

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|---|------|---------------------------|--------------------------------|
| 5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL | | | |
| 2,952,429 ordinary shares of Rupees 10 each, issued for cash | | 29,524,290 | 29,524,290 |
| 100,000 ordinary shares of Rupees 10 each, issued as bonus shares | | 1,000,000 | 1,000,000 |
| | | <u>30,524,290</u> | <u>30,524,290</u> |
| 6. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Opening Balance | | 238,242,541 | 134,226,092 |
| Addition due to revaluation of fixed assets during the period/year | | - | 165,055,047 |
| Un-depreciated portion of surplus on revaluation of fixed assets | | 238,242,541 | 299,281,139 |
| Deferred tax liability recognized on revaluation | | - | (57,769,266) |
| Surplus on revaluation - net of deferred tax | | 238,242,541 | 241,511,873 |
| Surplus realized on disposal of revalued fixed assets during the period/year | | (227,109) | - |
| Incremental depreciation on revalued assets relating to current period/year transferred to accumulated losses | | (2,366,367) | (3,269,332) |
| | | <u>235,649,065</u> | <u>238,242,541</u> |
| 7. LONG TERM FINANCES | | | |
| Long term finances from banking companies (secured) utilized under mark-up arrangements are as under : | | | |
| Industrial Development Bank of Pakistan (IDBP) | 7.1 | | |
| Long term loan | | - | 88,801,517 |
| Deferred mark-up | | - | 19,192,689 |
| | | - | 107,994,206 |
| PICIC Commercial Bank Limited (PCBL) | 7.2 | 85,000,000 | - |
| MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB) | 7.3 | 7,616,000 | 8,569,000 |
| Habib Bank Limited (HBL) | 7.4 | 3,004,813 | 7,790,274 |
| | | 95,620,813 | 124,353,480 |
| Less: Current portion | 14 | 19,077,482 | 51,364,243 |
| | | <u>76,543,331</u> | <u>72,989,237</u> |

7.1 Industrial Development Bank of Pakistan (IDBP)

The State Bank of Pakistan Committee for resolution of cases formed under BPD circular No 29 dated October 15, 2002 vide its letter No MR-6295 dated July 12, 2004 waived off 25% of the Company's outstanding liability amounting to Rupees 30.984 million. The residual amount was finally swapped with PICIC Commercial Bank Limited (PCBL) under a settlement agreement on April 26, 2005 along with the relevant mark-up.

7.2 PICIC Commercial Bank Limited (PCBL)

This represents term finance facility of Rupees 85 million under a swap agreement executed between PICIC Commercial Bank Limited , IDBP and the company. It is repayable in 24 equal quarterly installments , commencing from July 26, 2005. This is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors. It carries mark-up at the rate of six months KIBOR plus 4.5 % per annum with a floor of 8 % and no caps to be reviewed at the beginning of each calendar quarter.

7.3 MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB)

This is secured against second charge on all fixed assets and guarantees of sponsor directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 20 equal half yearly installments commenced from September 01, 1999. The bank has deferred payment of mark up capitalised.

7.4 Habib Bank Limited (HBL)

This is secured against third charge on fixed assets and personal guarantees of all directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 12 half yearly installments commenced from September 01, 2000.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|---|------|---------------------------|--------------------------------|
| Minimum lease payments | | 46,547,115 | 16,667,057 |
| Less: Unamortized finance charges | | 5,980,084 | 2,180,069 |
| Present value of minimum lease payments | | 40,567,031 | 14,486,988 |
| Less: Current portion | 14 | 9,959,211 | 3,830,492 |
| | | <u>30,607,820</u> | <u>10,656,496</u> |

8.1 The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 8% to 15% (2004:10% to 14%) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In case of default an additional charge of Rupee 1 and 83 paises per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for un expired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on the leased assets, personal guarantees of sponsor directors and security deposits of Rupees 6,166,390 (2004: Rupees 3,687,779) as provided in Note 18.

