

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Consolidated Financial Statements comprising the Consolidated Balance Sheet of **KOHINOOR TEXTILE MILLS LIMITED** and its Subsidiary Company as at 30 June 2005 and the related Consolidated Profit and Loss Account, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the Notes forming part thereof, for the period then ended. We have also expressed a separate opinion on the financial statements of **KOHINOOR TEXTILE MILLS LIMITED**. The financial statements of Maple Leaf Cement Factory Limited have been audited by another firm of Chartered Accountants, whose report has been furnished to us. Our opinion in so far as it relates to the amounts included in respect of the subsidiary company, is based solely on the report of such other auditor. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of **KOHINOOR TEXTILE MILLS LIMITED** and its subsidiary company as at 30 June 2005 and the results of their operations for the period then ended.

Islamabad.  
23 September 2005.

RIAZ AHMAD & COMPANY  
Chartered Accountants

## CONSOLIDATED BALANCE SHEET

		30 Jun 2005	30 Sep 2004
	Note	(Rupees in thousand)	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital:			
120,735,325 (30 September 2004: 150,735,325)			
Ordinary Shares of Rs. 10 each		1,207,353	1,507,353
30,000,000 (30 September 2004: NIL)			
preference shares of Rs. 10 each		<u>300,000</u>	<u>-</u>
		<u>1,507,353</u>	<u>1,507,353</u>
Issued, subscribed and paid up share capital	5	962,158	801,798
Reserves	6	<u>2,468,292</u>	<u>2,017,036</u>
Shareholders' equity		3,430,450	2,818,834
<b>MINORITY INTEREST</b>	7	3,410,419	1,844,033
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	8	3,760,579	2,744,999
Term finance certificates	9	184,150	320,887
Liabilities against assets subject to finance lease	10	134,308	181,188
Long term deposits	11	6,572	7,182
Deferred tax liability	12	359,050	-
		4,444,659	3,254,256
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	961,934	755,568
Accrued mark-up		81,632	52,904
Short term borrowings	14	2,704,998	2,248,151
Taxation		-	61,032
Current portion of non-current liabilities	15	937,715	846,245
		4,686,279	3,963,900
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-
		<u>15,971,807</u>	<u>11,881,023</u>

The annexed notes form an integral part of these accounts.

Auditors' report of date is annexed hereto.

Lahore :  
23 September 2005

Chief Executive

## AS AT 30 JUNE 2005

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	11,128,568	7,639,707
Long term investment	18	5,000	5,000
Long term loans to employees	19	5,824	6,349
Long term deposits	20	26,909	36,269
Employee benefits	21	61,157	52,677
Goodwill	22	(292,140)	(340,830)
Deferred tax assets	12	–	14,390
		10,935,318	7,413,562
<b>CURRENT ASSETS</b>			
Stores and spares	23	1,564,668	1,346,370
Stocks-in-trade	24	1,295,902	959,401
Trade debts	25	732,979	597,391
Loans and advances	26	162,784	432,058
Security deposits and short term prepayments	27	39,091	24,488
Accrued interest		4,670	16,200
Other receivables	28	354,118	331,748
Short term investments	29	355,231	391,339
Taxation recoverable		8,904	–
Cash and bank balances	30	518,142	368,466
		5,036,489	4,467,461
		<u>15,971,807</u>	<u>11,881,023</u>

Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 JUNE 2005**

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
SALES	31	8,875,541	8,756,097
COST OF SALES	32	<u>6,988,488</u>	<u>6,892,296</u>
GROSS PROFIT		1,887,053	1,863,801
SELLING AND DISTRIBUTION EXPENSES	33	<u>198,349</u>	<u>213,019</u>
ADMINISTRATIVE EXPENSES	34	<u>118,497</u>	<u>140,788</u>
OTHER OPERATING EXPENSES	35	<u>73,917</u>	<u>55,592</u>
		<u>390,763</u>	<u>409,399</u>
PROFIT FROM OPERATIONS		1,496,290	1,454,402
OTHER OPERATING INCOME	36	<u>106,259</u>	<u>117,958</u>
		1,602,549	1,572,360
FINANCE COST	37	<u>378,883</u>	<u>463,085</u>
PROFIT BEFORE TAXATION		1,223,666	1,109,275
PROVISION FOR TAXATION	38	<u>358,999</u>	<u>345,661</u>
PROFIT AFTER TAXATION		864,667	763,614
LESS : MINORITY INTEREST			
Dividend on Preference Shares		<u>11,759</u>	<u>-</u>
Share in profit for the period		<u>356,928</u>	<u>243,111</u>
		<u>368,687</u>	<u>243,111</u>
PROFIT AFTER TAXATION AND MINORITY INTEREST		<u>495,980</u>	<u>520,503</u>
BASIC EARNING PER SHARE (RUPEES)	44	<u>5.20</u>	<u>5.90</u>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

