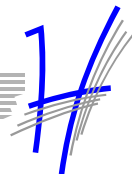


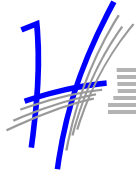
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## COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Muhammad Ismail (Chief Executive) Mr. Umar Farooq Sheikh Mr. Hussain Ahmad Fazal Mrs. Attiqa Hussain Mst. Ghazala Nasreen Mst. Farhat Nishat Mr. Sohail Naseem
<b>Chief Financial Officer</b>	Malik Muhammad Aamer
<b>Auditors</b>	Tariq Ayub Anwar & Co. Chartered Accountants
<b>Bankers</b>	Askari Commercial Bank Limited Allied Bank Limited National Bank of Pakistan Habib Bank Limited Soneri Bank Limited Muslim Commercial Bank Limited Bank Al-Habib Limited Citi Bank Ltd. Pak Oman Investment Co. Ltd.
<b>Offices:</b>	
Karachi	Room # 808, 8th Floor, Saima Trade Tower -B, I.I. Chundrigar Road, Karachi Ph. No. 92-21-22178325-29
Multan (Unit-1&3)	Fazalabad, Vehari Road, Opp. Timber Market, Multan. Ph. No. 92-61-4527238, 4528241, 4529088 Fax No. 92-61-526487. 526572 Web Site: <a href="http://www.hussaingroup.com">www.hussaingroup.com</a>
Multan (Unit-2)	35-KM Bahawalpur Road, Near Adda Muhammad Pur, Multan.
Multan (Unit-4)	Qadir Pur Rawan Bypass, Khanewal Road, Multan. Ph. No. 92-61-4578866, 686979



## MESSAGE FROM DIRECTOR

### Dear Shareholders,

On behalf of the board of Directors, it gives me considerable pleasure to present the 28th Annual Audited Financial Statements for the year ended June 30, 2006.

### OPERATING RESULTS

The major highlights of your Company as compared to the corresponding last financial year are as follows:

#### TURNOVER

The Company achieved an annualized 20% increase in turnover compared to the previous financial year primarily due to the up-gradation of the production facilities and the development of a diversified product range. The successful effort of the management in the creation and implementation of new Production and Marketing Strategies can be witnessed from the new turnover record being established by your Company. For the first time in the Company's history, our turnover has exceeded the Three Billion Rupee threshold.

#### GENERAL MARKET CONDITIONS AND PROFITABILITY

The year was quit difficult for textile industry and particularly for spinning sector as compared to last year. In the preceding two years, billion of rupees investment has been made in the expansion and B.M.R. of Textile Sector. This has resulted in increased demand and consumption of cotton as compared to availability and supply badly affecting cotton prices which soared to Rs. 2400-2500 per maund as compared to Rs. 2000-2100 last year.

The other main reason affecting profitability is escalating mark up rates which led to increased financial charges on borrowed funds thereby depressing the net profitability of the Company. During the current year financial charges rose to Rs. 147 Million approximately 60% increase when annualized.

#### EXPANSION /BMR

During the year, the Company incurred capital expenditure aggregating Rs. 267 Million including Rs. 95 Million to import Gas Generators to produce electricity at cheaper rates. It was hoped that with the installation of these Gas Generators, the profitability will improve substantially by producing electricity at cheaper rates but who knows that Oil and Gas Regulatory Authority (OGRA) has planned to enhance the applicable gas tariff from 01st July, 2006 making the benefits of the Gas Fired Power Plant very marginal in terms of enabling the Company to offset the effects of high power and fuel costs and adding miseries to already "striving for existence" the Textile Sector. Nevertheless the control and reliability of the power plant will ensure an un-interrupted power supply to our manufacturing facilities and help counter the production losses that previously arose as a result of frequent power failures and breakdowns.

In addition, the Company has established letter of credits for setting up of state of the art Weaving Unit with 103 Air Jet Looms and allied machinery. The benefits of this expansion program will be evident from the growth in turnover, improved profitability. Financial arrangements and necessary approvals have already been arranged for to get the maximum benefit under LTF-EOP scheme introduced by State Bank of Pakistan. Such expansionary programs will ensure we are suitably positioned to withstand the challenges that lie ahead.

#### FUTURE OUTLOOK

The inexorable rise of mark up rates is a phenomenon that has impacted and will continue to impact the profitability of the Company along with future prices of cotton which are also witnessing a rising trend in the local and international commodity markets.

However, the management is optimistic that the development of an improved product mix, delivery of the enhanced production efficiencies, up-gradation of our facilities and systems, diversifying our product portfolio and lowering our operating costs will continue to bring about increased profitability in the next financial year as well.

#### ACKNOWLEDGMENT

The board wishes to record their appreciation of the steadfast support of our bankers and our valued customers. I would like to highlight and acknowledge the hard work put in by the members of our corporate family and we believe that Company's performance is testament to the contribution made by them. We are sure they will continue to show the same dedication in the days ahead for smooth operation and success of your Company in the future.

On behalf of the board of Directors'

HUSSAIN AHMAD FAZAL  
Director



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of HUSSAIN MILLS LIMITED as at 30th June, 2006 and the related Profit & Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the Year then ended and we state that we have obtained all the information and the explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

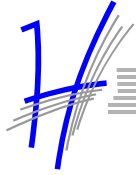
It is the responsibility of the Company's management to establish and maintain a system of Internal Control, and prepare and present the above said Statements in conformity with the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these Statements based on our audit.

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said Statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said Statements. An audit also includes assessing the Accounting Policies and significant Estimates made by the Management, as well as, evaluating the overall presentation of the above said Statements. We believe that our audit provides a reasonable basis for our Opinion and, after due verification, we report that:

- a) in our opinion, proper Books of Accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
  - i) the Balance Sheet and the Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the Books of Account and are further in accordance with Accounting Policies consistently applied.
  - ii) the Expenditure incurred during the Year was for the purpose of Company's business; and
  - iii) the Business Conducted, Investments made and the Expenditure incurred during the Year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30th June, 2006 and of the Profit and the Cash Flows for the Year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980.

Lahore:  
84-B-I, Gulberg-III  
7th November, 2006

**TARIQ AYUB, ANWAR & CO.**  
CHARTERED ACCOUNTANTS

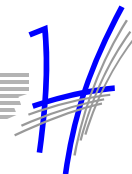
**BALANCE SHEET AS AT**

<b>EQUITY &amp; LIABILITIES</b>	Note	<b>30TH JUNE, 2006 Rupees</b>	<b>30TH JUNE, 2005 Rupees</b>
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized Capital: 20,000,000 Ordinary Shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed & Paid Up Capital	3	187,997,420	187,997,420
Premium on Issue of Shares		2,400,000	2,400,000
Un-appropriated Profit		<u>347,683,334</u>	<u>315,145,476</u>
		538,080,754	505,542,896
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	4	301,713,752	330,510,407
<b>NON CURRENT LIABILITIES</b>			
Long Term Finances - Secured	5	583,139,009	468,704,048
Loan from Directors - Unsecured	6	20,610,000	-
Deferred Liabilities	7	23,057,018	39,941,699
Liabilities against Assets subject to Finance Lease - Secured	8	-	1,725,770
		<u>626,806,027</u>	<u>510,371,517</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	9	96,234,137	51,888,398
Accrued Interest & Markup - Secured	10	54,885,259	32,366,337
Short Term Finances - Secured	11	1,305,847,463	667,192,172
Current Portion of Long Term Liabilities	12	176,738,293	150,350,848
Provision for Taxation	13	29,800,000	11,600,000
Unclaimed Dividend		98,844	98,844
		<u>1,663,603,996</u>	<u>913,496,599</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	14	-	-
		<u>3,130,204,529</u>	<u>2,259,921,419</u>

The annexed Notes from 1 to 38 form an integral part of these Accounts.

