The company has an interest in a joint venture which is a jointly controlled entity . A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The company recognizes its interest in the joint venture using equity method of accounting.

### **2.13.2 *Financial asset at fair value through profit and loss***

Investments, which are acquired for the purpose of generating profit from short term fluctuation in prices or dealers margin, are classified as held for trading. These investments are initially recorded at cost and are subsequently measured at fair value and resulting gain / (loss) is taken to income currently.

Fair value of quoted marketable securities is determined by reference to the stock exchange rates ruling at the balance sheet date. Gains and losses on disposal of investments are taken to income currently.

### **2.14 *Borrowing cost***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

### **2.15 *Foreign currency translation***

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. Assets and liabilities in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates.

Exchange gains and losses are included in income currently.

### **2.16 *Provisions***

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of obligation.

### **2.17 *Impairment***

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment loss, if any, is recognized in income currently. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimate the recoverable amount of the cash generating unit to which the asset belongs.

### **2.18 *Revenue recognition***

Sales are recorded on despatch of goods to customers.

Income on bank deposits are recorded on time proportionate basis.

Dividend income is recorded when the right to receive the dividend is established.

### **2.19 *Financial instruments***

All financial assets and liabilities are recognized at the time when the company becomes party to the contractual provisions of the instrument and derecognised when the company loses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged cancelled or expired. These are initially measured at cost, which is the fair value of the consideration received and given respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period to which it relates.

### **2.20 *Offsetting of financial assets and financial liabilities***

A financial asset and a financial liability is offset and net amount is reported in the balance sheet if the company has a legal right to offset the recognized amounts and also intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

## 2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, demand drafts in transit and balances with banks on current and deposits accounts.

## 2.22 Dividend

Dividend is recognized as a liability in the period in which it is declared.

## 2.23 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the company's accounting policies, the management has not identified any area where critical judgements have been exercised which have significant impact on the financial statements. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.

## 3. ISSUED, SUBSCRIBED AND PAID-UP

	2006	2005	Note	June 30, 2006	June 30, 2005
	No. of shares			..... Rupees .....	
			Ordinary shares of Rs.10 each fully paid		
	9,637,116	9,637,116	In cash	96,371,160	96,371,160
			Other than cash		
	5,282,097	5,282,097	Issued to the shareholders of YTML 3.1	52,820,970	52,820,970
	3,154,518	2,293,864	As bonus shares	31,545,180	22,938,640
	<u>18,073,731</u>	<u>17,213,077</u>		<u>180,737,310</u>	<u>172,130,770</u>

3.1 5,292,097 ordinary shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation in accordance with the share-swap ratio therein less 10,000 ordinary shares of Rs. 10 each held by Yusuf Textile Mills Limited (YTML) as at October 01, 2004.

52,820,970	52,820,970
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3.2 Reconciliation of number of ordinary shares of Rs. 10 each

At the beginning of the year / period

17,213,077	17,213,077
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Add: Issued during the year as bonus shares

860,654	-
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At the end of the year / period

<u>18,073,731</u>	<u>17,213,077</u>
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3.3 The Company has one class of ordinary shares which carry no rights to fixed income.

3.4 The Company has no reserved shares for issuance under options and sales contracts.

## 4. RESERVES

### Capital

Share premium

10,919,880	10,919,880
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Merger reserve

11,512,210	11,512,210
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22,432,090	22,432,090
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### Revenue

General reserve

800,000,000	800,000,000
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<u>822,432,090</u>	<u>822,432,090</u>
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4.1 Merger reserve represents excess of (a) assets of YTML over its reserves and liability of YTML merged with Indus Dyeing & Manufacturing Co. Limited (IDML) over (b) consideration to shareholders of YTML as per the Scheme of Amalgamation approved by honourable High Court of Sindh.

	<b>June 30, 2006</b>	<b>June 30, 2005</b>
	..... Rupees .....	
<b>6. LONG-TERM MURABAHA FINANCE</b>		
Banking companies	62,500,000	96,000,000
Less: Current maturities shown under current liabilities	(20,000,000)	(31,000,000)
	<u>42,500,000</u>	<u>65,000,000</u>

**6.1** These are payable in quarterly installments of Rs. 2.5 million and half yearly installments of Rs. 5 million (2005: 2.5 million, Rs. 5 million and Rs.11 million) for a markup at the rate of 10.00% to 10.31% (2005: 4.80% to 7.94% ) per annum, and are secured by first pari passu charge on plant and machinery of the company.

**7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

The future minimum lease payments to which the company is committed as at balance sheet date is as follows:

	<u>2006</u>		<u>2005</u>	
	<i>Minimum lease payments</i>	<i>Present value</i>	<i>Minimum lease payments</i>	<i>Present value</i>
	..... Rupees .....		..... Rupees .....	
Within one year	57,438,038	48,445,946	32,626,231	28,104,870
After one year but not more than five years	76,338,288	71,425,127	61,074,388	57,629,543
Total minimum lease payments	<u>133,776,326</u>	<u>119,871,073</u>	<u>93,700,619</u>	<u>85,734,413</u>
Less: Amount representing finance charges	(13,905,253)	-	(7,966,206)	-
Present value of minimum lease payments	<u>119,871,073</u>	<u>119,871,073</u>	<u>85,734,413</u>	<u>85,734,413</u>
Less: Current portion	(48,445,946)	(48,445,946)	(28,104,870)	(28,104,870)
	<u>71,425,127</u>	<u>71,425,127</u>	<u>57,629,543</u>	<u>57,629,543</u>

**7.1** These represent finance lease entered into with leasing companies for plant & machinery and vehicles. Lease rentals are payable in equal monthly and quarterly installments latest by February 2009. Interest rates ranging from 5.20 % to 11.90 % (2005: 5.20% to 7.90%) per annum have been used as discounting factors.

**7.2** The company intends to exercise the option to purchase the leased assets upon completion of the leased period.

	<i>Note</i>	<b>June 30, 2006</b>	<b>June 30, 2005</b>
		..... Rupees .....	
<b>8. DEFERRED LIABILITIES</b>			
Deferred taxation	8.1	122,770,031	132,028,517
Gratuity	8.2	29,721,839	28,319,929
Excise levy payable	8.3	16,354,602	16,354,602
		<u>168,846,472</u>	<u>176,703,048</u>

**June 30,**                      **June 30,**  
**2006**                                      **2005**  
..... **Rupees** .....

**8.1      *Deferred taxation***

Deferred tax liability on taxable temporary differences of:

Accelerated tax depreciation allowance	124,183,576	135,751,241
Leased assets	1,687,251	1,078,003
	125,870,827	136,829,243

Deferred tax assets on deductible temporary differences of:

Provision for gratuity	(2,912,740)	(3,955,088)
Provision for bad and doubtful debts	-	(427,910)
Fair value loss on other financial assets	-	(417,728)
Provision for slow moving and obsolete items	(188,056)	-
	(3,100,796)	(4,800,726)
	122,770,031	132,028,517

**8.2      *Gratuity***

The company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement of gratuity is 6 months continuous service with the company. The scheme is unfunded and provision is made in accordance with the recommendations of the actuarial valuation of the scheme, which was carried out at June 30, 2005.