Lahore :  
23 September 2005

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2005

	30 Jun 2005	30 Sep 2004
Note		
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Cash generated from operations	40 1,756,075	2,059,781
Finance cost paid	(350,155)	(550,379)
Vacation benefits paid	(2,275)	(1,795)
WPPF paid	(12,503)	-
Taxes paid	(55,496)	(50,695)
Net cash from operating activities	1,335,646	1,456,912
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Purchase of property, plant and equipment	(3,946,840)	(653,157)
Long term deposits	504	570
Return on bank deposits	14,595	-
Proceeds from sale of property, plant and equipment	39,987	70,345
Dividend received	11,886	15,955
Net cash used in investing activities	(3,879,868)	(566,287)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Proceeds from:		
Right issue of ordinary shares	970,490	-
Issue of preference shares	541,474	-
Long term financing – secured	1,308,558	349,491
Short term borrowing	456,847	(215,103)
Repayment of:		
Long term financing – secured	(210,500)	(638,123)
Finance leases	(102,832)	(142,418)
Term finance certificates	(136,737)	(59,513)
Dividend paid	(133,402)	(79,846)
Net cash from/used in financing activities	2,693,898	(785,512)
Net increase in cash and cash equivalents	149,676	105,113
Cash and cash equivalents at beginning of the period/year	368,466	263,353
Cash and cash equivalents at end of the period/year	30 518,142	368,466

The annexed notes form an integral part of these accounts.

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2005

Share Capital	Reserves											Total Shareholder's Equity	
	Capital Reserves						Revenue Reserves						
	Capital Reserve	Share Premium	Fair value Reserve	Reserve for Bonus Shares	Consolidated Reserve	Sub Total	General Reserve	Dividend Equalization Reserve	Unappropriated profit	Sub Total	Total Reserves		
----- (Rupees in thousand) -----													
Balance as at September 30, 2003													
– As previously reported	801,798	18,901	151,855	--	--	640,995	811,751	749,783	9,509	26,003	785,295	1,597,046	2,398,844
Effect of change in accounting policy (Note:4.9) Negative goodwill on acquisition of subsidiary	--	--	--	--	--	(486,903)	(486,903)	--	--	--	--	(486,903)	(486,903)
Post acquisition profits transferred to unappropriated profit	--	--	--	--	--	(154,092)	(154,092)	--	--	154,092	154,092	--	--
Amortisation of goodwill	--	--	--	--	--	--	--	--	--	97,383	97,383	97,383	97,383
Effect of change in accounting policy (Note : 4.10 & 4.2)	--	--	--	262,364	--	--	262,364	--	--	80,180	80,180	342,544	342,544
Balance as at 30 September 2003													
– As restated	801,798	18,901	151,855	262,364	--	--	433,120	749,783	9,509	357,658	1,116,950	1,550,070	2,351,868
Final Dividend for the year ended 30 September 2003	--	--	--	--	--	--	--	--	--	(80,180)	(80,180)	(80,180)	(80,180)
Effect of change in accounting policy (Note : 4.10)	--	--	--	26,643	--	--	26,643	--	--	--	--	26,643	26,643
Net Profit for the year ended 30 September 2004	--	--	--	--	--	--	--	--	--	520,503	520,503	520,503	520,503
Reserve for bonus shares	--	--	(80,180)	--	80,180	--	--	--	--	--	--	--	--
Transfer to general reserve	--	--	--	--	--	--	--	340,708	--	(340,708)	--	--	--
Balance as at 30 September 2004													
– As restated	801,798	18,901	71,675	289,007	80,180	--	459,763	1,090,491	9,509	457,273	1,557,273	2,017,036	2,818,834
Deficit on revaluation of short term investment to fair value	--	--	--	(36,108)	--	--	(36,108)	--	--	--	--	(36,108)	(36,108)
Bonus shares issued	80,180	--	--	--	(80,180)	--	(80,180)	--	--	--	--	(80,180)	--
Right shares issued at premium	80,180	--	80,180	--	--	--	80,180	--	--	--	--	80,180	160,360
Net profit for the period ended 30 June 2005	--	--	--	--	--	--	--	--	--	495,980	495,980	495,980	495,980
Write off of expenses on issue of ordinary and preference shares	--	--	--	--	--	--	--	--	--	(8,616)	(8,616)	(8,616)	(8,616)
Reserve for bonus shares	--	--	(96,216)	--	96,216	--	--	--	--	--	--	--	--
Transfer to general reserves	--	--	--	--	--	--	--	100,000	--	(100,000)	--	--	--
Balance as at 30 June 2005	962,158	18,901	55,639	252,899	96,216	--	423,655	1,190,491	9,509	844,637	2,044,637	2,468,292	3,430,450

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

# NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2005

## 1. THE GROUP AND ITS OPERATIONS

### Holding Company

Kohinoor Textile Mills Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 42 Lawrence Road, Lahore. The Company holds 50.13% shares of the subsidiary company. The principal activity of the company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products.