Lahore:  
7th November, 2006

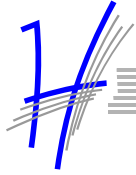
Sd/-  
**(UMER FAROOQ)**  
DIRECTOR



## 30TH JUNE, 2006

ASSETS	Note	30TH JUNE, 2006 Rupees	30TH JUNE, 2005 Rupees
<b>NON CURRENT ASSETS</b>			
Operating Fixed Assets - Tangible	15	1,400,940,477	1,269,970,654
Capital Work-in-Progress	16	93,778,846	36,457,278
Investments - at cost	17	14,720,577	14,723,893
Long Term Deposits & Deferred Cost	18	41,613,539	38,548,793
		1,551,053,439	1,359,700,618
<b>CURRENT ASSETS</b>			
Stores, Spares & Loose Tools	19	33,513,975	23,850,428
Stock in Trade	20	784,728,261	408,167,157
Trade Debtors	21	144,221,194	140,244,304
Loans & Advances	22	222,272,017	97,012,803
Trade Deposits & Short Term Prepayments	23	3,308,136	3,674,785
Short Term Investment	24	1,248,000	-
Due from Government Departments	25	19,933,123	19,030,333
Other Receivables	26	43,795,503	9,536,106
Cash & Bank Balances	27	326,130,881	198,704,885
		1,579,151,090	900,220,801
		<u>3,130,204,529</u>	<u>2,259,921,419</u>

Sd/-  
( CHIEF EXECUTIVE )



# PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 2006

	Note	12 Months Ended 30th June, 2006 Rupees	10 Months Ended 30th June, 2005 Rupees
<b>SALES</b>	28	3,132,314,226	2,171,352,015
<b>COST OF SALES</b>	29	<u>2,903,049,442</u>	<u>1,946,741,002</u>
<b>GROSS PROFIT</b>		229,264,784	224,611,013
<b>OPERATING EXPENSES</b>			
Administration & General	30	63,778,863	48,501,507
Distribution & Selling	31	52,343,305	41,918,262
		<u>116,122,168</u>	<u>90,419,769</u>
<b>OPERATING PROFIT</b>		113,142,616	134,191,244
<b>OTHER CHARGES/INCOME</b>			
Finance Cost	32	147,421,624	77,016,759
Other Operating Charges	33	400,054	2,351,950
Other Operating Income	34	(44,585,434)	(4,944,456)
Workers' (Profit) Participation Fund		803,995	2,996,062
		<u>104,040,239</u>	<u>77,420,315</u>
<b>NET PROFIT FOR THE YEAR</b> from Normal Operations		9,102,377	56,770,929
<b>GAIN ON DISPOSAL OF UN-OPERATIONAL SEGMENT</b>	35	6,173,520	-
<b>NET PROFIT FOR THE YEAR - Before Taxation</b>		<u>15,275,897</u>	<u>56,770,929</u>
<b>TAXATION</b>	36	11,534,694	45,505,981
<b>NET PROFIT FOR THE YEAR - After Taxation</b>		3,741,203	11,264,948
<b>UN-APPROPRIATED PROFIT - Brought Forward</b>		315,145,476	290,439,418
<b>TRANSFERRED FROM SURPLUS ON REVALUATION OF FIXED ASSETS IN RESPECT OF INCREMENTAL DEPRECIATION CHARGED IN CURRENT YEAR/PERIOD - Net of Deferred Tax</b>		28,796,655	13,441,110
<b>UN-APPROPRIATED PROFIT - Transferred to Balance Sheet</b>		<u>347,683,334</u>	<u>315,145,476</u>

The annexed Notes form 1 to 38 form an integral part of these Accounts.

Lahore:  
7th November, 2006(Sd/-)  
**(UMER FAROOQ)**  
DIRECTOR(Sd/-)  
( )  
CHIEF EXECUTIVE





# CASH FLOW STATEMENT

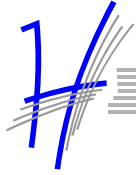
FOR THE YEAR ENDED 30TH JUNE, 2006

	Note	12 Months Ended 30th June, 2006 Rupees	10 Months Ended 30th June, 2005 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash Generated from Operations	A	(208,164,892)	286,734,485
Taxes Paid		(11,443,521)	(31,760,787)
Financial Charges Paid		(124,902,702)	(56,358,885)
Gratuity Paid		(2,462,569)	(6,509,332)
Workers' (Profit) Participation Fund Paid		(3,002,826)	(3,519,695)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(349,976,510)	188,585,786
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed Capital Expenditure		(324,031,436)	(112,841,864)
Long Term Investments		-	(7,442,765)
Long Term Loans & Advances		-	454,447
Long Term Deposits & Deferred Cost		(11,274,035)	(417,991)
Sale Proceeds of Fixed Assets		14,346,050	28,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(320,959,421)	(120,220,173)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan from Directors & Sponsors		20,610,000	(107,045,000)
Proceeds from Issuance of Share Capital		-	163,597,420
Dividend Paid		-	(2,440,000)
Proceeds from Long Term Loans		293,645,471	79,478,610
Long Term Loans		(145,451,866)	(95,119,433)
Lease Finance Liability		(9,096,969)	(18,472,757)
NET CASH INFLOW FROM FINANCING ACTIVITIES		159,706,636	19,998,840
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(511,229,295)	88,364,453
<b>CASH &amp; CASH EQUIVALENTS AS AT 1ST JULY, 2005</b>		(468,487,287)	(556,851,740)
<b>CASH &amp; CASH EQUIVALENTS AS AT 30TH JUNE, 2006</b>	B	(979,716,582)	(468,487,287)

Lahore:  
7th November, 2006

(Sd/-)  
**(UMER FAROOQ)**  
DIRECTOR

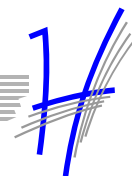
(Sd/-)  
( )  
CHIEF EXECUTIVE



## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2006

	<b>12 Months Ended 30th June, 2006 Rupees</b>	<b>10 Months Ended 30th June, 2005 Rupees</b>
<b>A - CASH GENERATED FROM OPERATIONS</b> is made up as follows:		
Profit before Taxation	15,275,897	56,770,929
Adjustment of Non Cash & Other Items:		
Provision for Gratuity	3,686,714	2,326,401
Depreciation	127,631,045	104,869,023
Profit on Disposal of Fixed Assets	(6,237,050)	(19,440)
Amortization of Deferred Cost	8,209,290	8,209,290
Provision for Diminution in Value of Investment	311,084	-
Workers' (Profit) Participation Fund	803,995	2,996,062
Finance Cost	147,421,624	77,016,759
	<u>281,826,702</u>	<u>195,398,095</u>
<b>CASH FLOW BEFORE WORKING CAPITAL CHANGES</b>	<u>297,102,599</u>	<u>252,169,024</u>
<b>EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES</b>		
(Increase)/Decrease in Current Assets		
Stores, Spares & Loose Tools	(9,663,547)	(5,448,289)
Stock in Trade	(376,561,104)	26,789,400
Trade Debtors	(3,976,890)	(26,616,819)
Loans & Advances	(125,259,214)	(2,607,410)
Trade Deposits & Short Term Prepayments	366,649	48,419,951
Short Term Investments	(1,555,768)	-
Due from Government Departments	(902,790)	1,879,797
Other Receivables	(34,259,397)	12,419,851
Increase/(Decrease) in Current Assets	<u>46,544,570</u>	<u>(20,271,020)</u>
Trade & Other Payables	(505,267,491)	34,565,461
	<u>(208,164,892)</u>	<u>286,734,485</u>
<b>B - CASH &amp; CASH EQUIVALENTS</b> comprise of:		
Cash & Bank Balances	326,130,881	198,704,885
Short Term Finances	(1,305,847,463)	(667,192,172)
	<u>(979,716,582)</u>	<u>(468,487,287)</u>



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH JUNE, 2006

## 1 STATUS AND NATURE OF BUSINESS

The Company is an unquoted Public Limited Company incorporated in Pakistan and is Principally engaged in Manufacturing, Selling, Buying and Dealing in Cooking Oil, Vegetable Ghee, Cotton Yarn of all types.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Measurement

These accounts have been prepared under the historical cost convention and modified to include the revaluation of Freehold Land, Building and Plant & machinery as stated in Note 15.

### 2.2 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all the permanent Employees of the Company. Provision is made annually to cover the obligation under the Scheme.

### 2.3 Taxation

#### Current:

Charge for Taxation is based on taxable income if any, at the current rates of tax after taking into account available tax credits and tax rebates, if any. However, if no tax is payable under Normal Law or tax payable under Normal law is less than half of the total turnover, tax is provided on Turnover, U/S 113 of the Income Tax Ordinance, 2001.

#### Deferred:

The Company accounts for Deferred Taxation, using the liability method on all taxable temporary timing differences. However, Deferred Tax is not provided if it can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

### 2.4 Foreign Currency Translations

Exchange gains/losses due to exchange fluctuations on principal loans are capitalised as part of the cost of machinery acquired out of the proceeds of such Foreign Currency Loans. All other exchange differences are taken to the Profit and Loss Account.