8.2 Minimum lease payments and present value of minimum lease payments are regrouped as under :

| | 30 June 2005 | | 30 September 2004 | |
|---|------------------------|---|------------------------|---|
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| Due not later than one year | 16,011,952 | 9,959,211 | 4,930,657 | 3,830,492 |
| Due later than one year but not later than five years | 30,535,163 | 30,607,820 | 11,736,400 | 10,656,496 |
| | <u>46,547,115</u> | <u>40,567,031</u> | <u>16,667,057</u> | <u>14,486,988</u> |

9. SUBORDINATED LOANS

Unsecured, interest free and were provided by the sponsor directors.

10 DEFERRED MARK UP

MCB Bank Limited - formerly Muslim Commercial Bank Limited (MCB) has deferred payment of mark-up capitalized of Rupees 12.455 million (2004: Rupees 12.455 million) which will be repaid in 20 equal half yearly installments with effect from September 01, 2009, after the principal repayment of original demand finance.

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|-------------------------------------|------|---------------------------|--------------------------------|
| 11. TRADE AND OTHER PAYABLES | | | |
| Secured creditors: | | | |
| Against letters of credit | | 19,374,589 | - |
| Un-secured creditors: | | | |
| For goods | | 22,100,234 | 47,826,811 |
| For services | | 1,347,699 | 1,434,378 |
| | | 23,447,933 | 49,261,189 |
| Advances from customers | | 4,599,772 | 7,458,404 |
| Sales Tax payable | | 6,369,985 | - |
| Short term employees benefits | | 274,159 | 188,082 |
| Withholding tax payable | | 64,849 | 387,305 |
| Unclaimed dividend | | 15,574 | 16,118 |
| Workers' profit participation fund | 11.1 | 1,054,387 | 534,989 |
| Others | | 8,988,115 | 12,223,112 |
| | | <u>64,189,363</u> | <u>70,069,199</u> |

11.1 Workers' profit participation fund

| | | | |
|--|----|------------------|----------------|
| Balance at the beginning of the period/year | | 534,989 | 512,639 |
| Allocation for the period/year | 30 | 1,054,387 | 516,000 |
| Interest on funds utilized in the Company's business | 31 | 15,683 | 18,989 |
| | | <u>1,070,070</u> | <u>534,989</u> |
| | | 1,605,059 | 1,047,628 |
| Less: Payments to the fund | | <u>550,672</u> | <u>512,639</u> |
| | | <u>1,054,387</u> | <u>534,989</u> |

11.2 No provision for workers profit participation fund has been made against the waiver of a portion of long term finance and it's relevant mark up amounting to Rupees 44.952 million in the light of an opinion given by a legal advisor.

11.3 The Company retains workers' profit participation fund for its business operations till the date of its allocation to workers. Mark-up is paid at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on the funds utilized by the Company till the date of its allocation to workers.

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|---|---|---------------------------|--------------------------------|
| 12. ACCRUED MARK-UP | | | |
| Long term finances | | 2,062,471 | 19,027,694 |
| Liabilities against assets subject to finance lease | | 16,820 | 639,745 |
| Short term borrowings | | 1,069,086 | 702,727 |
| | | <u>3,148,377</u> | <u>20,370,166</u> |
| 13. SHORT TERM BORROWINGS - Secured | | | |
| From banking companies: | | | |
| Cash finances | 13.1 | 45,095,878 | 74,381,591 |
| Running finance | 13.2 | 9,998,547 | - |
| Others | | 174,988 | - |
| | | <u>55,269,413</u> | <u>74,381,591</u> |
| 13.1 | These are secured against the pledge of stock of raw material, finished goods and personal guarantees of sponsor directors. Rate of mark-up on these finances ranges from 16 paisa to 31 paisa (2004: from 16 paisa to 18 paisa) per thousand per day. The total sanctioned limits of these facilities obtained from three (2004: three) financial institutions is Rupees 135 million (2004: Rupees 130 million). | | |
| 13.2 | This represents running finance facility of Rupees 10 million (2004 : Rupees Nil) obtained from PICIC Commercial Bank Limited .It is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of three sponsor directors. Rate of mark-up on this finance is 34 paisa per thousand per day. | | |
| 14. CURRENT PORTION OF NON-CURRENT LIABILITIES | | | |
| Long term Loans: | 7 | | |
| Current | | 19,077,482 | 19,701,069 |
| Over Due | | - | 31,663,174 |
| | | 19,077,482 | 51,364,243 |
| Finance lease: | 8 | | |
| Current | | 9,822,442 | 3,707,281 |
| Over Due | | 136,769 | 2,897,719 |
| | | 9,959,211 | 6,605,000 |
| | | <u>29,036,693</u> | <u>57,969,243</u> |