The Projected unit Credit actuarial cost method based on following significant assumptions was used for the valuation of scheme. The basis of recognition together with details as per actuarial valuation is as under:

**June 30,**                      **June 30,**  
**2006**                                      **2005**  
..... **Rupees** .....

***Principal actuarial assumptions***

Discount rate per annum	9%	9%
Expected rate of increase in salary per annum	8%	8%
Average expected remaining working life of employees	6 - 10 years	6 - 10years
Present value of defined benefit obligations	28,573,782	25,837,050
Unrecognized actuarial gains	1,148,057	2,785,767
Unrecognized transitional liability	-	(302,888)
	29,721,839	28,319,929
	29,721,839	28,319,929

***Balance sheet liability***

Liability at the beginning of the year / period	28,319,929	29,743,343
Gratuity charge for the year / period	8,730,198	6,378,203
Benefits paid during the year / period	(7,328,288)	(7,801,617)
	29,721,839	28,319,929
	29,721,839	28,319,929

	<i>June 30,</i> <i>2006</i>	<i>June 30,</i> <i>2005</i>
	..... <i>Rupees</i> .....	
<b><i>Changes in actuarial gains / (losses)</i></b>		
Unrecognized actuarial gains at beginning of year / period	2,785,767	4,941,118
Less: Actuarial loss arising during the year / period	(1,318,098)	(1,868,312)
Less: Net actuarial gains recognized during the year / period	(319,612)	(287,039)
	<hr/>	<hr/>
Unrecognized actuarial gains at end of year / period	1,148,057	2,785,767
	<hr/> <hr/>	<hr/> <hr/>
<b><i>Charged to profit and loss account</i></b>		
Current service cost	6,421,587	4,837,874
Interest cost	2,325,335	1,524,480
Net actuarial gains recognized	(319,612)	(287,039)
Transitional obligation recognized	302,888	302,888
	<hr/>	<hr/>
	8,730,198	6,378,203
	<hr/> <hr/>	<hr/> <hr/>

### 8.3 ***Excise levy payable***

The company has filed an appeal in the Honourable Supreme Court against the levy of central excise duty on borrowings. The matter is pending in the Honourable Supreme Court. However, provision is made in accounts on prudent basis.

	<i>Note</i>	<i>June 30,</i> <i>2006</i>	<i>June 30,</i> <i>2005</i>
		..... <i>Rupees</i> .....	
<b>9. TRADE AND OTHER PAYABLES</b>			
Creditors	9.1	83,794,170	92,022,221
Accrued liabilities		122,427,496	105,580,894
Workers' Profit Participation Fund	9.2	25,083,685	23,768,307
Withholding tax payable		595,384	479,967
Unclaimed dividends		5,312,239	6,437,883
Others		13,167,783	2,136,901
		<hr/>	<hr/>
		250,380,757	230,426,173
		<hr/> <hr/>	<hr/> <hr/>

9.1 It includes Rs. 212,500 (2005: Rs. 926,275) due to associated undertakings.

### 9.2 ***Workers' Profit Participation Fund***

Balance as at beginning of year / period	23,768,307	16,026,458
Allocation for the period	25,083,685	23,768,307
Interest charged during the year / period on the funds utilized by the company	1,098,924	411,784
	<hr/>	<hr/>
	49,950,916	40,206,549
Payments made during the year / period	(24,867,231)	(16,438,242)
	<hr/>	<hr/>
Balance at end of year / period	25,083,685	23,768,307
	<hr/> <hr/>	<hr/> <hr/>



**June 30,**                      **June 30,**  
**2006**                                      **2005**  
..... **Rupees** .....

**10. INTEREST / MARK-UP PAYABLE**

Long-term financing	41,684,859	24,707,441
Long-term morabaha finances	1,695,300	1,635,573
Short-term borrowings	27,284,424	13,644,090
Liabilities against assets subject to finance lease	-	142,993
	70,664,583	40,130,097

**11. SHORT-TERM BORROWINGS**

**Secured**

Banking companies	1,334,951,114	786,914,458
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**Un-secured**

Due to directors	-	164,820,695
	1,334,951,114	951,735,153

**11.1** Limits of short-term finance facilities amounting to Rs. 1,390 million (2005: Rs. 1,617 million) from various banks on mark-up arrangements. The mark-up rates ranging from 5.329% to 10.84% (2005: 2.92 to 10.25%) is payable quarterly as per terms of arrangements. These are secured against export bills under collection, book debts, pledge and hypothecation of stocks and personal guarantees of the directors.

**June 30,**                      **June 30,**  
**2006**                                      **2005**  
..... **Rupees** .....

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

Claim of arrears of social security contribution not acknowledged, appeal is pending in Honourable High Court of Sindh. The management is hopeful for favourable outcome.	452,997	452,997
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Bank guarantees	96,430,971	112,269,893
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**12.2 Commitments**

Building extension	15,264,115	27,624,602
Letter of credits for raw material, stores and spares and machinery	365,605,357	520,227,382

In extra ordinary general meeting held on April 24, 2006 the Board of Directors has approved to invest a sum of Rs. 750 m in a jointly controlled entity, out of which Rs. 2.5 m has been invested during the year.

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>13.2. CAPITAL WORK-IN-PROGRESS</b>			
Civil work and construction	13.2.1	70,797,638	148,336,909
Plant and machinery under erection	13.2.2	637,409	437,448,403
		<u>71,435,047</u>	<u>585,785,312</u>
<b>13.2.1 Civil work and construction</b>			
Opening balance as at year / period		148,336,909	84,845,241
Addition during the year / period		105,517,199	181,494,985
		<u>253,854,108</u>	<u>266,340,226</u>
Less: Transfer during the year / period		(183,056,470)	(118,003,317)
		<u>70,797,638</u>	<u>148,336,909</u>
<b>13.2.2 Plant and machinery under erection</b>			
Opening balance as at year / period		437,448,403	19,638,133
Addition during the year / period		167,552,015	440,877,797
Profit on trial run operation	13.2.3	-	(3,176,615)
		<u>605,000,418</u>	<u>457,339,315</u>
Less: Transfer during the year / period		(604,363,009)	(19,890,912)
		<u>637,409</u>	<u>437,448,403</u>
<b>13.2.3 Trial run operation</b>			
Sales - net	13.2.4	-	72,390,316
Cost of sales			
Manufacturing cost	13.2.5	-	75,841,065
Add : Opening stock		-	-
Less : Closing stock		-	(13,450,629)
Cost of sales		<u>-</u>	<u>62,390,436</u>
Gross profit		-	9,999,880
Operating expenses			
Administrative expenses	13.2.7	-	(3,146,643)
Distribution cost	13.2.8	-	(2,193,601)
		<u>-</u>	<u>(5,340,244)</u>
Operating profit on Trial-Run		-	4,659,636
Other charges			
Financial charges	13.2.9	-	(1,483,021)
		<u>-</u>	<u>(1,483,021)</u>
Profit on trial run operation		<u>-</u>	<u>3,176,615</u>

The weaving unit started its commercial production from July 01, 2005, this unit was in trial and run operations during the period ended June 30, 2005.