### Subsidiary Company

Maple Leaf Cement Factory Limited ("the Subsidiary") was incorporated in Pakistan on 13 April, 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a public company limited by shares and was listed on stock exchanges in Pakistan on 17 August, 1994. The registered office of the company is situated at 42-Lawrence Road, Lahore, Pakistan. The company is engaged in production and sale of cement.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 3. CHANGE IN THE FINANCIAL YEAR

During the current year, the holding company has changed its financial year from September to June in pursuance of SRO No. 684(I)/2004, dated August 10, 2004 of Central Board of Revenue (CBR). As a result of which, consolidated profit and loss account has been prepared for nine months period of the holding company while full year's figures of subsidiary company have been incorporated. Therefore comparative amounts for consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flows statement and related notes of twelve months are not comparable.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except modified by short term investments, certain employee benefits and foreign currencies as stated in Notes 4.3, 4.10 and 4.17 respectively at fair value.

### 4.2 Dividend

In the previous years, proposed or declared dividend after the balance sheet date was recognized as a liability. After the amendments in the Fourth Schedule to the companies Ordinance, 1984, promulgated by Notification No. 589(I)/2004, dated July 05, 2004, dividend will be recognized as a liability in the year in which it is declared and approved to meet the requirement of International Accounting Standard (IAS) 10 "Events After the Balance Sheet Date".

The effect of change in accounting policy has been reflected in the statement of changes in equity in accordance with the recommended benchmark treatment of IAS - 8, Net Profit or Loss for the Period, Fundamental Errors and changes in Accounting Policies. The change in accounting policy has not resulted in any change in the profit for the current period.

### 4.3 Employee Benefits

#### Holding Company

The Company operates an approved defined contribution provident fund for all its employees. Equal monthly contributions are made both by the Company and employees at the rate of 8.33 percent of basic salary and cost of living allowance to the fund.

#### Subsidiary Company

a) **Defined contribution plan**

The Subsidiary operates a defined contributory approved provident fund for all its employees. Equal monthly contributions are made both by the Subsidiary and employees at the rate of 10% of the basic salary to the fund.

b) **Defined benefit plant**

The Subsidiary also maintains an approved funded gratuity fund under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service. The contributions are made to the fund in accordance with the actuary's recommendations based on the actuarial valuation of the fund as on 30 June, 2005, using projected unit credit method. Actuarial gains / losses are recognized in accordance within the limits set-out by IAS 19 " Employees Benefit "

c) **Liability for employees' compensated absences**

The Subsidiary accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations is made using the current salary level of employees.

### 4.4 Taxation

#### Current

The Group falls in the ambit of presumptive tax regime regarding export sales under section 154 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the prevailing current rates after considering the rebates and tax credits available, if any.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

### 4.5 Trade and other payables

Liabilities for trade and other amounts payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

#### **4.6 Provisions**

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

#### **4.7 Finance leases**

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease 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 rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Finance charge of the rental is charged to profit over the lease term.

#### **4.8 Property, plant, equipment and depreciation**

##### **Holding Company**

##### **a) Owned**

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost. Cost in relation to certain property, plant and equipment signifies acquisition cost and borrowing costs as referred to in note 4.16.

Depreciation on all operating property, plant and equipment is charged to income on reducing balance method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 17.1. Full year's depreciation is charged on addition, while no depreciation is charged on assets disposed during the year. Impairment loss or its reversal, if any, is also charged to income.

Major repairs and renewals are capitalized. Minor repairs and maintenance are charged to income as and when incurred. Gain or loss on disposal or retirement of an asset is recognized as an income or expense.

##### **b) Leased**

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. Depreciation is charged on the basis and rates similar to those applied for owned assets.

##### **Subsidiary company**

Property, plant and equipment, except freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses. Freehold land and capital work-in-progress are stated at cost. Cost in relation to certain plant & machinery represents historical cost, exchange differences referred to in note 4.17 and the cost of borrowings during the construction period in respect of loans taken for the specific projects.

Transactions relating to jointly owned assets with Pak American Fertilizers Limited (PAFL), as stated in note 17.1.6, are recorded on the basis of advices received from the housing colony.

Depreciation is calculated at the rates specified in note 17.1 on reducing balancing method except that straight-line method is used for the plant, machinery and buildings relating to dry process plant after deducting residual value.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains / losses on disposal of property, plant and equipment, if any, are taken to profit and loss account.

#### **4.9 Goodwill**

On acquisition of an entity, difference between the purchase consideration and the fair value of the identifiable assets and liabilities acquired, is initially recognised as goodwill and amortized on a straight line basis over the estimated useful life of the acquired depreciable assets at an annual rate of 10%.

Previously, goodwill was grouped in consolidated reserve. The presentation has been changed to comply with International Accounting Standard (IAS) – 22 "Business Combinations".

The effect of change has been reflected in the statement of changes in equity in accordance with the recommended benchmark treatment of IAS – 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. Had there been no change, the consolidated profit for the period ended 30 June 2005, unappropriated profit and goodwill would have been lower by Rs. 48.690 million, Rs. 541.154 million and Rs. 292.140 million respectively and the consolidated reserve would have been higher by Rs. 881.984 million.