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

Taxation

- a) Income tax demand for assessment year 2002-2003 was raised for Rupees 774,582 out of which 15% amounting to Rupees 116,188 was paid. The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore, who decided the case in favour of the Company on April 11, 2005. Later Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 against the said decision. No provision for this demand has been made in the financial statements, as the Company is confident of outcome of the appeal in its favour
- b) The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore against the assessment order for assessment year 1998-1999, in which Rupees 44.306 million were treated as income of the Company. The appeal was decided in Company's favour on May 02, 2005. The Company applied for appeal effects to the concerned taxation officer but benefit of Rupees 44.306 million has not yet been given. The Company has filed rectification application in this regard but Income tax department has filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT(A). However the Company is confident of favourable outcome of the case

15.2 Commitments

- a) Letters of credit for import of plant and machinery amounting to Rupees 61.746 million (2004: Rupees 36.089 million).

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|-------------------------------------|------|---------------------------|--------------------------------|
| 16. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 16.1 | 526,815,635 | 500,818,882 |
| Capital work in progress - Building | | 5,347,572 | 1,346,568 |
| | | <u>532,163,207</u> | <u>502,165,450</u> |

17. LONG TERM INVESTMENT

Held To Maturity:

It represents investment in Defence Saving Certificates. Return on this investment will be paid on maturity at the rates ranging from 16% to 20% per annum for a period of 10 years. The certificates of this investment are deposited with the banks as securities against guarantees given on behalf of the Company.

18. LONG TERM DEPOSITS

Deposits against lease finance:

| | | |
|---------------------------------|------------------|------------------|
| Asian Leasing | - | 652,069 |
| Saudi Pak Leasing | 4,553,990 | 2,132,010 |
| Bank Al falah | 288,700 | 288,700 |
| First Fidelity Leasing Modaraba | 615,000 | 615,000 |
| B.R.R International Modaraba | 708,700 | - |
| | <u>6,166,390</u> | <u>3,687,779</u> |
| Security deposits | 895,270 | 880,570 |
| | <u>7,061,660</u> | <u>4,568,349</u> |

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|--|--|---------------------------|--------------------------------|
| 19. STORES, SPARES AND LOOSE TOOLS | | | |
| Stores | | 2,289,743 | 1,338,789 |
| Spares | | 1,652,137 | 1,445,928 |
| Loose tools | | 5,550 | 8,741 |
| | | <u>3,947,430</u> | <u>2,793,458</u> |
| 20. STOCK-IN-TRADE | | | |
| Raw materials | | 46,500,188 | 81,747,789 |
| Work-in-process | | 8,209,301 | 8,611,648 |
| Finished goods | | 6,729,701 | 3,656,128 |
| Waste | | 122,708 | 88,547 |
| | | <u>61,561,898</u> | <u>94,104,112</u> |
| 20.1 | The carrying value of stock in trade pledged as security against short term borrowings is Rupees 45.00 million (2004: Rupees 74.381 million). | | |
| 21. ADVANCES - Considered good | | | |
| Advances to: | | | |
| - Employees | | 463,374 | 471,726 |
| - Suppliers | | 17,815,331 | 3,890,492 |
| | | <u>18,278,705</u> | <u>4,362,218</u> |
| Letters of credit | | 5,773,524 | 4,058,089 |
| | | <u>24,052,229</u> | <u>8,420,307</u> |
| 22. DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Deposits: | | | |
| Deposit for acquisition of machinery | 22.1 | 2,000,000 | 2,000,000 |
| Lease deposits | | - | 1,276,686 |
| | | <u>2,000,000</u> | <u>3,276,686</u> |
| Prepayments | | - | 268,204 |
| | | <u>2,000,000</u> | <u>3,544,890</u> |
| 22.1 | It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favour of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honorable Lahore High Court, Rawalpindi Bench, against the aforesaid order, but provided bank guarantees of Rupees 20 million to the Honorable Court. | | |