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>13.2.4 Sales</b>			
Export			71,677,977
Local			712,339
		-	72,390,316
<b>13.2.5 Manufacturing material consumed</b>			
Raw material consumed	13.2.6		64,885,991
Salaries, wages and other benefits		-	4,571,035
Stores, spares and loose tools			1,297,424
Sizing material		-	1,998,740
Packing material		-	179,169
Fuel an power		-	5,910,245
Insurance expenses		-	533,817
Depreciation		-	2,722,942
Other expenses		-	2,472,317
		-	84,571,680
Work in process			
Opening			-
Closing			(8,730,615)
		-	(8,730,615)
		-	75,841,065
<b>13.2.6 Raw Material Consumed</b>			
Opening balance of yarn		-	-
Purchases during the period		-	72,349,982
		-	72,349,982
Closing balance of yarn		-	(7,463,991)
		-	64,885,991

*June 30,*                      *June 30,*  
*2006*                                      *2005*  
..... *Rupees* .....

**13.2.7 Administrative expenses**

Salaries, wages and other benefits	-	669,213
Rent, rate and taxes	-	414,814
Travelling and conveyance	-	1,458,636
Entertainment	-	7,416
Telephone & postage	-	235,356
Vehicles running and maintenance	-	147,722
Printing and stationery	-	62,957
Advertisements	-	26,860
Legal and professional charges	-	15,000
Others	-	108,669
	-	3,146,643
	-	3,146,643

**13.2.8 Distribution cost**

Freight	-	1,643,038
Commission and brokerage	-	516,715
Others	-	33,848
	-	2,193,601
	-	2,193,601

**13.2.9 Finance cost**

Markup on long term financing	-	1,441,832
Markup on short term borrowings	-	21,564
Bank charges and commission	-	19,625
	-	1,483,021
	-	1,483,021

**14. INTEREST IN JOINT VENTURE**

The company has a 50% interest in Indus Home Limited, a jointly controlled entity which is involved in the manufacturing, export and sale of greige and finished terry cloth and other textile products. The jointly controlled entity has not undertaken any business activity during the year and plans to start its business operation subsequent to balance sheet date.

The share of assets, liabilities, of the jointly controlled entity at June 30, 2006 are as follows:

		<i>June 30,</i> <i>2006</i>	<i>June 30,</i> <i>June 30, 2005</i>
	<i>Note</i>	..... <i>Rupees</i> .....	
Current assets		2,532,554	-
Non - current assets		51,575	-
		2,584,129	-
Current liabilities		(84,129)	-
	14.1	2,500,000	-
		2,500,000	-
<b>14.1</b> Ownership interest		50%	-
Cost		2,500,000	-
Share of post acquisition profit		-	-
		2,500,000	-
		2,500,000	-

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>15. LONG-TERM DEPOSITS</b>			
Lease security deposits	15.1	10,109,652	7,046,250
Others		605,400	1,061,400
		10,715,052	8,107,650
Less: Current portion of lease security deposits	20	(584,500)	(500,000)
		<u>10,130,552</u>	<u>7,607,650</u>

**15.1** It represents interest free refundable deposits paid at inception of lease and are realizable on maturities of lease arrangements.

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>16. STORES, SPARES AND LOOSE TOOLS</b>			
Stores, spares and loose tools	16.1	70,584,512	82,179,991
Less: Provision for slow moving and obsolete items		(1,918,937)	-
		<u>68,665,575</u>	<u>82,179,991</u>

**16.1** It includes stores and spares in transit amounting to Rs 9,948,794 (2005: Rs. 1,269,969).

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>17. STOCK-IN-TRADE</b>			
Raw material	17.1	1,246,789,618	949,481,221
Packing material		15,947,635	8,386,720
Work-in-process		71,195,517	52,321,118
Finished goods		130,161,165	154,296,792
Waste		2,865,277	1,832,321
		<u>1,466,959,212</u>	<u>1,166,318,172</u>

**17.1** It includes raw material in transit amounting to Rs. 144,655,986 (2005: Rs. 130,679,593).

<b>18. TRADE DEBTS</b>			
Considered good			
Foreign debtors - secured		135,459,340	50,706,395
Local debtors - unsecured associated undertaking		6,286	-
others		283,441,094	239,910,764
		<u>283,447,380</u>	<u>239,910,764</u>
Considered bad & doubtful debts - unsecured		416,853,529	290,617,159
		2,053,191	3,063,997
		<u>418,906,720</u>	<u>293,681,156</u>
Less: Provision for bad & doubtful debts	18.1	(2,053,191)	(3,063,997)
		<u>416,853,529</u>	<u>290,617,159</u>

	<i>Note</i>	<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>18.1 Movement</b>			
Opening Balance		3,063,997	-
Charge for the year / period		-	3,063,997
Write off against debtors		(1,010,806)	-
Closing Balance		<u>2,053,191</u>	<u>3,063,997</u>
<b>19. LOANS AND ADVANCES</b>			
<i>Considered good</i>			
Loans to staff		6,538,900	7,870,105
Advance income tax		74,675,155	51,743,213
Advances to			
Suppliers		12,843,855	44,643,685
Others		4,577,913	1,477,365
		17,421,768	46,121,050
		<u>98,635,823</u>	<u>105,734,368</u>
<b>20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Lease security deposits	15	584,500	500,000
Other security deposits		1,480,062	426,450
Margin deposits		27,595,503	10,603,579
Prepayments		48,973	4,509,063
		<u>29,709,038</u>	<u>16,039,092</u>
<b>21. OTHER RECEIVABLES</b>			
Rebate receivable		400,494	1,245,858
Cotton claim receivable		1,978,490	1,568,397
Due from associated undertaking		1,865,130	2,426,065
Receivables of ginning units		196,338	3,508,974
Others		6,380,698	3,113,069
		<u>10,821,150</u>	<u>11,862,363</u>
<b>22. OTHER FINANCIAL ASSETS</b>			
Financial assets at fair value through profit and loss			
held for trading - listed equity securities		2,119,103	14,014,194
Fair value gain / (loss)		1,244,493	(2,991,091)
		<u>3,363,596</u>	<u>11,023,103</u>