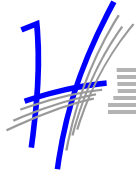
### 2.5 Borrowing Cost

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 charged to income in the period of incurrence.

### 2.6 Tangible Fixed Assets and Depreciation

Assets are stated at Cost less accumulated Depreciation and impairment, if any, except freehold Land, Buildings, Plant and Machinery and capital work-in-progress. Buildings on freehold land and Plant and Machinery are stated at re-valued amount less accumulated Depreciation thereon. Freehold Land and Capital Work-in-Progress are stated at Re-Valued Amount & Cost, respectively. Cost, in relation to Capital Work in Progress, consists of expenditure incurred in respect of Fixed Assets in the course of their construction, installation & acquisition.

Cost of certain items of Plant and Machinery consist of historical cost and exchange fluctuations on foreign currency loans utilised for acquisition thereof. Borrowing Costs pertaining to erection / construction period are capitalised as part of the historical cost.



Depreciation is charged to income applying the reducing balance method to write-off the Cost, capitalised Exchange Fluctuations and Borrowing Costs over the estimated remaining useful life of the assets. The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these items of Fixed Assets. Rates of Depreciation are stated in Note 15. Full year Depreciation is charged on additions during the year and no Depreciation is provided on assets in the year of disposal. Gains/losses.

Depreciation on major additions to the Fixed Assets is charged from the month in which Fixed is put to use or becomes operational while no depreciation is charged for the month in which Fixed Asset is disposed off.

Previously, full year depreciation was charged on additions and no depreciation was charged on deletion during the period. Had the previous method of depreciation been used Profit for the year and the written down value of Operating Fixed Assets would have been lower by Rs. 7,359,572.

Minor Repairs and Maintenance are charged to Income, as and when incurred. Major Renewals and Replacements are capitalised and the Assets so replaced, if any, other than those retained as stand by are retired.

## 2.7 Assets subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of financial costs on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in Note 15 applying the reducing balance method to write-off the Cost of the Asset over its estimated remaining useful life in view of certainty of ownership of Assets at the end of the lease period.

Financial Charges and Depreciation on leased Assets are charged to Income currently.

## 2.8 Long Term Investments are stated at Cost.

## 2.9 Stores, Spares and Loose Tools

These are valued at moving average Cost. Stores-in-transit are valued at Cost accumulated to the balance sheet date.

## 2.10 Stocks - in - Trade are valued as follows:

<u>Particulars</u>	<u>Mode of Valuation</u>
Raw Materials:	
At mills	At the Lower of Annual Average Cost and Market Value.
In-transit	At Cost Accumulated to the Balance Sheet date.
Work-in-Process	At Raw Material Cost.
Finished Goods	At the Lower of Cost and Net Realisable Value.
Waste	At Realisable Value
Other Stocks	At Cost.

Cost in relation to Work-in-Process and Finished Goods represents the annual average Manufacturing Cost which consists of Prime Cost and appropriate Production Overheads.



Net Realisable Value signifies the Selling Price in the ordinary course of business less Cost necessary to be incurred to effect such Sale.

#### 2.11 Trade Debts and Advances to Suppliers

Trade Debts and Advances to Suppliers are stated net of provision for Doubtful Debts, if any.

#### 2.12 Cash and Cash Equivalents

Cash and Cash Equivalents consist of Cash in Hand balances with Banks. Cash and Cash Equivalents included in the Cash Flow Statement comprise of Cash in Hand, balances with Banks and Short Term Running Finances.

#### 2.13 Trade Creditors and Other Payables

Liabilities for Trade Creditors and Other payables 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.

#### 2.14 Provisions

A Provision is recognized in the Balance Sheet when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

#### 2.15 Impairment

The carrying amounts of the Company's Assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the Asset's recoverable amount is estimated and Impairment Losses are recognized in the Profit and Loss Account.

#### 2.16 Contingencies and Commitments

Unless these are actual liabilities these are not incorporated in the Accounts.

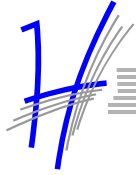
#### 2.17 Revenue Recognition:

Local Sales are recorded when Goods are delivered to Customers and Invoices raised.

Export Sales are booked on shipment basis.

Processing Charges are recorded when Goods are delivered to Customers and Invoices raised.

	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>3 ISSUED, SUBSCRIBED &amp; PAID-UP CAPITAL</b> comprises of:		
Issued for Cash		
17,037,542 (2005: 17,042,542) Ordinary Shares of Rs.10 each	170,375,420	170,375,420
Issued as Bonus Shares		
1,762,200 (2005: 1,762,200) Ordinary Shares of Rs.10 each	17,622,000	17,622,000
	187,997,420	187,997,420



		30th June, 2006 Rupees	30th June, 2005 Rupees
<b>4</b>	<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
4.1	This is made up as follows:		
	Land - Freehold	95,807,945	95,807,945
	Buildings - on freehold Land	56,134,139	59,375,571
	Plant & Machinery	178,568,323	188,768,001
		<u>330,510,407</u>	<u>343,951,517</u>
	Related Deferred Taxation (Note 4.3)	(4,073,929)	-
	Incremental Depreciation on Revaluation (Net of Deferred Tax) transferred to Retained Earnings (Note 4.4)	(24,722,726)	(13,441,110)
		<u>301,713,752,</u>	<u>330,510,407</u>
4.2	The Company has re-valued its Freehold Land, Buildings on Freehold Land and Plant & Machinery as at 28th January, 2003. The Revaluation was carried-out by independent Valuers, M/S Hamid Mukhtar & Co., Lahore and has been duly certified by M. Yousaf Adil Saleem & Co., Chartered Accountants.		
4.3	This represents amount transferred from deferred tax liability due to change in proportion of local & Export sales resulting in change in estimate of deferred tax on surplus on revaluation of fixed assets.		
4.4	The incremental depreciation charged on re-valued assets during the period has been transferred to retained earnings (un-appropriated profit) to record realisation of Surplus to the extent of incremental depreciation to comply with the amendment in Section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of Surplus arising on revaluation of Fixed Assets.		
<b>5</b>	<b>LONG TERM FINANCE - Secured</b>		
5.1	These have been obtained from Banking Companies and comprise of:		
	Suppliers' Credit (Note 5.2)	77,026,941	13,869,423
	Term Finances (Note 5.5)	506,112,068	454,834,625
		<u>583,139,009</u>	<u>468,704,048</u>
5.2	<b>SUPPLIER'S CREDIT</b> has been obtained from:		
	Askari Commercial Bank Limited (Note 5.3)	47,116,488	-
	Soneri Bank Limited (Note 5.4)	29,910,453	13,869,423
		<u>77,026,941</u>	<u>13,869,423</u>
5.3	<b>SUPPLIER'S CREDIT FROM ASKARI COMMERCIAL BANK LIMITED</b> is made up as follows:		
	Balance as at 1st July, 2005	-	157,125,407
	Add: Acquired during the Year	47,116,488	1,705,470
		<u>47,116,488</u>	<u>158,830,877</u>
	Less:		
	Transferred to Term Finance (Note 5.7)	-	135,453,289
		-	23,377,588
		-	158,830,877
		<u>47,116,488</u>	<u>-</u>



This facility has been obtained in Foreign Currency against 365 days Usance Letter of Credits amounting to USD 174,660 (2005: US 2.594 Million) with a sanctioned limit of Pak Rs. 371.000 Million (2005: Rs.216.000 Million) for the import of the import of Textile Plant and Machinery for BMR / Expansion of unit # I. After retirement of LC documents, this Usance will be converted into Term Finance. The Usance carries Bank Charges @ 0.05% flat per quarter. This is secured against documents of title of goods/dully accepted drafts.