#### **4.10 Investments**

##### **Equity investment in subsidiary and associated companies**

###### **Holding company**

The Company has changed its accounting policy with respect to investments in associated companies. Previously these were stated at cost. Now investments in subsidiary and associates are classified as "Available for Sale" under International Accounting Standard (IAS) - 39 "Financial Instruments: Recognition and Measurement". Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investment for which a quoted market price is not available, is measured at cost as it is not possible to apply any other valuation methodology. Gain and losses on remeasurement to fair value are recognized directly in equity, through the statement of changes in equity.

Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the benchmark treatment of IAS-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policy.

Had there been no change, the short term investments and fair value reserve for the period ended 30 June 2005 would have been lower by Rs. 252.899 million and Rs. 252.899 million respectively.

###### **Subsidiary company**

Investments in equity instruments of associates are carried at cost. Impairment losses are recognized whenever the carrying amount of investments exceeds its recoverable amount. An impairment loss and gain / (loss) is recognized in income currently.

###### **Other investments**

The other investments made by the Group are classified for the purpose of measurement into the following categories:

###### **Held to maturity**

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

### **Held for trading**

These are recognized at fair value and changes in carrying values are included in profit and loss account.

### **Available for sale**

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investment for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Gain and losses on remeasurement to fair value are recognized directly in equity, through the statement of changes in equity.

All purchases and sales of investments are recognized on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

#### **4.11 Stores and spares**

Stores, spares and loose tools are valued at moving average cost. Items in transit are valued at costs comprising invoice value plus other charges paid thereon upto the balance sheet date.

#### **4.12 Stock-in-trade**

Stock of raw material, work-in-process and finished goods are valued at the lower of cost and net realizable value except process wastes, which are valued at net realizable value. Material in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost and net realizable value are defined as under:

##### **Cost**

- I) for raw material – weighted average cost.
- II) For work-in-process and finished goods - annual average cost consisting of cost of material, labour and appropriate production overheads.

##### **Net realizable value**

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make sale

#### **4.13 Trade and other receivables**

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

#### **4.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

#### **4.15 Revenue recognition**

- a) Revenue from local sales is recognized on dispatch of goods to customers while in case of export sales it is recognized on the date of bill of lading.
- b) Dividend on equity investments is recognized as income when the group's right to receive payment is established.

c) Interest on bank deposits is recognized on accrual basis.

#### **4.16 Borrowings costs**

Borrowing costs are capitalized upto the date of commissioning of respective fixed asset acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

#### **4.17 Foreign currencies**

Transactions in foreign currency during the year are translated into Pak Rupees at the rates of exchange prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing on the balance sheet date except where forward exchange contracts have been made, in which case the contracted rates are applied. Exchange gains and losses are taken to the profit and loss account.

During the current period, the group has changed its accounting policy with respect to capitalization of exchange differences in pursuance of revised Fourth Schedule to the Companies Ordinance, 1984. Previously exchange differences on loans utilized for the acquisition of fixed assets were capitalized and all other exchange differences were charged to income. The group now charges all exchange differences to profit and loss account.

The change in accounting policy as referred to above has no effect on the amounts reported for the current year.

#### **4.18 Financial assets and liabilities**

Financial assets and liabilities are recognized at the time the group becomes a party to the contractual provisions of the instruments and are measured at cost, which is fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Financial assets are derecognized when the group loses control of the contractual rights that comprise the financial asset. The group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the group surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

#### **4.19 Off setting**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the group has a legally enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

#### **4.20 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 loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized in profit and loss account.

#### **4.21 Related party transactions**

Transactions and contracts with the related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method except in circumstances where it is in the interest of the group to do so with prior approval of the board of directors.

#### **4.22 Un-allocated capital expenditure**

All cost or expenditure attributable to work-in-progress are capitalised and apportioned to buildings and plant & machinery at the time of commencement of commercial operations.

