

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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COMPANY INFORMATION

- Board of Directors** : **Dewan Zia-ur-Rehman Farooqui**
Chairman
- Dewan Ghulam Mustafa Khalid**
Chief Executive / Managing Director
- Dewan Muhammad Ayub Khalid**
Resident Director
- Dewan Mohammad Yousuf Farooqui**
- Dewan Mohammad Hamza Farooqui**
- Dewan Abdul Rehman Farooqui**
- Mr. Iqbal Naeem Pasha**
- Audit Committee** : **Dewan Mohammad Yousuf Farooqui - Chairman**
Dewan Muhammad Ayub Khalid - Member
Dewan Abdul Rehman Farooqui - Member
- Auditors** : **Messrs Faruq Ali & Co.**
Chartered Accountants
- Chief Financial Officer** : **Mr. Mohammad Nadeem**
- Company Secretary** : **Mr. Mansoor Ahmed Siddiqui**
- Tax Advisors** : **Sharif & Company**
Advocates
- Bankers** : Muslim Commercial Bank Limited
Citibank N.A.
Habib Bank Limited
Standard Chartered Bank
Union Bank Limited
Meezan Bank Limited
ABN Amro Bank
United Bank Limited
Bank Al Falah
- Registered Office** : **Dewan Centre**
3-A, Lalazar,
Beach Hotel Road,
Karachi-74000,
Pakistan.
- Factory Office** : H/20 & H/26, S.I.T.E.,
Kotri, District Dadu,
Sind, Pakistan.



DIRECTORS' REPORT

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

The Board of Directors takes pleasure in presenting the Un-audited Financial Statements for the nine months ended March 31, 2006

During the period under review, your company made a profit before tax of Rs. 25.12 million as compared to the profit of Rs. 37.05 million for the corresponding period. Sales were decreased from 1,779.58 billion to 1,533.89 billion, thus showing decrease of 13.80 %, where as gross profit ratio is improved from 10.38% to 15.78% in the current period. Financial expenses of the company have been increased by 69.86 million (2006: Rs 156.26 million, 2005: Rs 86.40 million). This results would have been far better if the financial charges not increased by more then 81% due to abnormal hike in markup rates and escalation in fuel and power and freight cost.

During current year under review cotton prices remains on higher side this was mainly due to shortfall in cotton production against target production. Demand for cotton yarn from all over the world remained under pressure but no major changes in prices were observed. The Management of your company is determined to exert all out efforts to overcome this difficult situation through cost reduction derive and by improving the production of quality Yarn.

The Board is extremely grateful to our valued customers, who have placed their confidence in our products. We are also thankful to our financial institutions that have directly or indirectly helped us in our growth. The Board appreciated for team work, discipline of the employees of the company who have made it fine place to work

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Muhammad, may Allah peace be upon him, for continued showering of his Blessings, Guidance, Strength, Health & prosperity to us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole Muslim Ummah, Ameen, Summa-Ameen.

اِنَّ رَبِّيْ لَسَمِیْعُ الدَّعَاۗءِ (القرآن)
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

For and on behalf of the Board of Directors

Dewan Ghulam Mustafa Khalid
Chief Executive / Managing Director



BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2006

	(Unaudited) March 31, 2006	(Audited) June 30, 2005
	(Rupees in '000')	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized capital (30,000,000 ordinary shares of Rs. 10/- each)	300,000	300,000
Issued, subscribed and paid up capital	122,769	111,608
Reserves and Surplus	659,500	649,829
	782,269	761,437
NON CURRENT LIABILITIES		
Long term financing - Secured	41,250	53,625
Redeemable capital - Secured (non - participatory)	25,000	100,000
Liabilities against assets subject to finance lease	122,318	109,741
Deferred liability for staff gratuity	28,695	25,621
Deferred taxation	32,555	39,653
CURRENT LIABILITIES		
Trade and other payables	574,282	561,831
Markup accrued	32,093	26,677
Short term borrowings - Secured	1,632,149	1,581,931
Current portion of long term financing	16,500	12,375
Current portion of redeemable capital	100,000	100,000
Current portion of lease liabilities	37,524	51,368
Taxes recoverable - Net	19,259	--
	2,411,807	2,334,182
CONTINGENCIES AND COMMITMENTS		
	--	--
	3,443,894	3,424,259
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	1,210,219	1,175,743
Long term investment - At cost	210,000	210,000
Long term deposits	12,614	12,614
CURRENT ASSETS		
Stores and spares	24,635	27,663
Stock in trade	1,633,020	1,556,961
Trade debtors - Considered good	295,459	315,310
Advances - Considered good	44,337	53,254
Short term deposits and current account balances with statutory authorities	8,724	12,350
Taxes recoverable - Net	--	57,102
Cash and bank balances	4,886	3,262
	2,011,061	2,025,902
	3,443,894	3,424,259

The annexed notes form an integral part of these financial statements

Dewan Ghulam Mushtaq Khalid
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui
Director



PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2006

	3 months Jan - Mar 2006 (Rupees in '000')	3 months Jan - Mar 2005 (Rupees in '000')	9 months July - Mar 2006 (Rupees in '000')	9 months July - Mar 2005 (Rupees in '000')
Sales	593,744	724,163	1,549,305	1,977,580
Sales tax, duties and commission	(6,168)	(74,000)	(15,418)	(198,004)
Sales - Net	587,576	650,163	1,533,887	1,779,576
Cost of sales	497,492	573,500	1,291,807	1,594,713
Gross profit	90,084	76,663	242,080	184,863
OPERATING EXPENSES				
Distribution cost	14,816	21,456	41,863	50,608
Administrative expenses	6,254	4,470	17,796	15,331
	21,070	25,926	59,659	65,939
OPERATING PROFIT	69,014	50,737	182,421	118,924
OTHER CHARGES				
Finance cost	58,727	37,821	156,262	86,403
Donation	7	96	143	121
Workers Welfare Fund	--	673	--	317
Worker's profit participation fund	114	607	901	1,910
	58,848	39,197	157,306	88,751
Profit for the period	10,166	11,540	25,115	30,173
Other income	--	--	--	6,876
Profit before taxation	10,166	11,540	25,115	37,049
Taxation				
Deferred	(1,313)	(3,645)	(7,098)	6,703
Current	4,638	6,115	11,382	18,107
	3,325	2,470	4,284	24,810
Profit after taxation	6,841	9,070	20,831	12,239
Earning per share - basic	0.56	0.81	1.70	1.10

The annexed notes form an integral part of these financial statements

Dewan Ghulam Mushtaq Khalid
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui
Director



CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2006

	9 months ended March 31, 2006	9 months ended March 31, 2005
	(Rupees in '000')	
Cash Flow from Operating Activities		
Profit before taxation	25,115	37,049
Adjustment for non-cash and other items		
Depreciation	67,717	70,912
Provision for gratuity	7,889	7,889
Finance cost	156,262	86,403
	<u>231,868</u>	<u>165,204</u>
	256,983	202,253
Changes in Operating Assets and Liabilities		
(Increase) / Decrease in Current Assets		
Stores and spares	3,028	(1,796)
Stock in trade	(76,059)	(389,743)
Trade debtors - Considered good	19,851	22,120
Advances - Considered good	8,917	8,372
Short term deposits and current account balances with statutory authorities	3,626	--
Increase / (Decrease) in Current Liabilities		
Trade and other payables	12,451	455,486
Short term borrowings - Secured	50,218	(133,115)
	<u>22,032</u>	<u>(38,676)</u>
Payments for		
Income tax - net	64,979	31,272
Gratuity	(4,815)	(6,513)
	<u>60,164</u>	<u>24,759</u>
Net cash flow from operating activities	339,179	188,336
Cash Flow from Investing Activities		
Fixed capital expenditures	(102,192)	(85,560)
Long term deposits	--	--
Net cash flow from investing activities	(102,192)	(85,560)
Cash Flow from Financing Activities		
Long term financing	(8,250)	66,000
Term finance certificates	(75,000)	(75,000)
Finance lease repayment	(1,267)	5,209
Financial charges paid	(150,846)	(98,825)
Net cash flow from financing activities	<u>(235,363)</u>	<u>(102,616)</u>
Net increase / (decrease) in cash and cash equivalents	1,624	160
Cash and cash equivalents at beginning of the period	3,262	6,833
Cash and cash equivalents at end of the period	<u>4,886</u>	<u>6,993</u>

The annexed notes form an integral part of these financial statements

Dewan Ghulam Mushtaq Khalid
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui
Director



STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2006

	Share Capital	General Reserve	Reserve for Bonus Shares	Un-appropriated Profit	Total
(Rupees in '000').....				
Balance as at July 01, 2004	101,462	333,000	--	307,110	741,572
Net Profit for the period	--	--	--	12,239	12,239
Bonus shares	--	--	10,146	(10,146)	--
Balance as at March 31, 2005	<u>101,462</u>	<u>333,000</u>	<u>10,146</u>	<u>309,203</u>	<u>753,811</u>
Balance as at July 01, 2005	111,608	333,000	--	316,830	761,438
Transfer to reserve for bonus shares	--	--	11,161	(11,161)	--
Net profit for the period	--	--	--	20,831	20,831
Bonus shares	11,161	--	(11,161)	--	--
Balance as at March 31, 2006	<u>122,769</u>	<u>333,000</u>	<u>--</u>	<u>326,500</u>	<u>782,269</u>

The annexed notes form an integral part of these financial statements

Dewan Ghulam Mushtaq Khalid
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui
Director



NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2006

1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited company incorporated in Pakistan under the Companies Act 1913 (Now Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn.

2 BASIS OF PREPARATIONS

These financial statements are unaudited and have been prepared in accordance with the requirements of section 245 of the Companies Ordinance 1984 and International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

3 ACCOUNTING POLICIES

The accounting policies and methods of computations followed in the preparation of these financial statements are the same as those of the last published annual financial statements for the year ended June 30, 2005.

4 There is no significant change in Contingencies and Commitments during the period.

5 Figures for previous nine months have been rearranged wherever necessary for the purpose of comparison.

6 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 29, 2006 by the Board of Directors of the Company.

7 GENERAL

7.1 Figures have been rounded off to the nearest thousand of rupee.

Dewan Ghulam Mushtaq Khalid
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui
Director