**5.4 SUPPLIER'S CREDIT FROM SONERI BANK LIMITED** is made up as follows:

	30th June, 2006 Rupees	30th June, 2005 Rupees
Balance as at 1st July, 2005	13,869,423	13,869,423
Add: Loan acquired during the Year	31,790,632	-
	<u>45,660,055</u>	<u>13,869,423</u>
Less:		
Transferred to Term Finance	14,000,000	-
Payments during the Year	1,749,602	-
	<u>15,749,602</u>	<u>-</u>
	<u>29,910,453</u>	<u>13,869,423</u>

This facility has been obtained in Foreign Currency against 365 & 720 days Usance Letter of Credits amounting to Euro 123,624 & Japanese Yen 40.800 million (2005: Euro 203,215) with a sanctioned limit of Pak Rs. 20.474 Million (2005: Rs.100.000 Million) for the import of Textile Plant and Machinery. After retirement of LC documents, this Usance will be converted into Term Finance. The Usance carries Bank Charges @ 0.05 % flat per quarter. This is secured against lien over export contracts DP/DA. This facility will expire on 28-02-2006.

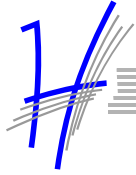
**5.5 TERM FINANCE** have been obtained from:

Habib Bank Limited	(Note 5.6)	-	2,664,000
Askari Commercial Bank Limited	(Note 5.7)	347,078,732	324,503,957
Soneri Bank Limited	(Note 5.8)	70,000,000	86,000,000
Bank Al-Habib Limited	(Note 5.9)	8,333,336	41,666,668
Pak Oman Investment Company Limited	(Note 5.10)	75,000,000	-
Allied Bank Limited	(Note 5.11)	5,700,000	-
		<u>506,112,068</u>	<u>454,834,625</u>

**5.6 TERM FINANCE FROM HABIB BANK LIMITED** is made up as follows:

Balance as at 1st July, 2005	2,664,000	5,332,000
Less:		
Payments during the Year	2,664,000	-
Current Portion Shown under Current Liabilities(Note 12)	-	2,668,000
	<u>2,664,000</u>	<u>2,668,000</u>
	<u>-</u>	<u>2,664,000</u>

This Term Finance has been obtained for the import of Textile Plant & Machinery with a sanctioned limit of Rs.8.00 Million (2005: Rs.8.00). This is repayable in 6 equal half yearly installments with grace period of 6 Months and commencing from 3rd August, 2004. This is secured by way of charge on the Imported Machinery and Personal Guarantee of one Director of the Company. This carries mark-up at average of 6 month KIBOR+2.50%.



	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>5.7 TERM FINANCE FROM ASKARI COMMERCIAL BANK LIMITED</b> is made up as follows:		
Balance as at 1st July, 2005	324,503,957	245,974,958
Add:		
Acquired during the Year	109,038,351	47,000,000
Transferred from Suppliers' Credit (Note 5.3)	-	135,453,289
	<u>109,038,351</u>	<u>182,453,289</u>
	433,542,308	428,428,247
Less:		
Payments during the Year	7,803,360	1,603,558
Current Portion Shown under Current Liabilities(Note 12)	78,660,216	102,320,732
	<u>86,463,576</u>	<u>103,924,290</u>
	<u>347,078,732</u>	<u>324,503,957</u>

These Term Finances have been obtained with a sanctioned limits of Rs. 717.336 million (2005: Rs.558.000 million) for the import of Plant and Machinery for BMR/Expansion. These Finances are secured (i) First parri passu charge with Bank Al-Habib Ltd. to the extent of Rs.350.00 million on all present and future current and fixed assets of Unit-II, (ii) First parri passu charge with Bank Al-Habib Ltd. & Soneri Bank Ltd., to the extent of Rs. 575.000 million on all present and future and fixed assets of Unit-II, and (iii) 100% lien on equivalent deposits with Askari Commercial Bank Limited, margin to be covered through first pari passu charge on all present & future fixed assets of Unit-I to the extent of Rs. 350.000 million. The principal amounts are repayable in 12 equal half yearly installments. These finances carry markup rates ranging from 6 month average KIBOR + 1.25% with floor 4.25% per annum to 3 months average KIBOR + 2.90% per annum.

**5.8 TERM FINANCE FROM SONERI BANK LIMITED** is made up as follows:

Balance as at 1st July, 2005	86,000,000	69,226,860
Add:		
Acquired during the Year/Period	-	30,773,140
Transferred from Suppliers' Credit	14,000,000	-
	<u>14,000,000</u>	<u>30,773,140</u>
	100,000,000	100,000,000
Less:		
Payments during the Year/Period	10,000,000	-
Transferred to Cash Finance	-	14,000,000
Current Portion Shown under Current Liabilities	20,000,000	-
	<u>30,000,000</u>	<u>14,000,000</u>
	<u>70,000,000</u>	<u>86,000,000</u>

This Term Finance has been obtained with a Sanctioned Limit of Rs. 100.000 Million (2005: Rs. 100.000 Million) for the import of Plant & Machinery under Letter of Credits. This Loan is secured against pari passu charge on fixed assets over fixed assets of the Company to the extent of Rs. 118.000 Million and is repayable in 10 equal Half Yearly installments commencing from 15th January, 2006. This carries Mark-up @ 6 months average KIBOR +2.50% per annum.





	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>5.9 TERM FINANCE FROM BANK AL-HABIB LIMITED</b> is made up as follows:		
Balance as at 1st July, 2005	41,666,668	75,000,000
Less: Current Portion Shown under Current Liabilities	33,333,332	33,333,332
	8,333,336	41,666,668

This Term Finance has been obtained to takeover the liability of spinning unit-II from Askari Commercial Bank Limited with a Sanctioned Limit of Rs. 100.000 Million (2005: Rs.100.000 Million). This Loan is secured by way of 1st pari passu charge over present and future fixed assets of spinning unit-II amounting to Rs. 100.000 million with Askari Commercial Bank Limited and personal guarantees of working directors. This is repayable in 12 equal quarterly installments commencing from 13th October, 2004. This carries Markup @ 6 months KIBOR + 1.98% with floor of 4.25% per annum.

<b>5.10 TERM FINANCE FROM OMAN INVESTMENT COMPANY LIMITED</b> is made up as follows:		
Acquired during the Year/Period	100,000,000	-
Less: Current Portion Shown under Current Liabilities	25,000,000	-
	75,000,000	-

This Term Finance has been obtained with a Sanctioned Limit of Rs. 100.000 Million (2005: Rs. NIL) for the purchase of textile Plant & Machinery. This finance is secured against pari passu charge over fixed assets of the Company by way of equitable mortgage on Land & Buildings and hypothecation charge on Plant & Machinery and personal guaranteed of working directors. The principal amount is repayable in 12 equal semi annually installments commencing from one year from the date of disbursement. This carry Mark-up @ 6 months (ask side) KIBOR + 2.25% per annum and the markup rate will be re-paid semi annually.

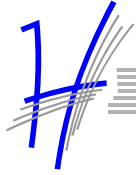
**5.11** This Term Finance has been obtained with a sanctioned limit of Rs. 425.000 Million (2005: Rs. NIL) for the import of new weaving unit. This finance is secured against first exclusive charge over present and future fixed assets of the weaving unit to the extent of Rs.570.000 Million and personal guarantees of all working directors. The principal amount is repayable in 24 equal Quarterly installments commencing from the 15th month from the date of disbursement with one year grace period. This carries Markup @ 6 months (avg. ask) KIBOR + 2.25% per annum (no floor & cap.) and the markup will charged quarterly.

**6 LOAN FROM DIRECTORS** is unsecured, Interest Free and is repayable at the option of the Company.

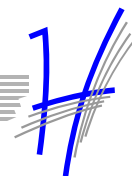
**7 DEFERRED LIABILITIES:**

<b>7.1</b> These comprise of		
Deferred Tax	17,685,880	35,794,706
Provision for Staff Gratuity (Note 7.2)	5,371,138	4,146,993
	23,057,018	39,941,699

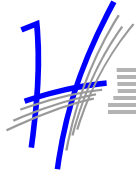
<b>7.2 PROVISION FOR STAFF GRATUITY</b> is made up as follows:		
Balance as at 1st July, 2005	4,146,993	8,329,924
Add: Provided for the Year	3,686,714	2,326,401
	7,833,707	10,656,325
Less: Payments to outgoing Employees	2,462,569	6,509,332
	5,371,138	4,146,993