		<i>June 30, 2006</i>	<i>June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>23.</b>	<b>TAX REFUNDS DUE FROM GOVERNMENT</b>		
	Income tax refundable	35,001,702	76,490,798
	Sales tax refundable	54,737,570	14,578,085
		<u>89,739,272</u>	<u>91,068,883</u>
<b>24.</b>	<b>CASH AND BANK BALANCES</b>		
	With banks		
	On deposit accounts	2,385,909	2,203,614
	On current accounts	18,522,952	18,738,648
		<u>20,908,861</u>	<u>20,942,262</u>
	Demand drafts in transit	1,300,000	800,000
	Cash in hand	6,461,202	2,438,408
		<u>28,670,063</u>	<u>24,180,670</u>
		<i>Note</i>	<i>For nine months ended June 30, 2005</i>
		<i>June 30, 2006</i>	<i>..... Rupees .....</i>
<b>25.</b>	<b>SALES</b>		
	<i>Export sales</i>		
	Direct	4,298,813,806	2,239,484,074
	Less: Commission expense	<u>(107,311,024)</u>	<u>(54,627,222)</u>
		4,191,502,782	2,184,856,852
	<i>Local sales</i>		
	Yarn	25.1 <span style="border: 1px solid black; padding: 2px;">1,938,067,441</span>	<span style="border: 1px solid black; padding: 2px;">1,637,305,665</span>
	Waste	<span style="border: 1px solid black; padding: 2px;">45,912,313</span>	<span style="border: 1px solid black; padding: 2px;">43,449,741</span>
		1,983,979,754	1,680,755,406
	Less: Sales tax	-	(193,844,878)
	Local sales net of sale tax	25.2 <u>1,983,979,754</u>	<u>1,486,910,528</u>
	Less: Brokerage	<u>(15,193,306)</u>	<u>(10,090,105)</u>
		1,968,786,448	1,476,820,423
		<u>6,160,289,230</u>	<u>3,661,677,275</u>

**25.1** It includes sales to associated undertakings amounting to Rs.1,067,021

**25.2** It includes Rs. Nil (2005: Rs. 10,455,490 (net of sale tax) representing the value of indirect exports).

	<i>Note</i>	<i>June 30, 2006</i>	<i>For nine months ended June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>26. COST OF GOODS SOLD</b>			
Raw material consumed	26.1	3,823,001,945	2,131,574,729
Stores and spares consumed		127,120,656	80,072,823
Manufacturing expenses	26.2	874,526,158	501,087,239
Outside purchases - yarn		452,041,824	219,351,379
		<u>5,276,690,583</u>	<u>2,932,086,170</u>
Work in process - Opening		43,590,502	53,845,524
- (Closing)		(58,576,073)	(43,590,502)
		(14,985,571)	10,255,022
Cost of goods manufactured		5,261,705,012	2,942,341,192
Finished goods - Opening		131,254,642	108,324,071
- (Closing)		(118,706,174)	(131,254,642)
		12,548,468	(22,930,571)
		<u>5,274,253,480</u>	<u>2,919,410,621</u>

**26.1 Raw material consumed**

Opening stock		776,740,495	444,418,088
Purchases	26.1.1	4,112,444,275	2,453,463,174
		<u>4,889,184,770</u>	<u>2,897,881,262</u>
Closing stock		(1,066,182,825)	(784,204,486)
		<u>3,823,001,945</u>	<u>2,113,676,776</u>

**26.1.1** It includes purchases from associated undertaking amounting to Rs. 217,578,168 (2005: Rs.135,026,839).

	<i>Note</i>	<i>June 30, 2006</i>	<i>For nine months ended June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>26.2 Manufacturing expenses</b>			
Salaries, wages & benefits	26.2.1	250,819,866	152,177,288
Fuel, water and power		303,129,672	163,141,806
Sizing cost		-	-
Rent, rates and taxes		815,842	698,185
Insurance expenses		9,666,797	8,448,571
Repairs and maintenance		9,006,522	5,963,361
Depreciation on property, plant and equipment		278,926,119	157,281,802
Provision for slow moving obsolete stock		1,918,937	-
Other expenses		20,242,403	13,376,226
		<u>874,526,158</u>	<u>501,087,239</u>

**26.2.1** It includes staff retirement benefits amounting to Rs. 7,789,175 (2005: Rs. 5,512,738).



	<i>Note</i>	<i>June 30, 2006</i>	<i>For nine months ended June 30, 2005</i>
		<i>..... Rupees .....</i>	
<b>27. OTHER OPERATING INCOME</b>			
Operating profit / (loss) of ice factory	27.1	808,255	(653,748)
Operating profit / (loss) on trading of raw cotton	27.2	17,177,980	(395,364)
Other income	27.3	6,116,010	3,281,892
		<u>24,102,245</u>	<u>2,232,780</u>
<b>27.1 OPERATING PROFIT / (LOSS) OF ICE FACTORY</b>			
Sales		9,266,419	4,191,155
Cost of goods sold	27.1.1	(8,458,164)	(4,885,403)
Gross profit / (loss)		<u>808,255</u>	<u>(694,248)</u>
Lease rentals received		-	40,500
		<u>808,255</u>	<u>(653,748)</u>
<b>27.1.1 Cost of goods sold</b>			
Salaries, wages and benefits		905,835	814,216
Salt consumed		44,809	23,949
Ammonia gas consumed		88,100	66,586
Electricity		6,212,111	2,942,726
Repairs and maintenance		691,024	335,649
Cartage expenses		75,291	26,587
Lease rentals		219,000	428,000
Miscellaneous expenses		221,994	247,690
		<u>8,458,164</u>	<u>4,885,403</u>
<b>27.2 OPERATING PROFIT / (LOSS) ON TRADING OF RAW COTTON</b>			
Sales		209,798,115	14,107,384
Less: Cost of sale		(192,620,135)	(14,502,748)
		<u>17,177,980</u>	<u>(395,364)</u>
It includes sales to associated undertaking amounting to Rs. 103,043,168 ( 2005: Nil ).			
<b>27.3 OTHER INCOME</b>			
Profit on disposal of property, plant and equipment		1,128,598	-
Insurance claim		171,970	556,414
Scrap sale		2,002,563	1,593,343
Gain on sale of investment		950,206	-
Profit on fixed deposits		344,634	8,635
Dividend income		273,546	1,123,500
Fair value gain		1,244,493	-
		<u>6,116,010</u>	<u>3,281,892</u>

	<i>Note</i>	<i>June 30, 2006</i>	<i>For nine months ended June 30, 2005</i>
..... Rupees .....			
<b>28. DISTRIBUTION COST</b>			
Freight and forwarding		136,276,539	87,106,389
Export development surcharge		10,824,335	7,210,565
Advertisement expenses		347,920	56,160
Godown expenses		454,000	649,750
Others		-	4,262,123
		147,902,794	99,284,987

**29. ADMINISTRATIVE EXPENSES**

Salaries, wages & benefits	29.1	26,558,756	16,226,642
Repairs and maintenance		1,025,852	402,002
Postage, telephone and telex		4,499,317	3,928,876
Travelling and conveyance		7,246,993	10,168,455
Vehicle running expenses		3,639,089	2,193,429
Printing and stationary		2,707,181	882,105
Rent and electricity		5,644,247	3,370,492
Entertainment		1,001,022	615,753
Fees and subscription		1,320,788	513,305
Bad debt expenses		-	1,963,997
Other expenses		2,465,700	3,493,594
Legal expenses		666,100	404,146
Charity and donations	29.2	2,752,300	281,040
Auditors' remuneration	29.3	547,686	605,000
Depreciation on property, plant and equipment		6,717,602	3,854,848
		66,792,633	48,903,684

**29.1** It includes staff retirement benefits amounting to Rs. 941,023 (2005: Rs.865,465).

**29.2** None of the directors and their spouses have any interest in the donees.

<i>June 30, 2006</i>	<i>For nine months ended June 30, 2005</i>		
	<i>M. Yousuf Adil Saleem &amp; Co.</i>	<i>*Hyder Bhimji &amp; Co.</i>	<i>Total</i>
..... Rupees .....			