		30 Jun 2005	30 Sep 2004
		(Rupees in thousand)	
<b>5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>			
1,596,672 ordinary shares of Rs. 10 each allotted on reorganization of Kohinoor Industries Limited		15,967	15,967
26,156,000 ordinary shares allotted under scheme of arrangement of merger of Part II of Maple Leaf Electric Company Limited		261,560	261,560
26,858,897 ordinary shares allotted under scheme of arrangement of merger of Kohinoor Raiwind Mills Limited and Kohinoor Gujar Khan Mills Limited		268,589	268,589
18,468,336 (2004 : 10,450,363 ) ordinary shares of Rs. 10 each issued as bonus shares		184,684	104,504
23,135,776 (2004 : 15,117,803) ordinary shares of Rs. 10 each issued for cash		<u>231,358</u>	<u>151,178</u>
		<u>962,158</u>	<u>801,798</u>
<b>5.1 Reconciliation of the number of shares outstanding</b>		<b>(Number of shares)</b>	
Number of shares outstanding at the beginning of the period/year		80,179,735	80,179,735
Add: 10% Bonus issue of shares during the period/year		<u>8,017,973</u>	<u>-</u>
10% Right issue of shares during the period/year		<u>8,017,973</u>	<u>-</u>
		<u>16,035,946</u>	<u>-</u>
		<u>96,215,681</u>	<u>80,179,735</u>
	Note	30 Jun 2005	30 Sep 2004
		(Rupees in thousand)	
<b>6. RESERVES</b>			
<b>Capital reserves</b>			
Capital reserve		<u>18,901</u>	<u>18,901</u>
Share premium	6.1	<u>55,639</u>	<u>71,675</u>
Fair value reserve	6.2	<u>252,899</u>	<u>289,007</u>
Reserve for issue of bonus shares		<u>96,216</u>	<u>80,180</u>
		<u>423,655</u>	<u>459,763</u>
<b>Revenue reserves</b>			
General reserve		<u>1,190,491</u>	<u>1,090,491</u>
Dividend equalization reserves		<u>9,509</u>	<u>9,509</u>
Unappropriated profit		<u>844,637</u>	<u>457,273</u>
		<u>2,044,637</u>	<u>1,557,273</u>
		<u>2,468,292</u>	<u>2,017,036</u>
<b>6.1</b>	This reserve can be utilized by the Group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.		
<b>6.2</b>	This represents the surplus on revaluation of short term investments to their fair values.		
<b>7. MINORITY INTEREST</b>			
Opening balance		1,844,033	1,600,922
Add: Share during the period/year in:			
- Ordinary share capital		<u>450,072</u>	<u>-</u>
- Preference share capital		<u>541,474</u>	<u>-</u>
- Share premium		<u>341,175</u>	<u>-</u>
- Profit		<u>368,687</u>	<u>243,111</u>
		<u>1,701,408</u>	<u>243,111</u>
Less: Payment of dividend		<u>135,022</u>	<u>-</u>
		<u>3,410,419</u>	<u>1,844,033</u>

8. LONG TERM FINANCING	Note	30 Jun 2005	30 Sep 2004
From banking companies and other financial institutions - Secured		(Rupees)	
National Bank of Pakistan (NBP-1)	8.1	49,212	31,700
MCB Bank Limited-formerly Muslim Commercial Bank Ltd. (MCB-1)	8.2	23,734	33,905
MCB Bank Limited-formerly Muslim Commercial Bank Ltd. (MCB-2)	8.3	125,000	162,500
The Bank of Punjab (BOP-1)	8.4	292,177	107,920
Union Bank Limited (UNB-1)	8.5	109,600	109,262
Pakistan Industrial Credit and Investment Corporation Ltd. (PICIC)	8.6	69,204	82,937
United Bank Limited (UBL)	8.7	162,500	200,000
Allied Bank Limited (ABL-1)	8.8	83,886	--
Allied Bank Limited (ABL-2)	8.9	500,000	--
Askari Commercial Bank Limited (ACBL-1)	8.10	350,000	--
PICIC Commercial Bank Limited (PCBL-1)		--	100,000
Saudi Pak Industrial and Agricultural Investment Co. (Private) Limited (SPIAICPL)	8.11	65,000	--
MCB Bank Limited-formerly Muslim Commercial Bank Ltd. (MCB-3)	8.12	71,300	107,700
MCB Bank Limited-formerly Muslim Commercial Bank Ltd. (MCB-4)	8.13	444,730	533,676
Habib Bank Limited (HBL)	8.13	444,730	533,676
MCB Bank Limited-formerly Muslim Commercial Bank Ltd. (MCB-5)	8.14	157,143	185,715
Faysal Bank Limited (FBL)	8.14	275,000	325,000
The Bank of Punjab (BOP-2)	8.14	80,000	100,000
Askari Commercial Bank Limited (ACBL-2)	8.14	40,000	50,000
First Women Bank Limited (FWB)	8.14	28,000	35,000
National Bank of Pakistan (NBP-2)	8.15	520,833	625,000
Union Bank Limited (UNB-2)	8.16	250,000	--
National Bank of Pakistan (NBP-3)	8.16	150,000	--
PICIC Commercial Bank Limited (PCBL-2)	8.16	130,000	--
		4,422,049	3,323,991
Less Current portion	15	668,947	586,469
		3,753,102	2,737,522
<b>Other loans - Unsecured</b>			
Kohinoor Sugar Mills Limited (KSML)	8.17	4,794	4,794
Kohinoor Industries Limited (KIL)	8.18	2,683	2,683
		7,477	7,477
		3,760,579	2,744,999

#### **8.1 National Bank of Pakistan (NBP)**

This represents demand finance facility of Rs. 60 million, obtained for import of textile machinery for balancing, modernization and is allowed for a period of four and a half year including a grace period of six months. The tentative expiry period of the facility is March 2008. The facility is repayable in sixteen (16) quarterly installments. It is secured by first exclusive charge on machinery amounting to Rs. 80 million and personal guarantee of sponsor directors. It carries mark up at the rate of 6-months KIBOR plus 1.50% with a floor of 4% per annum.