	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
<b>8.1</b> The amount of future minimum lease Payments and the Year/Period in which these become due are:		
Year/Period Ending on 30th June,		
2005	-	20,210,588
2006	10,804,280	10,692,768
2007	4,179,938	4,148,022
	<u>14,984,218</u>	<u>35,051,378</u>
Less: Payments during the Year	10,804,280	20,210,588
	<u>4,179,938</u>	<u>14,840,790</u>
Less: Financial Charges Allocated to Future Period	50,693	692,676
	<u>4,129,245</u>	<u>14,148,114</u>
Less: Security Deposits	2,384,500	3,306,400
	<u>1,744,745</u>	<u>10,841,714</u>
Less: Current Portion Shown under Current Liabilities (Note 12)	1,744,745	9,115,944
	<u>-</u>	<u>1,725,770</u>
	<u>-</u>	<u>-</u>
<b>8.2</b> The reconciliation between Gross Minimum Lease Payments, Future Financial Charges and Present Value of minimum Lease Payments is as follows:		
<b>GROSS MINIMUM LEASE PAYMENTS</b>		
Not later than one Year	4,179,938	10,692,768
Later than one Year but not later than Five Years	-	4,148,022
Later than Five Years	-	-
	<u>4,179,938</u>	<u>14,840,790</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>		
Not later than one Year	4,129,245	10,037,844
Later than one Year but not later than Five Years	-	803,870
Later than Five Years	-	-
	<u>4,129,245</u>	<u>10,841,714</u>
	<u>4,129,245</u>	<u>10,841,714</u>
<b>8.3</b> The Company has executed Lease Agreements with Faysal Bank Limited to acquire Plant & Machinery. The liabilities under these Lease Agreements are payable in quarterly installments and are subject to Finance Charges at the rate of 6 months KIBOR + 2% per annum with floor of 5% per annum. The effective annual markup rate ranges from 8.75% to 11.61% per annum. The Company intends to exercise its option to purchase the Leased Assets upon completion of the respective lease terms. These are secured against Demand Promissory Note, Personal Guarantees of working Directors and Title of Ownership of Leased Assets.		
<b>9 TRADE &amp; OTHER PAYABLES</b> comprise of:		
<b>9.1</b> These comprise of:		
Creditors	39,891,438	12,287,382
Advance from Customers	16,265,191	3,551,406
Accrued Liabilities	38,308,850	29,652,298
Income Tax Withheld	127,522	297,428
Other Liabilities	837,141	3,097,058
Workers' (Profit) Participation Fund (Note 9.2)	803,995	3,002,826
	<u>96,234,137</u>	<u>51,888,398</u>



	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>9.2 WORKERS' (PROFIT) PARTICIPATION FUND</b> is made up as follows:		
Balance as at 1st July, 2005	3,002,826	3,526,459
Less: Payments during the Year	3,002,826	3,519,695
Unclaimed Balance	-	6,764
Add: Allocation for the Year	803,995	2,996,062
	<u>803,995</u>	<u>3,002,826</u>
<b>10 ACCRUED INTEREST &amp; MARK-UP</b> is on secured finances & comprises of:		
Markup on Long Term Finances	17,978,979	15,892,277
Markup on Short Term Finances	36,577,636	15,608,944
Bank Charges on Letters of Credit	328,644	865,116
	<u>54,885,259</u>	<u>32,366,337</u>
<b>11 SHORT TERM FINANCES</b>		
<b>11.1</b> These have been obtained from Banking Companies and comprise of:		
Cash/Running Finances - Secured (Note 11.2)	1,249,242,110	633,272,924
Advance Pre-shipment - secured (Note 11.2)	53,638,325	32,060,058
Bank Overdraft - unsecured (Note 11.3)	2,967,028	1,859,190
	<u>1,305,847,463</u>	<u>667,192,172</u>
<b>11.2</b> These have been obtained from various Commercial Banks against credit facilities having sanctioned limits aggregating Rs.2,960 Million. (2005: Rs. 1,906 Million). These are secured against Stocks import/export bills, charge of Books Debts and Assets, floating charges on goods and Personal Guarantees of the Directors. The expiry dates of the facilities ranges from 30th September, 2006 to 31st March, 2007. These facilities carry Markup rates ranging from 1 month KIBOR + 1% to 6 month KIBOR + 1.5% per annum.		
<b>11.3</b> This overdraft balance represent the excessive issuance of cheques over its ledger balances, however, the bank statement shows favourable balance of Rs.36,046 (2005: Rs.64,680).		
<b>12 CURRENT PORTION OF LONG TERM LIABILITIES</b>		
<b>12.1</b> This comprises of:		
Long Term Loans	174,993,548	141,234,904
Liabilities against Assets subject to Finance Lease	1,744,745	9,115,944
	<u>176,738,293</u>	<u>150,350,848</u>
<b>12.2 CURRENT PORTION OF LONG TERM LOANS</b> is made up as follows:		
Balance as at 1st July, 2005	141,234,904	59,051,131
Less: Payments made during the Year	123,234,904	56,138,291
	18,000,000	2,912,840
Add: Transferred from Long-Term Finances	156,993,548	138,322,064
	<u>174,993,548</u>	<u>141,234,904</u>



	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>12.3 CURRENT PORTION OF LIABILITIES SUBJECT TO FINANCE LEASE</b> is made up as follows:		
Balance as at 1st July, 2005	9,115,944	7,006,864
Less: Payments made during the Year	9,115,944	7,006,864
	Overdue Portion	-
Add: Transferred from Long-Term Leases	1,744,745	9,115,944
	<u>1,744,745</u>	<u>9,115,944</u>
<b>13 PROVISION FOR TAXATION</b>		
Balance as at 1st July, 2005	11,600,000	33,649,512
Less:		
Excess Provision Written Back	156,479	2,659,772
Adjusted against Advance Income Tax	11,443,521	30,989,740
	<u>11,600,000</u>	<u>33,649,512</u>
	-	-
Add: Provided for the Year	29,800,000	11,600,000
	<u>29,800,000</u>	<u>11,600,000</u>

**14 CONTINGENCIES & COMMITMENTS****14.1 Contingencies**

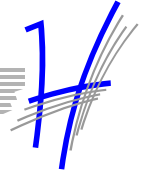
The Company has filed constitutional petition in the Honourable Sindh High Court against the imposition of sea dues @ 0.50% by the Excise & Taxation Officer Karachi against imported goods valuing Rs.13.00 million (2005: Rs. 7.750 million).

The Company is contingent liable against bank guarantee amounting to Rs. 7.740 million issued in favour of Sui Northern Gas Pipelines Limited (2005: Rs. NIL).

**14.2 Commitments**

Letters of Credit against Capital Expenditure worth Rs. 449.207 Million (2005: Rs. 90.228 Million)

Letters of Credit against other than Capital Expenditure worth Rs.147.117 Million (2005: Rs.366.091 Million)