**29.3 Auditors' remuneration**

Audit fee	294,000	250,000	150,000	400,000
Half year limited review fee	100,000	60,000	40,000	100,000
Fee for certifications	40,000	40,000	-	40,000
Out of pocket expenses	113,686	50,000	15,000	65,000
	547,686	400,000	205,000	605,000

\* Auditors of Yousuf Textile Mills Limited (now merged with Indus Dyeing & Manufacturing Co. Limited).

	<i>June 30,</i>	<i>For nine months</i>
	<i>2006</i>	<i>ended June 30,</i>
		<i>2005</i>
	<i>..... Rupees .....</i>	

**30. OTHER OPERATING EXPENSES**

Workers' Profit Participation Fund	20,126,975	23,768,307
Loss on disposal of fixed assets	-	195,353
Bad debts written off	-	348,911
Loss on sale of securities held for trading	-	505,489
Fair value loss	-	2,991,091
	<u>20,126,975</u>	<u>27,809,151</u>

**31. FINANCE COST**

Mark-up		
long-term financing	160,535,887	53,338,994
assets subject to finance lease	7,674,614	4,068,244
short-term borrowings	116,315,156	48,257,801
Interest on Workers' Profit Participation Fund	1,098,924	411,784
Bank charges	7,278,485	11,238,739
	<u>292,903,066</u>	<u>117,315,562</u>

**32. TAXATION**

Current		
For the year	69,616,677	28,494,926
Deferred	(9,258,486)	77,536,340
	<u>60,358,191</u>	<u>106,031,265</u>

The income tax of the company has been finalized upto tax year 2005, based on the return filed. Tax provision has been made on estimated taxable income at current rates of taxation. There is no appeal pending before appellate authorities.

*For 9 months  
ended June 30,  
2005*  
..... Rupees .....

**37. CASH GENERATED FROM OPERATIONS**

Profit before taxation	476,590,006	451,186,050
Adjustment for		
Depreciation	339,868,922	163,859,592
Provision for gratuity	8,730,198	6,378,203
Provision for bad and doubtful debts	-	1,963,997
Fair value (gain)/loss on other financial assets	(1,244,493)	2,991,091
Provision for cess payable	-	3,130,573
Provision for slow moving and obsolete stock	1,918,937	-
(Gain) / loss on disposal of property, plant and equipment	(1,698,190)	195,353
Finance cost	356,650,434	117,315,562
	<hr/>	<hr/>
Cash generated before working capital changes	1,180,815,814	747,020,421
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	13,514,416	1,537,180
Stock in trade	(300,641,040)	(512,644,730)
Trade debts	(128,289,561)	20,986,244
Loans and advances	30,030,487	13,230,073
Trade deposits and short term prepayments	(13,669,946)	(5,386,913)
Other receivables	1,041,213	2,472,839
Other financial assets	8,904,000	(3,791,944)
	<hr/>	<hr/>
	(389,110,431)	(483,597,251)
Increase / (decrease) in current liabilities		
Trade and other payables	21,080,228	82,609,356
	<hr/>	<hr/>
	(368,030,203)	(400,987,896)
	<hr/>	<hr/>
	812,785,611	346,032,526
	<hr/> <hr/>	<hr/> <hr/>

**38. TRANSACTION WITH RELATED PARTIES**

The related parties comprise of associated undertaking, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with related parties. Long term loan obtained from directors are disclosed in note. 5 to the financial statement where as amount due to / from related party is shown under trade and other payables in note 9 and trade debt in note 18 to the financial statements. Remuneration of key management personnel is disclosed in note 36 to the financial statements and amount due in respect of staff retirement benefits is disclosed in note 8.2. Other significant transaction with related parties are as follows.

**Relationship with the company**

	<b>June 30,2006</b>	<b>For nine months ended June 30,2005</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Associated undertaking</b>		
Sale of generator	6,786,740	-
Sales of yarn	1,067,021	33,351,992
Sales of cotton	103,043,168	-
Purchase of cotton	217,578,168	135,026,839

## 39.2 FINANCIAL RISK MANAGEMENT

Risks arising from the company's financial assets and liabilities are limited. The company manages its exposure to financial risk in the following manner:

### a) Interest rate / mark-up rate risk

Interest rate / markup rate risk arises from the possibility that changes in interest rates / markup rates will effect the value of financial instruments. The company has long-term Rupee based loans at variable rates. Variable rate Rupee loans are hedged against interest risk by instituting interest rate caps and floors, which protects the company against any adverse movement in market interest rates. Rates on short-term loans are effectively fixed. Financial liabilities exposed to floating interest rate risk include in the above amounting to Rs. 3,953.962 million (2005: Rs. 2,960.834 million ).

### b) Foreign exchange risk

Foreign Exchange Risk arises mainly due to conversion of foreign currency assets and liabilities into local currencies. This exists due to the company's exposure resulting from outstanding import payments and outstanding export debtors. The company takes the currency exposure for limited periods. The company ensures that it has option available to exit or hedge any exposure, either through forward contracts or prepayments and discounting etc. Financial assets exposed to foreign exchange rate risk included in the above amounting to Rs. 135.459 million (2005: Rs. 50.706 million).

### c) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.499.499 million (2005: Rs.573.431 million), the financial assets which are subject to credit risk amounted to Rs. 467.465 million (2005: Rs. 511.125 million). This risk is mitigated through regular monitoring of debtors outstanding beyond the normal credit period allowed, initiation of effective follow-up till realization, restriction on further business and provision for impairment losses, if any.

Concentration of credit risk on cash based financial assets is minimized by dealing with a variety of major banks.

### d) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management of the company closely monitors the company's liquidity and cash flow position and believes that the company is not exposed to significant level of liquidity risk.

### e) Fair value of financial instruments

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

*June 30,*                      *June 30,*  
*2006*                              *2005*  
..... *Rupees* .....