#### **8.2 MCB Bank Limited – formerly Muslim Commercial Bank Limited (MCB-1)**

This represents demand finance loan of Rs. 40.793 million, obtained for import of textile machinery for BMR and is repayable in twelve (12) equal quarterly installment commencing from April 12, 2004. It is secured by first registered exclusive charge for Rs. 55 million over imported machinery and personal guarantees of sponsor directors. It carries mark up at the rate of 6-months KIBOR plus 1.75% with a floor of 5% per annum.

#### **8.3 MCB Bank Limited – formerly Muslim Commercial Bank Limited (MCB-2)**

This represents demand finance loan of Rs. 200 million, obtained for import of Picanol Airjet Looms and is repayable in sixteen (16) equal quarterly installments commencing from March 31, 2004. It is secured by first registered pari passu charge on fixed assets of the company (Raiwind Division) and personal guarantees of sponsor directors of the company. It carries mark up at the rate of 5% per annum.

#### **8.4 The Bank of Punjab (BOP)**

This represents demand finance facility of Rs. 300 million, obtained for import of state of art machinery and is allowed for a period of four years with a grace period of six months. The loan is repayable in equal half yearly installments commencing after conclusion of grace period. It is secured by bank's exclusive hypothecation charge on machinery imported and personal guarantees of sponsor directors. It carries mark up at the rate of 6-months KIBOR plus 100 basis points (bps) with a floor of 4.25% per annum, payable quarterly .

#### **8.5 Union Bank Limited (UNB)**

This represents the term finance facility of Rs. 110 million, obtained for import of state of art machinery and allowed for a period of five years including a grace period of one year. The facility is payable in sixteen (16) equal quarterly installments. It is secured by first exclusive charge on machinery and personal guarantees of sponsor director. It carries mark up at the rate of 6-month KIBOR plus 2.25% per annum with no floor and cap.

#### **8.6 Pakistan Industrial Credit and Investment Corporation Limited (PICIC)**

This represents a loan of Rs. 100 million obtained from PICIC against import of Air Jet Looms for Raiwind Division. It is repayable in twenty (20) equal quarterly installments, commencing from October 03, 2003. It is secured by first legal mortgage ranking pari passu with the existing first charge already created in favour of PICIC on the company's (Raiwind Division) present and future immovable properties wherever situated including all buildings, fixed plants, machinery and fixtures and personal guarantees of the sponsor directors. It carries mark up at the rate from 7.50% to 9% (2004: 7.50%) per annum.

#### **8.7 United Bank Limited (UBL)**

This represents the term loan facility of Rs. 200 million, to finance BMR at Kohinoor Textile Mills Limited (Rawalpindi and Gujar Khan Divisions) and to refinance loans of other banks. The term loan facility is allowed for a period of five years with one year grace period and is repayable in sixteen (16) equal quarterly installments, commencing from December 31, 2004. It carries mark up at rate of 6 months treasury bills cut-off rate plus 275 basis points with a floor of 4.5 % per annum. It is secured by first pari passu charge for Rs. 266 million of all existing and future fixed assets of Kohinoor Textile Mills Limited (Raiwind Division) and personal guarantees of the sponsor directors.

#### **8.8 Allied Bank Limited (ABL-1)**

This represents term finance facility of Rs. 200 million, obtained for import of state of art machinery and is allowed for a period of five years with a grace period of one year. The facility is repayable in sixteen (16) equal quarterly installments commencing after conclusion of grace period. It is secured by first exclusive charge on machinery imported. It carries mark up at the rate of 6-months KIBOR ask side plus 1.75% per annum with no floor and cap.

#### **8.9 Allied Bank Limited (ABL-2)**

This represents the demand finance facility of Rs. 500 million, obtained for BMR and is allowed for a period of five years with a grace period of one year. The facility is repayable in sixteen (16) equal quarterly installments commencing after expiry of moratorium period. It is secured by first specific pari passu charge over surplus piece of land measuring 43 acres, 7 kanals and 12 marlas at Rawalpindi. It carries mark up at the rate of 6-months KIBOR plus 2% per annum.

#### **8.10 Askari Commercial Bank Limited (ACBL)**

This represents the demand finance facility of Rs. 350 million, converted from short term finances and is allowed for a period of three years with one year moratorium. The facility is repayable in eight (8) equal quarterly installments commencing after expiry of moratorium period. It is secured by first specific pari passu charge over surplus piece of land measuring 43 acres, 7 kanals and 12 marlas at Rawalpindi. It carries mark up at the rate of 6-months KIBOR plus 125 basis points per annum. Formal sanction letter and repayment schedule is awaited from the bank.

#### **8.11 Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Limited (SPIAICPL)**

This represents the term finance facility of Rs. 65 million, obtained for import of textile machinery and is allowed for a period of five years with a grace period of six months. The facility is repayable in eighteen (18) equal quarterly installments commencing from February 19, 2005. It is secured by first exclusive charge on machinery imported. It carries mark up at the rate of 6-months KIBOR average ask plus 1.75% per annum.