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|--|------|---------------------------|--------------------------------|
| 23. OTHER RECEIVABLES - Considered good | | | |
| Income tax | | 11,041,106 | 9,793,589 |
| Sales tax | | - | 12,860,378 |
| Export rebate | | - | 115,657 |
| Excise duty receivable | 23.1 | 5,679,617 | 5,679,617 |
| Others | | 101,450 | 37,699 |
| | | <u>16,822,173</u> | <u>28,486,940</u> |

23.1 The Company has filed writ petition in the Honorable Supreme Court of Pakistan against the levy of central excise duty on bank finance facility. Honorable Lahore High Court has decided the appeal against the Company.

24. CASH AND BANK BALANCES

| | | | |
|-----------------------|--|-------------------|-------------------|
| Cash in hand | | 76,688 | 280,214 |
| Cash at bank: | | | |
| - On current accounts | | 2,393,936 | 4,570,137 |
| - On deposit accounts | | 16,141,371 | 22,978,546 |
| | | <u>18,535,307</u> | <u>27,548,683</u> |
| | | <u>18,611,995</u> | <u>27,828,897</u> |

The balances in deposit accounts carry interest ranging from 2.5% to 3% (2004 : 2.5% to 3%) per annum.

25. SALES

| | | | |
|------------------------------------|------|--------------------|--------------------|
| Export | | - | 16,164,399 |
| Local - net of sales tax | 25.1 | 456,257,742 | 467,860,236 |
| | | 456,257,742 | 484,024,635 |
| Less: Commission to selling agents | | 418,964 | 1,647,038 |
| | | <u>455,838,778</u> | <u>482,377,597</u> |

25.1 Local sales are exclusive of sales tax amounting to Rupees 62,106,164 (2004: Rupees 69,967,439).

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|---|------|---------------------------|--------------------------------|
| 26. COST OF SALES | | | |
| Raw materials consumed | 26.1 | 309,630,371 | 330,979,049 |
| Stores and spares consumed | | 6,867,361 | 7,548,203 |
| Salaries, wages and other benefits | | 29,594,287 | 30,258,800 |
| Fuel and power | | 52,505,410 | 56,473,266 |
| Insurance | | 868,183 | 987,926 |
| Packing material | | 6,158,168 | 6,319,592 |
| Labour welfare | | 456,442 | 712,938 |
| Other factory overheads | | 10,200 | 618,665 |
| Depreciation | 16.3 | 9,272,655 | 11,886,702 |
| | | <u>415,363,077</u> | <u>445,785,141</u> |
| Work-in-process | | | |
| Opening stock | | 8,611,648 | 4,704,048 |
| Closing stock | | (8,209,301) | (8,611,648) |
| | | <u>402,347</u> | <u>(3,907,600)</u> |
| Cost of goods manufactured | | 415,765,424 | 441,877,541 |
| Finished goods | | | |
| Opening stock | | 3,744,675 | 1,872,159 |
| Closing stock | | (6,852,409) | (3,744,675) |
| | | <u>(3,107,734)</u> | <u>(1,872,516)</u> |
| Cost of goods sold | | 412,657,690 | 440,005,025 |
| Cost of viscose sold | | - | 1,827,372 |
| Cost of yarn sold | | <u>412,657,690</u> | <u>441,832,397</u> |
| 26.1 Raw materials consumed | | | |
| Opening stock | | 81,747,793 | 18,993,387 |
| Add : Purchases | | 274,382,766 | 395,560,827 |
| Cost of viscose sold | | - | (1,827,372) |
| | | <u>356,130,559</u> | <u>412,726,842</u> |
| Less : Closing stock | | (46,500,188) | (81,747,793) |
| | | <u>309,630,371</u> | <u>330,979,049</u> |
| 27. OTHER OPERATING INCOME | | | |
| Income from financial assets: | | | |
| Income on bank deposits and investments | | 85,197 | 75,612 |
| Income from non- financial assets: | | | |
| Gain on disposal of property, plant and equipment | | 378,057 | - |
| Rental Income | | 114,771 | 415,935 |
| Miscellaneous | | 1,606 | - |
| | | <u>494,434</u> | <u>415,935</u> |
| | | <u>579,631</u> | <u>491,547</u> |