## 40. CAPACITY AND PRODUCTION

### Spinning unit

Total number of spindles installed	108,993	92,730
Total number of spindles worked per annum (average)	94,823	85,634
Number of shifts worked per day	3	3
Installed capacity of yarn converted into 20 counts (lbs.) based on 365 / 273 days	83,092,609	39,748,846
Actual production of the year after conversion into 20 counts (lbs.)	86,507,096	44,491,309

*June 30,*                      *June 30,*  
*2006*                                      *2005*  
..... *Rupees* .....

**Ginning Unit**

Installed capacity to produce cotton bales	35,100	30,000
Actual production of cotton bales	47,892	23,977
Number of shifts	50	80
Capacity attained in (%)	136.44%	79.92%

**Weaving unit**

Total number of looms installed	36	24
Total number of looms worked	30	21
Installed capacity in kgs.	5,619,585	729,866
Actual production in kgs.	5,917,102	645,347
Number of shifts	1,095	161
Capacity attained in (%)	105.29%	88.42%

**41. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorised for issue on \_\_\_\_\_ by the Board of Directors of the Company.

**42. GENERAL**

**42.1 RECLASSIFICATION**

Corresponding figures have been rearranged and reclassified to reflected more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

<b>From</b>	<b>To</b>	<b>Nature</b>	<b>Amount reclassified Rupees</b>
Diminution in the value of investment	Other operating income	Fair value adjustment through profit and loss	2,991,091
Provision for slow moving and obsolete stock	Manufacturing expenses	Provision for slow moving and obsolete stock	-
Bad and doubtful debts	Administrative expenses	Provision for bad and doubtful debts	1,963,997
Loan from financial institutions	Loan from banking companies and financial institutions	Long term loans	37,000,000
Current maturity	Current maturity on loan from banking companies and financial institutions	Current maturity	22,000,000
Provision for taxation	Trade and other payables	Withholding tax payable	479,967
Deferred liabilities	Trade and other payables	Cess payable	4,350,615
Commision and brokerage	Sales	Commision and brokerage	3,663,545
Travelling expences	Adiministrative expences	Travelling Expences	1,247,651
Lease hold improvement	Non factory building	Lease hold improvements	4,906,840

**SHAHZAD AHMED**  
**CHIEF EXECUTIVE OFFICER**

**NAVEED AHMED**  
**DIRECTOR**

**June 30,**                      **June 30,**  
**2006**                                      **2005**  
..... **Rupees** .....

**5. LONG-TERM FINANCING**

**Secured**

Banking companies and financial institutions	5.1	2,367,400,701	1,908,200,369
Less: Current maturities shown under current liabilities		<u>(503,733,332)</u>	<u>(318,441,667)</u>
		1,863,667,369	1,589,758,702

**Un-secured**

Due to directors	5.3	69,239,174	-
		<u>1,932,906,543</u>	<u>1,589,758,702</u>

**5.1** The particulars of above long-term loans are as follows:

Type and nature of loan	June 30, 2006			June 30, 2005		
	Limit Rupees	Mark up rate per annum	Terms of Repayments	Limit Rupees	Mark up rate per annum	Terms of Repayments
Demand finance loan	565,000,000	7.07% to 10.54%	Quarterly and half yearly	275,000,000	4.03% to 9.13%	Quarterly and half yearly
Fixed assets finance	760,000,000	6.94% to 11.291%	Half yearly	985,000,000	4.75% to 9.86%	Half yearly
Term finance	1,340,000,000	7.31% to 10.55%	Quarterly	960,000,000	4.00% to 9.69%	Quarterly
LTF EOP	40,000,000	7.50%	Quarterly	-	-	-
Syndicate term finance	-	-	-	90,000,000	6.19%	Half yearly

**5.2** The above finances are secured by:

- i) an equitable mortgage upon the immovable property of the Company;
- ii) hypothecation of the current and future movable property of the Company inclusive of 5% to 25% margin; and
- iii) personal guarantees of all sponsor directors.

**5.3** This represent unsecured finance obtained from directors on interest free basis and is repayable after one year.



	Note	June 30, 2006	June 30, 2005
		Rupees .....	
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	13.1	4,104,509,986	2,631,117,508
Capital work in progress	13.2	71,435,047	585,785,312
		<b>4,175,945,033</b>	<b>3,216,902,820</b>

### 13.1 Operating assets

Particulars	Cost as at July 01, 2005	Additions/ (disposals) / transfers	Cost as at June 30, 2006	Accumulated Depreciation as at July 01, 2005	Depreciation for the year / (disposals) / transfers	Accumulated Depreciation as at June 30, 2006	Net Book value as at June 30, 2006
Rupees .....							
<b>Spinning Unit</b>							
<b>Owned</b>							
Freehold land	17,130,423		17,130,423	-			17,130,423
Leased hold land	1,841,512	1,840,685	3,682,197	-			3,682,197
Building on leasehold land							
- Factory building	452,232,922	151,491,544	603,724,466	99,369,495	21,023,712	120,393,207	483,331,259
- Non factory building	68,351,177	2,519,647	70,870,824	33,156,468	1,763,241	34,919,709	35,951,115
Plant and machinery	2,734,707,693	676,106,961 (29,843,123) 10,000,000	3,390,971,531	908,741,858	224,475,880 (21,732,097) ** 2,804,516	1,114,290,157	2,276,681,374
Electric installations	69,674,727	13,797,674	83,472,401	21,022,287	5,230,047	26,252,334	57,220,067
Power generator	132,653,161	23,576,411 (10,800,000)	145,429,572	38,174,180	11,576,317 (4,816,368)	44,934,129	100,495,443
Office equipments	14,285,168	146,650	14,431,818	8,855,034	534,616	9,389,650	5,042,168
Furniture and fixtures	19,791,902	815,404 (14,700)	20,592,606	7,900,244	1,193,444 (13,967)	9,079,721	11,512,885
Vehicles	38,275,878	21,096,470 (6,860,243) (3,735,050)	48,777,055	18,534,230	5,347,539 (5,328,162) (1,672,877)	16,880,730	31,896,325
Factory Equipment	1,576,064	-	1,576,064	886,575	-	886,575	689,489
	3,550,520,627	891,391,446 (47,518,066) *** (3,735,050) ** 10,000,000	4,400,658,957	1,136,640,371	271,144,796 (31,890,594) *** (1,672,877) ** 2,804,516	1,377,026,212	3,023,632,745
<b>Leased:</b>							
Plant and machinery	119,235,000	71,268,051 ** (10,000,000)	180,503,051	18,767,632	14,322,306 ** (2,804,516)	30,285,422	150,217,629
Vehicles	1,169,000	-	1,169,000	216,842	176,619	393,461	775,539
	120,404,000	71,268,051 ** (10,000,000)	181,672,051	18,984,474	14,498,925 ** (2,804,516)	30,678,883	150,993,168
	3,670,924,627	962,659,497 (47,518,066) *** (3,735,050)	4,582,331,008	1,155,624,845	285,643,721 (31,890,594) *** (1,672,877)	1,407,705,095	3,174,625,913
<b>Weaving unit</b>							
Freehold land	14,028,680	-	13,798,272	-			13,798,272
		(230,408)					
Factory building on Freehold land	78,118,993	* 80,869,948	158,988,941	1,952,975	3,923,891	5,876,866	153,112,075
Non factory Building	-	* 108,863,878	108,863,878	-	6,878,903	6,878,903	101,984,975
Plant and machinery							
Weaving unit	-	* 456,637,070	456,637,070	-	36,564,172	36,564,172	420,072,898
Dyeing unit	-	* 147,725,939	147,725,939	-	-	-	147,725,939
Factory equipment	775,460	5,419,303	6,194,763	19,387	302,028	321,415	5,873,348
Electric installations and appliances	16,688,362	6,070,463	22,758,825	417,209	1,968,041	2,385,250	20,373,575
Power generator	-	48,407,436	48,407,436	-	2,457,518	2,457,518	45,949,918
Office equipment	1,363,551	3,547,549	4,911,100	34,089	304,727	338,816	4,572,284
Furniture and fixtures	3,159,917	5,062,557	8,222,474	78,998	542,666	621,664	7,600,810
Vehicles	4,405,706	3,855,640 *** 3,735,050	11,996,396	220,285	1,283,255 *** 1,672,877	3,176,417	8,819,979
	118,540,669	72,362,948 (230,408) ** 3,735,050 * 794,096,835	988,505,094	2,722,943	54,225,201 *** 1,672,877	58,621,021	929,884,073
<b>June 30, 2006</b>	3,789,465,296	1,035,022,445 (47,748,474) * 794,096,835	5,570,836,102	1,158,347,788	339,868,922 (31,890,594)	1,466,326,116	4,104,509,986
<b>June 30, 2005</b>	2,858,257,808	799,699,079 (6,385,820) * 137,894,229	3,789,465,296	999,667,456	-	1,158,347,788	2,631,117,508