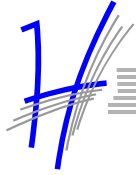
**15 PLANT PROPERTY & EQUIPMENT**

15.1 This is made up as follows:

PARTICULARS	COST / REVALUATION				DEPRECIATION				W.D.V AS AT 30TH JUNE, 2006			
	AS AT 1ST JULY, 2005	ADDITIONS	TRANSFERS TO/(FROM)	DELETIONS	AS AT 30TH JUNE, 2006	RATE %	TO 30TH JUNE, 2005	ON TRANSFERS		ON DELETIONS	PROVIDED FOR THE YEAR	TO 30TH JUNE, 2006
<b>LAND - Freehold</b>												
Cost	33,039,109	15,000	-	2,233,675	30,820,434	-	-	-	-	-	-	30,820,434
Revaluation Surplus	95,807,945	-	-	-	95,807,945	-	-	-	-	-	-	95,807,945
	<u>128,847,054</u>	<u>15,000</u>	<u>-</u>	<u>2,233,675</u>	<u>126,628,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,628,379</u>
<b>BUILDINGS - on Freehold Land</b>												
Cost - Factory	133,631,784	15,478,123	-	6,462,811	142,647,096	-	50,342,046	-	5,079,124	8,719,908	53,982,830	88,664,266
Cost - Non Factory	75,182,342	4,249,998	-	-	79,432,340	-	24,638,151	-	-	5,479,419	30,117,570	49,314,770
Revaluation Surplus	73,878,811	-	-	-	73,878,811	-	19,023,795	-	-	5,485,502	24,509,297	49,369,514
	<u>282,692,937</u>	<u>19,728,121</u>	<u>-</u>	<u>6,462,811</u>	<u>295,958,247</u>	<u>-</u>	<u>94,003,992</u>	<u>-</u>	<u>5,079,124</u>	<u>19,684,829</u>	<u>108,609,697</u>	<u>187,348,550</u>
<b>PLANT &amp; MACHINERY</b>												
Cost	1,078,337,104	108,819,783	9,219,000	17,785,294	1,178,590,593	-	399,943,544	3,058,403	14,265,382	72,216,107	460,952,672	717,637,921
Revaluation Surplus	232,471,279	-	-	390,978	232,080,301	-	59,861,354	-	100,675	17,231,962	76,992,641	155,087,660
	<u>1,310,808,383</u>	<u>108,819,783</u>	<u>9,219,000</u>	<u>18,176,272</u>	<u>1,410,670,894</u>	<u>-</u>	<u>459,804,898</u>	<u>3,058,403</u>	<u>14,366,057</u>	<u>89,448,069</u>	<u>537,945,313</u>	<u>872,725,581</u>
<b>POWER HOUSE</b>												
WEIGHING BRIDGE & SCALE	2,123,933	423,553	-	387,112	2,160,374	-	829,510	-	282,897	161,376	707,989	1,452,385
LABORATORY EQUIPMENT	32,359,235	17,067,850	-	159,567	49,267,518	-	9,967,349	-	132,860	3,943,303	13,777,792	35,489,726
ELECTRIC INSTALLATION	46,436,736	12,990,230	-	991,177	58,435,789	-	16,369,345	-	761,675	4,282,812	19,890,482	38,545,307
TARPULINE	715,763	7,866	-	-	723,629	-	153,702	-	-	56,993	210,695	512,934
TUBE WELL	3,019,465	299,826	-	-	3,319,291	-	807,913	-	-	251,138	1,059,051	2,260,240
FURNITURE & FIXTURE	9,992,082	1,936,105	-	438,994	11,489,193	-	4,038,485	-	381,008	783,172	4,440,649	7,048,544
OFFICE EQUIPMENT	5,149,326	1,861,742	-	144,669	6,866,399	-	1,977,768	-	117,922	500,655	2,360,501	4,505,898
VEHICLES	24,917,975	6,160,780	-	972,680	30,166,075	20	14,554,968	-	809,491	3,272,119	17,017,596	13,088,479
FIRE FIGHTING EQUIPMENT	2,186,831	1,383,890	-	-	3,570,721	-	622,297	-	-	294,842	917,139	2,653,582
TELEPHONE	2,520,167	547,462	-	-	3,067,629	-	838,386	-	-	222,925	1,061,311	2,006,318
ARMS & AMMUNITION	6,130	-	-	-	6,130	-	4,845	-	-	129	4,974	1,156
AIR CONDITIONERS & REFRIGERATORS	393,861	-	-	393,861	-	-	340,645	-	340,645	-	-	-
Tools & Equipment	55,929	430,028	-	55,929	430,028	-	-	-	-	43,003	43,003	387,025
GENERATOR	1,852,225,807	266,788,161	9,219,000	30,416,747	2,097,816,221	-	604,350,171	3,058,403	22,307,747	126,115,896	711,216,723	1,386,599,498
	<u>33,064,000</u>	<u>-</u>	<u>(9,219,000)</u>	<u>-</u>	<u>23,845,000</u>	<u>10</u>	<u>10,966,982</u>	<u>(3,058,403)</u>	<u>-</u>	<u>1,593,442</u>	<u>9,504,021</u>	<u>14,340,979</u>
<b>LEASED ASSETS</b>												
30th June, 2006 (Rupees):	1,885,289,807	266,788,161	-	30,416,747	2,121,661,221	-	615,319,153	-	22,307,747	127,709,338	720,720,744	1,400,940,477
30th June, 2005 (Rupees):	1,791,288,398	94,206,667	-	205,258	1,885,289,807	-	510,646,828	-	196,698	104,869,023	615,319,153	1,269,970,654
	<u>127,709,338</u>	<u>104,869,023</u>										

15.2 Depreciation charged for the Year has been allocated as follows:  
 Cost of Goods Manufactured (Note 29.2)  
 Administrative Expenses (Note 30)

	12 MONTHS ENDED 30TH JUNE, 2006	10 MONTHS ENDED 30TH JUNE, 2005
RUPEES	122,425,580	101,079,259
RUPEES	5,205,465	3,789,764
	<u>127,709,338</u>	<u>104,869,023</u>

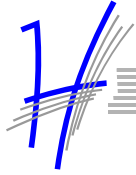


	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>16 CAPITAL WORK IN PROGRESS</b> comprises of:		
Buildings:		
Factory	41,998,741	493,901
Non-Factory	9,956,484	3,238,441
	51,955,225	3,732,342
Plant & Machinery	11,512,006	9,959,062
Electric Installation	5,973,755	498,711
Weighing Scale	-	320,096
Power House	-	21,947,067
Un-Allocated Capital Expenditure	24,337,860	-
	<u>93,778,846</u>	<u>36,457,278</u>
<b>17 LONG TERM INVESTMENTS</b>		
<b>QUOTED</b>		
<b>Kakakhel Industries Limited</b>		
150 (2005:150) shares of Rs. 10 each	4,621	4,621
(Quoted price on 30th June, 2006 Rs.8.70 per Share		
(30th June, 2005: Rs. 7.00 per Share)		
<b>Fatima Enterprises Limited</b>		
414,940 (2005: 414,940) Shares of Rs. 10 each	6,536,572	6,536,572
(Quoted price on 30th June, 2006 Rs. 21.50 per Share		
(30th June, 2005: Rs. 34.50 per Share)		
<b>Mubarak Textile Mills Limited</b>		
66,000 (2005: 66,000) Shares of Rs.10. each	182,700	182,700
(Quoted price on 30th June, 2006 Rs. 6.00 per Share		
(30th June, 2005, 2005: Rs. 6.00 per Share)		
	<u>6,723,893</u>	<u>6,723,893</u>
Provision for Diminution in Value	(3,316)	-
	<u>6,720,577</u>	<u>6,723,893</u>
<b>UNQUOTED</b>		
<b>Naseem Enterprises (Private) Limited.</b>		
80,000 (2005: 80,000) Shares of Rs. 100 each	8,000,000	8,000,000
	<u>14,720,577</u>	<u>14,723,893</u>
<b>18 LONG TERM DEPOSITS PREPAYMENTS &amp; DEFERRED COST</b>		
<b>18.1</b> These comprise of:		
Security Deposits	9,326,314	6,739,514
Preliminary Expenses (Note 18.2)	-	342,625
Pre-Commencement Expenditure (Note 18.3)	32,287,225	31,466,654
	<u>41,613,539</u>	<u>38,548,793</u>
<b>18.2 PRELIMINARY EXPENSES</b> are made up as follows:		
Balance as at 1st July, 2005	342,625	685,251
Less: Amortized during the Year	342,625	342,626
	-	342,625
<b>18.3 PRE-COMMENCEMENT EXPENDITURE</b>		
Balance as at 1st July, 2005	31,466,654	39,333,318
Add: Addition during the Year (Note 18.4)	8,687,235	-
	40,153,889	39,333,318
Less: Amortized during the Year	7,866,664	7,866,664
	<u>32,287,225</u>	<u>31,466,654</u>



18.4 This represents to Trial Run Production Loss of the New Ring Section, comprising 4,128 Spindles, for the period from 31st May, 2006 to 30th June, 2006 & will be amortised over a Five Year period of Commercial production.