#### **8.12 MCB Bank Limited - formerly Muslim Commercial Bank Limited (MCB-3)**

Year-end balance of this loan is repayable in four half-yearly installments by January, 2007 and carries mark-up at the rate of 6-months Karachi Inter Bank Offered Rate (KIBOR) + 2.29% with no floor or cap.

**8.13** These loans have been obtained from a consortium comprising of MCB and HBL and are repayable in 14 half-yearly equal installments commenced from December, 2003. These loans carry mark-up at the rate of 6-months KIBOR + 2.29%.

**8.14** These loans have been obtained from a consortium comprising of MCB, FBL, BoP, ACBL and FWB in two tranches. First tranche of Rs.550 million was disbursed in December, 2003 by FBL and MCB, which carries mark-up at the rate of 6-months treasury bills rate + 2.75% per annum, with no floor or cap. These loans are repayable in fourteen half-yearly equal installments commenced from June, 2004.

Second and final tranche was disbursed by BoP, ACBL and FWB in April, 2004 at a mark-up rate of 6-months KIBOR + 2.21% per annum. These loans are repayable in ten half-yearly equal installments commenced from October, 2004. Mark-up on these loans is payable on quarterly basis.

**8.15 National Bank of Pakistan (NBP-2)**

This loan carries mark-up at the rate of 6-months KIBOR + 2.25% per annum with no floor or cap and is repayable in twelve equal half-yearly installments commenced from October, 2004.

**8.16** These long term loans aggregating Rs.530 million have been obtained from a syndicate of commercial banks ( i.e. UNB, NBP and PCBL) to fund the conversion of one of the existing wet process lines for grey cement to 500 tons per day dry process line of white cement. Under the terms of syndication financing agreement dated 16 August, 2004, this loan facility is available for a period of seven years, which includes a grace period of two years; repayment of these loans will be effected in 20 unequal quarterly installments. These loans carry mark-up at the rate of 6-months KIBOR + 2.25% per annum with no floor or cap.

The loans, as detailed in notes 8.12 to 8.16 above relates to subsidiary company and are secured by first pari passu charge over present and future fixed assets of the subsidiary company, demand promissory notes and personal guarantees of some of the directors.

Long term finance facility of Rs.4.800 billion is available to subsidiary company from a syndicate of commercial banks and development finance institution [i.e. NBP, HBL, Allied Bank of Pakistan Ltd. (ABL), FBL, PCBL, BoP and Saudi Pak Industrial and Agricultural Investment company (Pvt.) Ltd. (SAPICO)] for financing the ongoing expansion project of 6,700 tpd clinker capacity. This finance facility is available upto 30 June, 2007 and will be secured against first pari passu charge on all present and future fixed assets of the subsidiary company and personal guarantees of some of the directors of the subsidiary company. Out of the available finance facility of Rs.4.800 billion, the subsidiary company has established an irrevocable letter of credit of Rs.3.701 billion during October, 2004.

The subsidiary company, during the year in addition to above loans, has also utilized a syndicated bridge finance facility of Rs.925 million from a consortium of commercial banks comprising of NBP, HBL, ABL, FBL and PCBL for the expansion project. The entire outstanding balance of this finance facility was fully repaid through the receipt of right issue of shares.

**8.17 Kohinoor Sugar Mills Limited (KSML)**

A civil suit has been filed by KSML for recovery of disputed liability which is being contested by the Company.

**8.18 Kohinoor Industries Limited (KIL)**

The balance is an old one, un-reconciled, unconfirmed and disputed.

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>9. TERM FINANCE CERTIFICATES (TFCs) - SECURED</b>			
Term Finance Certificates – Holding company		213,750	267,187
Term Finance Certificates – Subsidiary company		124,950	208,250
		<u>338,700</u>	<u>475,437</u>
Less: Current portion	15	<u>154,550</u>	<u>154,550</u>
		<u><u>184,150</u></u>	<u><u>320,887</u></u>

#### **Term Finance Certificates – Holding company**

The Company has issued privately placed term finance certificates comprising 57 sets of Rs. 5 million each (each set comprise 20 scrips of Rs. 0.250 million each) to raise Rs. 285 million to refinance existing borrowings availed by the Company.

The term finance certificates are redeemable in twenty (20) quarterly installments commencing from August 01, 2003. First four redemption installments comprise of token principal redemption of Re. 1 and profit on each TFC. The balance principal redemption is payable in sixteen (16) equal quarterly installments alongwith profits. The rate of return on term finance certificates is to be determined at seven days before commencement of each quarter for the tenor of the relevant quarter and it will be 6-months KIBOR plus 2% per annum.

The Company may redeem the TFCs by way of exercise of the Call Option by giving written notice and/or public notice to the TFCs holders and the trustee at least ninety (90) days prior to the option date(s). The first Option date fall on the fourth redemption date and each subsequent redemption date shall also be an Option date. The date of maturity of the TFCs is May 01, 2008.

These TFCs are secured by way of first pari passu charge on all present and future fixed assets of the Company amounting to 1.5 times of the outstanding coupon amount and personal guarantees of sponsor directors.