#### 13.1.1 Allocation of Depreciation

	Note	June 30, 2006	June 30, 2005
		Rupees .....	
Manufacturing expenses	26.2	278,926,119	160,004,744
Administrative expenses	29	6,717,602	3,854,848
		<b>339,868,922</b>	<b>163,859,592</b>

\* Represents transfer from capital work in progress

\*\* Represents transfer from leased assets on maturity of leasing arrangements.

\*\*\* Represents transfer to weaving unit.

### 13.1.2 Disposals of operating fixed assets - by negotiation

Particulars	Cost	Accumulated Depreciation	Net Book value	Sale Proceed	Gain / (loss)	Sold to
	..... Rupees .....					
<b>Land</b>						
44 Marlah @ 5,236.54	230,408	-	230,408	800,000	569,592	Azgardnine Limited. Ismail Aiwan science building Ferozepur, Lahore.
<b>Plant and machinery</b>						
Janbacher gas generator	15,317,499	8,540,661	6,776,838	6,876,840	100,002	Sun Rays Textile Mills Ltd. Office # 508, Beamont Plaza, Civil Lines, Karachi.
Draw frame cherry MT 400	1,174,000	1,010,784	163,216	200,000	36,784	Al Ahmad Textile Mills ( Pvt ) Ltd. Karachi.
Simplex RMK - 2 & Drawing mach	10,744,874	9,896,023	848,851	900,000	51,149	Azam Raza Textile Mills Ltd. Lahore
Simplex 96 spindles	1,091,750	1,019,154	72,596	210,000	137,404	Al Ahmad Textile Mills ( Pvt ) Ltd. Karachi.
Machconer 60 Spindles	1,000,000	801,452	198,548	225,000	26,452	M. Amin Sher Shah Market, Karachi.
<b>Vehicle</b>						
Suzuki Mehran MHB - 3517	257,000	205,461	51,539	60,000	8,461	Haji Hanif. Multan Cantt, Multan.
Honda Civic AAL - 287	748,000	647,605	100,395	115,000	14,605	Mr. Abbas Raza Khan. Shadman Town, Karachi.
Honda Civic ACH - 891	966,000	773,544	192,456	200,000	7,544	Mr. Faiz Ahmad. Crown Arcade, Tariq Road, Karachi.
Toyota Corolla ACB - 181	999,000	748,575	250,425	300,000	49,575	Mrs. Tahira Hasan. Basera Apartments, Gulshane Iqbal , Karachi.
Toyota Corolla AEE - 062	1,165,992	736,161	429,831	450,000	20,169	Mrs. Mehjabeen. Classic Tower, Gulshane Iqbal, Karachi.
Suzuki Baleno ADC - 102	699,000	563,403	135,597	135,597	-	Mr. S. Shakeel Ahmad. Employee
Suzuki Swift MHB - 5835	469,875	359,014	110,861	285,000	174,139	Mr. M. Arif Qureshi. House # 1246, Inside Pak Gate, Multan.
Suzuki Cultus MNY - 3595	505,000	356,070	148,930	380,000	231,070	Mr. M. Arif Qureshi. House # 1246, Inside Pak Gate, Multan.
<b>Power Generator</b>						
Generator	10,800,000	4,816,368	5,983,632	6,000,000	16,368	Eastern Garments ( Pvt ) Ltd., B - 58, SITE., Karachi.
Aggregate of assets disposed off having book value of less than Rs. 50,000/- each	1,580,076	1,416,319	163,757	418,633	254,876	Various
<b>June 30, 2006</b>	<b>47,748,474</b>	<b>31,890,594</b>	<b>15,857,880</b>	<b>17,556,070</b>	<b>1,698,190</b>	
<b>June 30, 2005</b>	<b>6,385,790</b>	<b>5,179,260</b>	<b>1,206,530</b>	<b>1,011,177</b>	<b>(195,353)</b>	

**33. RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND TAX EXPENSE**

	<b>June 30, 2006</b>
	<b>..... Rupees</b>
Profit before tax	<u>476,590,007</u>
Tax calculated at the rate of 35%	166,806,502
Effect of applicability of lower tax rate on certain incomes	(73,525,081)
Effect of tax under presumptive tax regime	- (116,978,031)
Tax liability under presumptive tax regime	71,484,714
Others	22,220,965
Tax charge for the period	<u>70,009,069</u>

**34 Discontinuing operations**

The results relating to weaving unit for the year ended June 30, 2006 are as follows:

	<i>Note</i>	<b>June 30, 2006</b>
		<b>..... Rup</b>
Sales - net	34.1	976,239,051
Cost of sales	34.2	<u>(781,877,017)</u>
Gross profit		194,362,034
Other operating income		<u>1,363,977</u>
		195,726,011
Distribution cost	34.3	(16,360,528)
Administrative expenses	34.4	(16,483,926)
Other operating expenses		(4,956,710)
Finance cost	34.5	(63,747,368)
		<u>(101,548,532)</u>
Profit before taxation		94,177,479
Taxation for discontinuing operations		(9,528,918)
Profit from discontinuing operations for the year / period		<u>84,648,561</u>

The weaving unit started its commercial production from July 01, 2005, this unit was in trial and run operations during the period ended June 30, 2005.