	<b>30th June, 2006 Rupees</b>	<b>30th June, 2005 Rupees</b>
<b>19 STORES, SPARES &amp; LOOSE TOOLS</b> comprises of:		
Stores	10,492,241	8,315,151
Spares	23,011,224	15,524,767
Loose Tools	10,510	10,510
	<u>33,513,975</u>	<u>23,850,428</u>
<b>20 STOCK IN TRADE</b> comprises of:		
Raw Material	723,344,806	332,215,589
Work in Progress	15,142,913	13,681,498
Finished Goods	46,240,542	62,270,070
	<u>784,728,261</u>	<u>408,167,157</u>
<b>21 TRADE DEBTORS</b>		
<b>21.1</b> These comprise of:		
Export - Secured (Note 21.2)	68,043,049	75,437,564
Local - Unsecured Considered Good (Note 21.3)	76,178,145	64,806,740
	<u>144,221,194</u>	<u>140,244,304</u>
<b>21.2</b> Secured Debtors represent Foreign Bills under collection against Letters of Credit which have been secured against Bank Guarantees.		
<b>21.3</b> Local Debtors are arrived at as follows:		
Balance as at 30th June, 2006	76,688,015	65,316,610
Less: Provision for Doubtful Debts	509,870	509,870
	<u>76,178,145</u>	<u>64,806,740</u>
<b>22 LOANS &amp; ADVANCES</b>		
<b>22.1</b> These comprise of:		
Advances (unsecured considered good) to:		
Employees against Salaries (Note 22.2)	733,623	329,927
Suppliers of Goods & Services	74,157,958	81,130,278
Advance Income Tax	31,524,501	12,346,311
Immature Letters of Credit (Note 22.3)	115,855,935	3,206,287
	<u>222,272,017</u>	<u>97,012,803</u>
<b>22.2</b> These include Current Portion of Long Term Advances amounting to Rs. Nil (2005: Rs. 9,129)		
<b>22.3</b> These comprise of Opening Charges, Bank Charges & Payments of Documents Cost.		
<b>23 TRADE DEPOSITS &amp; SHORT TERM PRE-PAYMENTS</b> comprise of:		
Security Deposits	1,035,219	1,053,219
Short Term Pre-Payments	1,539,862	1,622,764
Other Deposits	733,055	998,802
	<u>3,308,136</u>	<u>3,674,785</u>
<b>24 SHORT TERM INVESTMENT</b> represents Shares held for sale & is made up as follows:		
Soneri Bank Limited		
32,000 (2005: Nil) shares of Rs. 10 each (Quoted price on 30th June, 2006 Rs. 39.00 per Share)	1,555,768	-
Provision for Diminution in Value	(307,768)	-
	<u>1,248,000</u>	<u>-</u>



**25 DUE FROM GOVERNMENT DEPARTMENTS** represents Income Tax Refundable

	30th June, 2006 Rupees	30th June, 2005 Rupees
<b>26 OTHER RECEIVABLES</b> comprise of:		
Sales Tax	26,939,695	2,312,896
Profit on Term Deposit Receipts	1,564,575	4,500,389
Penalty against Breach of Cotton Contract	12,785,415	-
Other Receivables	2,505,818	2,722,821
	<u>43,795,503</u>	<u>9,536,106</u>

**27 CASH & BANK BALANCES**

**27.1** These comprise of:

Cash in Hand	1,964,645	507,343
Cash with Banks in:		
Current Accounts	74,144,249	65,625,899
Deposits Accounts	(Note 27.2) 250,021,987	132,571,643
	<u>324,166,236</u>	<u>198,197,542</u>
	<u>326,130,881</u>	<u>198,704,885</u>

**27.2** These include Term Deposit. Receipt of Rs.100.000 Million (2005: Rs. 100.000 Million) held by Soneri Bank Limited, Rs. 100.000 Million (2005: Rs. Nil) held by NIB Bank Limited as security against its Short Term Finances. This will mature on repayment of finances obtained from the bank and carries Markup @ 10.50% (2005: 10%) per annum.

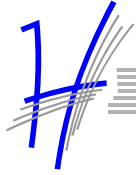
**27.3** This will mature on repayment of finances obtained from the bank and carries Markup @ 10.50% (2005: 10%) per annum while other TDRs carries markup ranging from 9.95% to 11.25% per annum.

	12 Months Ended 30th June, 2006 Rupees	10 Months Ended 30th June, 2005 Rupees
<b>28 SALES</b> are made up as follows:		
Local Sales:		
Yarn	1,147,426,524	1,191,989,890
Waste	35,397,665	27,094,567
	<u>1,182,824,189</u>	<u>1,219,084,457</u>
Less: Commission	7,942,373	9,138,846
Net Local Sales	<u>1,174,881,816</u>	<u>1,209,945,611</u>
Export Sales:		
Yarn	1,967,521,943	967,153,745
Waste	9,964,536	2,220,758
	<u>1,977,486,479</u>	<u>969,374,503</u>
Less:		
Commission	20,183,576	7,968,099
Exchange (Gain) / Loss	(129,507)	-
	<u>20,054,069</u>	<u>7,968,099</u>
Net Export Sales	<u>1,957,432,410</u>	<u>961,406,404</u>
	<u>3,132,314,226</u>	<u>2,171,352,015</u>

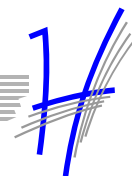




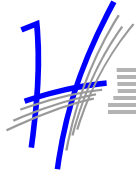
	<b>12 Months Ended 30th June, 2006 Rupees</b>	<b>10 Months Ended 30th June, 2005 Rupees</b>
<b>29 COST OF SALES</b>		
<b>29.1 This is made up as follows:</b>		
Finished Goods as at 1st July, 2005		
Regular Operation	62,270,070	37,101,646
Trial Run Operation	-	1,161,198
	<u>62,270,070</u>	<u>38,262,844</u>
Add:		
Cost of Goods Manufactured (Note 29.2)	2,406,598,460	1,803,207,988
Cost of Yarn Purchased	490,520,102	167,540,240
	<u>2,897,118,562</u>	<u>1,970,748,228</u>
	<u>2,959,388,632</u>	<u>2,009,011,072</u>
Less:		
Finished Goods as at 30th June, 2006	46,240,542	62,270,070
Cost Transferred to Trial Run Production of New Ring Section	10,098,648	-
	<u>56,339,190</u>	<u>62,270,070</u>
	<u>2,903,049,442</u>	<u>1,946,741,002</u>
<b>29.2 COST OF GOODS MANUFACTURED</b> is made up as follows:		
Work in Process as at 1st July, 2005	13,681,498	17,333,729
Raw Material Consumed (Note 29.3)	1,794,777,000	1,346,037,275
Packing Material Consumed	55,713,733	37,583,279
Stores Consumed	37,103,089	14,769,403
Salaries, Wages & Benefits	145,742,430	101,619,397
Power & Fuel	236,977,136	190,904,583
Insurance	4,716,296	4,254,314
Repair & Maintenance	7,808,144	5,564,767
Other Manufacturing Expenses	1,619,377	2,151,730
Depreciation (Note 15.2)	122,425,580	101,079,259
	<u>2,420,564,283</u>	<u>1,821,297,736</u>
Less:		
Work in Process as at 30th June, 2006	15,142,913	13,681,498
Processing charges paid/(Receipt)	1,177,090	(4,408,250)
	<u>2,406,598,460</u>	<u>1,803,207,988</u>
<b>29.3 RAW MATERIAL CONSUMED</b> is made up as follows:		
Balance as at 1st July, 2005	332,215,589	379,260,284
Purchases Including Expenses	2,185,906,217	1,263,372,656
Cost of Cotton transferred from Ginning Section	-	35,619,924
Available for Consumption	<u>2,518,121,806</u>	<u>1,678,252,864</u>
Balance as at 30th June, 2006	723,344,806	332,215,589
	<u>1,794,777,000</u>	<u>1,346,037,275</u>



	12 Months Ended 30th June, 2006 Rupees	10 Months Ended 30th June, 2005 Rupees
<b>30 ADMINISTRATION &amp; GENERAL EXPENSES</b>		
30.1 These comprise of:		
Directors' Remuneration	540,000	143,500
Staff Salaries & Benefits	24,199,753	17,421,328
Printing & Stationery	783,245	1,140,278
Communication	3,033,188	2,737,084
Sui Gas & Water Charges	287,401	311,876
Electricity	642,782	833,157
Insurance	1,066,159	1,095,595
Traveling & Conveyance	6,220,076	4,650,610
Entertainment	1,069,846	883,310
Rent, Rates & Taxes	538,286	254,757
Vehicle Running & Maintenance	3,794,675	2,729,920
Repair & Maintenance	756,185	554,804
Fees & Subscriptions	886,703	154,990
Legal & Professional Charges	1,017,800	200,200
Auditors' Remuneration (Note 30.2)	280,000	200,000
Advertisement & Publicity	36,350	40,100
ISO Expenses	345,669	106,260
Charity & Donations	3,516,600	2,068,336
Newspapers & Periodicals	48,031	78,146
Amortization of Deferred Cost (Note 18)	8,209,290	8,209,290
Depreciation (Note 15.2)	5,205,465	3,789,764
General Expenses	1,301,359	898,202
	<u>63,778,863</u>	<u>48,501,507</u>
<b>30.2 AUDITORS' REMUNERATION</b> is in respect of Statutory Audit		
<b>31 SELLING &amp; DISTRIBUTION EXPENSES</b> comprise of:		
Freight & Octroi:		
Local	5,657,511	4,397,578
Export	30,727,682	29,308,656
Clearing & Forwarding Expenses	3,361,570	4,515,561
Insurance Expenses	140,239	25,989
Export Development Surcharge	4,858,916	2,216,101
Quality Claim	2,314,850	-
Export Expense	5,143,858	-
Others	138,679	1,454,377
	<u>52,343,305</u>	<u>41,918,262</u>
Less: Allocated to Trail Run Production of New Ring Section	-	-
	<u>52,343,305</u>	<u>41,918,262</u>