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|--|------|---------------------------|--------------------------------|
| 28. SELLING AND DISTRIBUTION EXPENSES | | | |
| Export | | - | 656,080 |
| Salaries and other benefits | | 276,660 | 368,880 |
| Freight outward and others | | 516,635 | 559,903 |
| Postage and telephone | | 76,450 | 163,940 |
| | | <u>869,745</u> | <u>1,748,803</u> |
| 29. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and other benefits | | 2,758,911 | 3,792,999 |
| Rent, rates and taxes | | 861,078 | 101,194 |
| Printing and stationery | | 301,573 | 462,209 |
| Postage, telephone and telex | | 675,282 | 1,321,779 |
| Traveling and conveyance | | 842,319 | 1,021,665 |
| Vehicles' running | | 1,035,394 | 1,062,054 |
| Entertainment | | 187,891 | 614,111 |
| Advertisement | | 162,710 | 73,550 |
| Legal and professional | | 90,857 | 135,459 |
| Fees and subscriptions | | 347,629 | 243,442 |
| Depreciation | 16.3 | 1,799,663 | 1,176,044 |
| | | <u>9,063,307</u> | <u>10,004,506</u> |
| 30. OTHER OPERATING EXPENSES | | | |
| Auditors' remuneration | 30.1 | 212,314 | 171,385 |
| Donations | 30.2 | 225,865 | 183,925 |
| Workers' profit participation fund | 11.1 | 1,054,387 | 516,000 |
| | | <u>1,492,566</u> | <u>871,310</u> |
| 30.1 Auditors' remuneration | | | |
| Audit fee | | 75,000 | 75,000 |
| Half yearly review | | 35,000 | 35,000 |
| Consultancy services | | 69,000 | 30,000 |
| Out of pocket expenses | | 33,314 | 31,385 |
| | | <u>212,314</u> | <u>171,385</u> |
| 30.2 | | | |
| None of the directors or their spouses had any interest in any donee's fund. | | | |

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|---|------|---------------------------|--------------------------------|
| 31. FINANCIAL AND OTHER CHARGES | | | |
| Mark-up/ finance charges/ interest on: | | | |
| Long term finances | | 2,936,925 | 11,665,410 |
| Finance leases | | 2,629,514 | 611,942 |
| Short term borrowings | | 5,538,486 | 4,682,210 |
| Workers' profit participation fund | 11.1 | 15,683 | 18,989 |
| | | <u>11,120,608</u> | <u>16,978,551</u> |
| Other Charges | | | |
| Bank charges and commissions | | 785,148 | 740,869 |
| Penalty from State Bank of Pakistan | | 396,000 | - |
| Loss on disposal of property, plant and equipment | | - | 888,713 |
| | | <u>1,181,148</u> | <u>1,629,582</u> |
| | | <u>12,301,756</u> | <u>18,608,133</u> |