During the year the weaving unit contributed Rs 145.878 million (2005: Rs. Nil) to the net operating cash flows, paid Rs 273.197 million (2005: Rs. Nil) in respect of investing activities and paid Rs 207.325 million (2005: Rs. Nil) in respect of financing activities.

	<i>Note</i>	<i>June 30, 2006 ..... Rup</i>
<b>34.1 Sales</b>		
Export		982,900,312
Commission		<u>(9,132,945)</u>
		973,767,367
Local		2,471,684
		<u>976,239,051</u>
<b>34.2 Cost of goods sold</b>		
Raw material consumed	34.2.1	620,812,295
Stores and spares consumed		14,125,637
Manufacturing expenses	34.2.2	<u>151,697,552</u>
		786,635,484
Work in Process		
Opening		8,730,616
Closing		(12,619,444)
		(3,888,828)
Cost of goods manufactured		<u>782,746,656</u>
Finished goods		
Opening		13,450,629
Closing		(14,320,268)
		(869,639)
		<u>781,877,017</u>
<b>34.2.1 Raw material consumed</b>		
Opening stock		7,463,991
Purchases		649,299,111
		<u>656,763,102</u>
Closing stock		(35,950,807)
		<u>620,812,295</u>
<b>34.2.2 Manufacturing Expences</b>		
Salaries, wages & benefits		35,004,146
Fuel, water and power		41,374,794
Rent, rate and taxes		1,436,450
Insurance expenses		2,715,811
Sizing cost		11,280,569
Repairs and maintenance		311,709
Depreciation on propety, plant and equipment		52,936,146
Other expenses		6,637,927
		<u>151,697,552</u>

**June 30,  
2006**

..... **Rup**

**34.3 Distribution cost**

Export Development surcharge	2,352,646
Freight	13,139,159
Advertisement	852,843
Others	15,880
	<u>16,360,528</u>

**34.4 Administrative expenses**

Salaries, wages and other benefits	5,215,321
Repair and maintenance	8,265
Travelling and conveyance	1,088,675
Telephone & postage	2,291,922
Vehicles running and maintenance	869,799
Charity and donation	53,000
Legal and professional charges	2,005,000
Depreciation	1,289,055
Others	3,662,889
	<u>16,483,926</u>

**34.5 Finance cost**

Markup on long term financing	45,279,353
Markup on short term borrowings	17,380,425
Bank charges and commission	1,087,590
	<u>63,747,368</u>

**35. EARNINGS PER SHARE - BASIC AND DILUTED**

There is no dilutive effect on the basic earnings per share of the company, which is based on:

***Continuing operations***

Profit for the year / period	<u>322,054,336</u>
------------------------------	--------------------

*No. of shares*

Average number of ordinary shares	<u>18,073,731</u>
Earnings per share - Basic	<u>17.82</u>

***Discontinuing operations***

Profit for the year / period	<u>84,648,561</u>
------------------------------	-------------------

*No. of shares*

Average number of ordinary shares	<u>18,073,731</u>
Earnings per share - Basic	<u>4.68</u>

**36. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS**

The aggregate amounts charged in the accounts for remuneration, including all benefits to chief executive officer and directors of the company are given below:

Particulars	2006			2005	
	Chief Executive Officer	Directors	Total	Chief Executive Officer	Directors
	..... Rupees .....			..... Rupees .....	
Remuneration	720,000	3,600,000	4,320,000	300,000	1,210,500
House Rent	480,000	2,400,000	2,880,000	150,000	589,500
<b>Total</b>	<b>1,200,000</b>	<b>6,000,000</b>	<b>7,200,000</b>	<b>450,000</b>	<b>1,800,000</b>
Number of persons	1	5	6	1	4

**36.1** Company maintained cars and cellular phones are provided to Chief Executive Officer and directors.

## 39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 39.1 Financial assets and liabilities

	<i>Interest/mark-up bearing</i>			<i>Non - interest / mark-up bearing</i>			<i>June 30, 2006 Total</i>	<i>June 30, 2005 Total</i>
	<i>Maturity upto</i>	<i>Maturity</i>	<i>Sub-total</i>	<i>Maturity</i>	<i>Maturity</i>	<i>Sub-total</i>		
	<i>one year</i>	<i>after one year</i>		<i>upto</i>	<i>after one year</i>			
..... <i>Rupees</i> .....								
<b>Financial Assets</b>								
Long-term deposits	-	-	-	584,500	10,130,552	10,715,052	10,715,052	7,607,650
Trade debts	-	-	-	416,853,529	-	416,853,529	416,853,529	290,617,159
Loans and advances	-	-	-	-	-	-	-	53,991,155
Trade deposits	-	-	-	29,075,565	-	29,075,565	29,075,565	11,530,029
Other receivables	-	-	-	10,821,150	-	10,821,150	10,821,150	10,616,505
Short-term investments	-	-	-	3,363,596	-	3,363,596	3,363,596	11,023,103
Cash and bank balance	2,385,909	-	2,385,909	26,284,154	-	26,284,154	28,670,063	24,180,670
	2,385,909	-	2,385,909	486,982,494	10,130,552	497,113,046	499,498,955	409,566,271
<b>Financial Liabilities</b>								
Long-term financing	503,733,332	1,932,906,543	2,436,639,875	-	-	-	2,436,639,875	1,908,200,369
Long-term morabaha finances	20,000,000	42,500,000	62,500,000	-	-	-	62,500,000	96,000,000
Liabilities against assets								
subject to finance lease	48,445,946	71,425,127	119,871,073	-	-	-	119,871,073	85,734,413
Interest / mark-up payable	-	-	-	30,534,486	-	30,534,486	30,534,486	40,130,097
Short-term borrowings	1,334,951,114	-	1,334,951,114	-	-	-	1,334,951,114	951,735,153
Trade and other payables	-	-	-	224,701,688	-	224,701,688	224,701,688	225,595,591
	1,907,130,392	2,046,831,670	3,953,962,062	255,236,174	-	255,236,174	4,209,198,236	3,307,395,623
<b>Off balance sheet Items</b>								
Letter of credits	-	-	-	-	-	-	365,605,357	520,227,382
Civil works	-	-	-	-	-	-	15,264,115	27,624,602
<b>Total</b>	-	-	-	-	-	-	380,869,472	547,851,984
On balance sheet gap	(1,904,744,483)	(2,046,831,670)	(3,951,576,153)	231,746,320	10,130,552	241,876,872	241,876,872	(3,709,699,281)
Off balance sheet gap	-	-	-	-	-	-	(380,869,472)	(547,851,984)