	12 Months Ended 30th June, 2006 Rupees	10 Months Ended 30th June, 2005 Rupees
<b>32 FINANCE COST</b> is made up as follows:		
Markup on:		
Short Term Finance - secured	85,707,251	42,380,653
Term Finance - secured	65,286,455	30,267,538
Lease Finance Charges - secured	785,410	375,482
Foreign Currency Loan Account	-	333,516
Bank Charges & Commission	18,061,022	3,659,570
	<u>169,840,138</u>	<u>77,016,759</u>
Less: Allocated to:		
Trail Run Production of New Ring Section	6,304,014	-
Cost of Power House Capitalized	6,272,372	-
Unallocated Capital Expenditure of Weaving Unit	9,842,128	-
	<u>22,418,514</u>	<u>-</u>
	<u>147,421,624</u>	<u>77,016,759</u>
<b>33 OTHER OPERATING CHARGES</b>		
Investment Written Off (Note 34.2)	-	557,235
Provision for Diminution in Value of Investment	311,084	-
Bad Debts Written Off	-	1,130,601
Provision for Doubtful Debts (Note 21.3)	88,970	509,870
Workers Welfare Fund - Previous Year's	-	154,244
	<u>400,054</u>	<u>2,351,950</u>
<b>34 OTHER OPERATING INCOME</b>		
<b>34.1</b> This comprises of:		
Fine & Penalties (Note 34.2)	25,599,799	7,852
Profit on disposal of Fixed Assets	63,530	19,440
Sale of Salvage	104,810	47,560
Balances Written Back	10,242	-
Sale of Bailing Hoops	1,313,789	69,215
Dividend Income	542,830	-
Profit on TDRs	16,939,849	4,500,389
Rental Income	10,585	300,000
	<u>44,585,434</u>	<u>4,944,456</u>
<b>34.2</b> This include an amount of Rs. 25,570,831/- arising as a penalty on breach of Cotton Purchase Contract by a foreign Supplier.		
<b>35 GAIN ON DISPOSAL OF UNOPERATIONAL SEGMENT</b>		
During the Year the Company has disposed off its Kotri Ghee Unit. The Ghee Unit was closed down due to unprofitable operations and was remained as discontinued operation. The Ghee Unit has been sold to M/S Yaseen Enterprises for a consideration amounting to Rs. 15.000 million resulting a gain of Rs. 6.174 million.		
<b>36 TAXATION</b>		
<b>36.1</b> This relates to:		
Current Year (Note 36.2)	29,800,000	11,600,000
Prior Years	(156,479)	(1,888,725)
Deferred	(18,108,827)	35,794,706
	<u>11,534,694</u>	<u>45,505,981</u>



**36.2** In view of available Tax Losses the provision for Current Taxation represents the tax due on export proceeds under sub-section 4 of section 154 of Income Tax Ordinance, 2001.

**36.3** Income Tax Assessment up to Assessment Year 2002-2003 has been Finalized. Income Tax Returns for Tax Year 2003 to Tax Year 2005 were filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001 hence deemed to be assessed as declared.

### 37 PLANT CAPACITY & ACTUAL PRODUCTION

Kotri Ghee Production Unit

Un-Operational Kotri Ghee Unit has been disposed off during the Year.

	12 Months Ended 30th June, 2006	10 Months Ended 30th June, 2005
<b>Yarn Production Units-Multan</b>		
Number of Spindles Installed	55,640	51,912
Number of Rotors Installed	2,000	2,000
Number of Spindles Worked	54,956,528	46,152,974
Number of Rotors Worked	2,014,151	1,696,046
Number of Spindles Shifts Worked	56,635,008	47,188,008
Number of Rotors Shifts Worked	2,184,000	1,818,000
Actual Production Converted into 20/S Count. (Kgs.)	18,375,441	15,232,356
Actual Production of all Counts (Kgs.)	23,373,305	18,408,230
Number of Shifts Worked per day	3	3
Total Number of Shifts Worked during the Year/Period:		
Spindles	1,092	909
Rotors	1,092	909

It is difficult to describe precisely the production capacity in Spinning Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular Year.

The reason for under utilization of available capacity is attributable to normal Repair & Maintenance and Power failures.

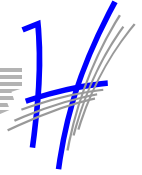
### 38 GENERAL

#### 38.1 Change of Financial Year

The financial year end of the textile industry was changed from September to June by the Central Board of Revenue vide its SRO No. 684(1)/2004 dated 10th August, 2004. Therefore, the financial statements for the previous year were prepared for a period of ten months from 1st September, 2004 to 30th June, 2005. hence not comparable with current year figures of 12 months.

**38.2** The corresponding figures of the previous Year have been re-arranged, wherever necessary, to facilitate comparison.

**38.3** Figures in these accounts have been rounded off to the nearest Rupee.



# CERTIFICATE OF REGISTRATION



MOODY INTERNATIONAL CERTIFICATION

*This is to certify that the  
Quality Management Systems of:*  
**HUSSAIN MILLS LIMITED UNIT # 1  
(MULTAN - PAKISTAN)**  
*have been assessed and registered against the  
following quality assurance standard/s:*

**BS EN ISO 9001 : 2000**

*The scope of the registration:*

**MANUFACTURING AND SALES OF YARN.**

(Further clarifications regarding the scope of this certificate and the applicability of ISO 9001 : 2000 requirements may be obtained by consulting the organization)

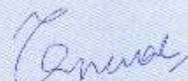
Certificate Number : 9906586

Date of Issue : 2nd August 2002

Valid Until : Ever Green

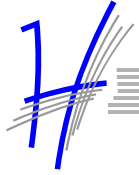


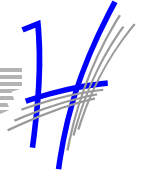
Registration Number  
014

  
Signed for and on behalf of  
Moody International Certification Limited

  
The Lord McNally  
Chairman

This is not a legal document and cannot be used as such. The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate 014. The certificate remains the property of Moody International Certification Limited to whom it must be returned on request.





## CERTIFICATE OF REGISTRATION



MOODY INTERNATIONAL CERTIFICATION

*This is to certify that the  
Environmental Management Systems of:*

***Hussain Mills Limited***


*have been assessed and registered against  
the following standard:*

***ISO 14001***

*The scope of the registration is detailed on the  
certificate schedule bearing this certificate number:*

Certificate Number **10019**

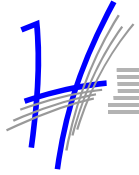
Issue Date **1<sup>st</sup> January 2004**  
*(Original issue date: 14<sup>th</sup> October 2003)*

For the Company 

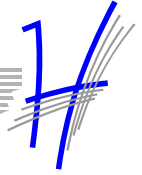
For the Governing Board **Brian Keenan**



The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate 014. The certificate remains the property of Moody International Certification Limited to whom it must be returned on request.







# CERTIFICATE

**BTTG**

Unit 12, Westpoint Enterprise Park,  
Clarence Avenue, Manchester, M17 1QS, UK.

Institute of the International Association for Research and Testing in the Field of Textile Ecology

The company

**Hussain Mills Ltd**

**Fazalabad  
Vehari Road**

**Multan, Pakistan**

is granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark, based on our **test report 18478**



**Tested for harmful substances**  
according to Oeko-Tex Standard 100

Test-No. 18478

BTTG Manchester

for the following articles:

**Greige yarns made of 100% cotton and cotton/elastane. Based on partially pre-certified materials according to Oeko-Tex Standard 100.**

The results of the inspection made according to Oeko-Tex Standard 100, product class II have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for products with direct contact to skin

The holder of the certificate, who has issued a conformity declaration according to EN 45 014, is under an obligation to use the Oeko-Tex mark only in conjunction with products that conform with the sample initially tested.

Manchester, 11.08.2005

This authorisation is valid until 11.08.2006

Ali King  
General Manager

Dr Tony Sagor  
Technical Manager