32 STAFF RETIREMENT BENEFITS

The amounts recognized in financial statements are determined as follows :

| | | | |
|---|--|-------------------|------------------|
| Reconciliation of amount recognized in the balance sheet | | | |
| Present value of unfunded defined benefit obligation | | 10,172,996 | 9,225,255 |
| Add: Actuarial gains charged to current profit and loss account | | 226,421 | - |
| Liability in the balance sheet | | <u>10,399,417</u> | <u>9,225,255</u> |
| Amount recognized in the profit and loss account | | | |
| Current service cost/provision for the period/year | | 1,433,237 | 1,511,869 |
| Interest cost | | 666,625 | - |
| Total included in salaries and benefits | | <u>2,099,862</u> | <u>1,511,869</u> |
| Movement in liability recognized in the balance sheet | | | |
| At the beginning of the period/year | | 9,225,255 | 9,505,442 |
| Amount recognized during the period/year | | 2,099,862 | 1,511,869 |
| Benefit payments | | (925,700) | (1,792,056) |
| At the end of the period/year | | <u>10,399,417</u> | <u>9,225,255</u> |
| Principal actuarial assumptions used | | | |
| Discount rate | | 9% | 10% |
| Expected rate of increase in salary | | 8% | 9% |
| Average expected remaining working life of employees | | 5 years | 5 years |

The latest actuarial valuation was carried out for the nine months period ended 30 June 2005, using the projected unit credit method.

| | NOTE | 30 June 2005 Rupees | 30 September 2004 Rupees |
|--|---|---------------------------|--------------------------------|
| 33. PROVISION FOR TAXATION | | | |
| Current period | | | |
| Current | 33.1 | 2,279,194 | 2,411,888 |
| Deferred | | (1,274,198) | (1,760,409) |
| | | <u>1,004,996</u> | <u>651,479</u> |
| 33.1 | The provision for taxation in these financial statements represents the minimum tax liability under section 113 of the Income Tax Ordinance, 2001 in view of available tax losses of Rupees 47.707 million (2004: Rupees 57.296 million). As a consequence tax expense reconciliation is not being presented. | | |
| 33.2 | The Company's income tax liability has been assessed for the tax year 2003 and assessment year 2002-2003. However, the assessment for the assessment year 2003-2004 has not been finalized. | | |
| 34. EXTRA ORDINARY ITEMS | | | |
| | The amount represents the long term finance and its accrued mark-up amounting to Rupees 44.82 million which was waived off by IDBP under the directions of State Bank of Pakistan Committee formed under BPD circular No 29 dated October 15, 2002 as stated in Note 7.1. | | |
| 35. BASIC EARNINGS PER SHARE | | | |
| | There is no dilutive effect on the basic earnings per share of the Company, which is based on : | | |
| Net profit for the period/year | Rupees | <u>63,980,441</u> | <u>9,152,516</u> |
| Weighted average ordinary shares in issue | Number | <u>3,052,429</u> | <u>3,052,429</u> |
| Basic earning per share | Rupees | <u>20.96</u> | <u>3.00</u> |
| 36. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 20,033,345 | 9,803,995 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 11,072,318 | 13,062,746 |
| Gratuity | | 2,099,862 | 1,511,869 |
| (Gain)/Loss on sale of property, plant and equipment | | (378,057) | 888,713 |
| Workers' profit participation fund | | 1,054,387 | 516,000 |
| Financial charges | | 12,301,756 | 17,719,420 |
| Working capital changes | 36.1 | <u>21,916,552</u> | <u>(69,133,407)</u> |
| | | <u>68,100,163</u> | <u>(25,630,664)</u> |
| 36.1 Working capital changes | | | |
| (Increase)/decrease in current assets | | | |
| Stores, spares and loose tools | | (1,153,972) | (481,850) |
| Stock-in-trade | | 32,542,214 | (68,534,518) |
| Trade debts | | (1,831,322) | (1,180,157) |
| Advances | | (15,631,922) | (4,479,072) |
| Deposits and short term prepayments | | 1,544,890 | 319,512 |
| Other receivables | | <u>12,845,354</u> | <u>(4,432,751)</u> |
| | | 28,315,242 | (78,788,836) |
| Increase/(decrease) in current liabilities | | | |
| Trade and other payables | | <u>(6,398,690)</u> | <u>9,655,429</u> |
| | | <u>21,916,552</u> | <u>(69,133,407)</u> |

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the period/year for remuneration including certain benefits to the chief executive and directors of the Company is as follows:

| | Chief Executive | | Directors | |
|--------------------------|--------------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Number of persons | 1 | 1 | 3 | 2 |
| |(Rupees)..... | | | |
| Remuneration | 519,677 | 440,000 | 429,760 | 518,880 |
| House rent | 207,871 | 176,000 | - | - |
| Cost of living allowance | - | - | 4,100 | 4,800 |
| Utilities | 51,968 | 44,000 | - | - |
| Special allowance | - | - | 4,000 | 4,800 |
| Bonus | - | - | 43,449 | 42,240 |
| | 779,516 | 660,000 | 481,309 | 570,720 |

37.1 The Company also provides to chief executive and directors free use of the Company maintained cars, residence and residential telephone facility. The Company based on actuarial valuation, has also charged amounts in respect of gratuity for above mentioned directors.

37.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 1 (2004: 1) director was Rupees 3,000 (2004: Rupees 3,000).

| 38. NUMBER OF EMPLOYEES | 2005 | 2004 |
|--|-------------|-------------|
| Number of employees at period/year end | <u>827</u> | <u>680</u> |

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | | |
|---|------------|------------|
| Bilal Textiles (Private) Limited | | |
| Sale of goods and services | 41,139,164 | 26,568,100 |

40. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 30 June 2005 | 30 September 2004 |
|---|-------------------------|------------------------------|
| | (Numbers) | |
| Spindles installed / worked; | 28,272 | 22,080 |
| | (Kilograms) | |
| 100 % plant capacity converted into 20s count based on 3 shifts per day for 819 shifts (2004: 1,098 shifts) | 6,892,550 | 7,216,738 |
| Actual production of P.C yarn after conversion into 20s count based on 3 shifts per day for 819 (2004 : 1096) shifts | 9,124,272 | 10,237,755 |

40.1 Conversion of actual production of cotton and blended yarn of various mix and counts into cotton yarn of 20s depicts production efficiency attained since it fluctuates with changes in count of yarn spun and blend mix in a particular production period.

41.1 Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, mark-up rates, market interest, credit risks associated with various financial assets and liabilities as referred in Note 41. The Company manages its exposure risk in the following manner:

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company's all borrowings and significant transactions are in Pak Rupees, hence foreign exchange rates risk are considered minimal.

b) Interest rate risk

Interest/mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term/short term Rupee based facilities at variable and fixed rates. The Company is exposed to interest/mark-up rate risk in respect of long term/short term Rupee based facilities. Out of the total risk based instruments of Rupees 276,984,793 (2004 : Rupees 340,401,064) , the instruments which are subject to interest rate risk amounted to Rupees 140,269,413(2004 : Rupees 74,381,591).

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The management of the Company believes that it does not have any significant concentration of business transacted with an individual, counterparty or group of counterparties that could, if suddenly eliminated/failed to act as contracted, severely impact its operations. The Company manages its credit risk by obtaining advances from customers against its sales and continues monitoring of credit worthiness of its customers.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

41.2 Fair value of financial assets and liabilities

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

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 September 2005 by the Board of Directors of the Company.

43. COMPARATIVE FIGURES

Due to revision of the Fourth Schedule to Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(I)/2004 dated July 05, 2004, previous year's figures have been rearranged and/or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are impracticable to list and disclose.

CHIEF EXECUTIVE

DIRECTOR