Faysal Bank Limited has been appointed as trustee under the trust deed and is paid a fee at the rate of 0.05% per annum of the outstanding coupon amount at the beginning of the year.

#### **Term Finance Certificates – Subsidiary company**

The Subsidiary had raised Rs. 250 million by issuing 50,000 TFCs as fully paid scrips of Rs. 5,000 denomination. These TFCs are listed on the Karachi Stock Exchange and the market value of one TFC was Rs. 5,400 as at 30 June 2005 (2004: Rs. 5,450).

The year-end outstanding balance of these TFCs is redeemable in three equal half-yearly installments.

The return on TFCs is payable half-yearly and is calculated at the 5 years' Pakistan Investment Bonds rate plus 2.50% with the floor and cap rate of 15.25% and 17.75% per annum respectively.

The TFCs are secured by way of first charge ranking pari passu on the present and future fixed assets of the Subsidiary, excluding freehold land and buildings, and personal guarantee of the company's Chief Executive.

To protect the TFC holders, Faysal Bank Ltd. has been appointed as trustee under the Trust Deed dated 27 June 2002. The bank is paid fees at the rate of 0.05% per annum of the outstanding balance of TFCs.

In case the Subsidiary defaults on any of its obligations, the trustee may enforce the Subsidiary's obligations in accordance with the terms of the trust deed. The proceeds of any such enforcements shall be distributed to the TFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the TFCs.

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>			
Minimum lease payments		279,599	303,963
Less : Un-amortized finance charges		31,073	17,549
Present value of minimum lease payments		248,526	286,414
Less: Current portion	15	114,218	105,226
		<u>134,308</u>	<u>181,188</u>

10.1 The present value of minimum lease payments has been discounted at an implicit interest rate ranges from 6.27% to 18.35% (2004: from 8.50% to 20%) per annum to arrive at their present value.

The lease rentals are payable in monthly and quarterly installments. In case of any default an additional charge at the rate of 0.1 percent per day shall be payable. Taxes, repairs, replacements and insurance costs are to be borne by the Company. The lease agreements carry renewal and purchase option at the end of the lease term. There are no financial restrictions in lease agreements. These are secured by deposit of Rupees 30.501 million (2004: 32.27 million) included in long term security deposits, demand promissory notes, personal guarantees and pledge of sponsors' shares in public limited companies.

10.2 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	129,158	114,218	119,267	105,226
Due later than one year but not later than five years	150,441	134,308	184,696	181,188
	<u>279,599</u>	<u>248,526</u>	<u>303,963</u>	<u>286,414</u>

## 11. LONG TERM DEPOSITS

These represent interest-free security deposits from stockists and are repayable on cancellation or withdrawal of the dealerships. These are being utilised by the Subsidiary in accordance with the terms of dealership agreements.

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>12. DEFERRED TAXATION</b>			
The liability for deferred taxation comprises timing differences relating to:			
<b>Taxable temporary difference</b>			
Accelerated tax depreciation allowance		1,015,302	1,001,695
<b>Deductible temporary differences</b>			
Tax losses carry forward		(626,058)	(1,016,085)
Provision for doubtful debts		(698)	-
Provision for obsolete stores & spares		(4,690)	-
Deferred liability for vacation benefits		(2,980)	-
Minimum tax recoverable against tax charge in future years		(21,826)	-
		<u>(656,252)</u>	<u>(1,016,085)</u>
		<u>359,050</u>	<u>(14,390)</u>
<b>13. TRADE AND OTHER PAYABLES</b>			
Creditors		613,766	497,384
Accrued liabilities		196,248	135,698
Customers deposit-interest free repayable on demand	13.1	31,268	35,540
Advances from customers		8,800	6,730
Contractors' retention money		21,020	8,756
Royalty payable		2,832	1,521
Workers' profit participation fund	13.2	67,660	55,864
Unclaimed dividend		4,773	3,153
Due to associated undertakings		-	2,557
Withholding tax payable		6,082	3,786
Others		9,485	4,579
		<u>961,934</u>	<u>755,568</u>
<b>13.1</b>	The distributors and contractors give the Group a right to utilise these deposits in the normal course of business.		
<b>13.2 WORKERS' PROFIT PARTICIPATION</b>			
Balance at beginning of the period/year		55,864	15,303
Allocation for the period/year	35	61,840	53,420
		<u>117,704</u>	<u>68,723</u>
Interest on funds utilized in the group's business		262	269
		<u>117,966</u>	<u>68,992</u>
Less: Current provision		50,306	13,128
		<u>67,660</u>	<u>55,864</u>
<b>14. SHORT TERM BORROWINGS - Secured</b>			
<b>From banking companies:</b>			
Running finances	14.1	1,283,473	1,024,553
Export refinances	14.2	1,421,525	1,223,598
		<u>2,704,998</u>	<u>2,248,151</u>

14.1 The facilities for running finances available from various banks aggregate to Rupees 4,697 million (2004: Rupees 3,658 million). The rates of mark-up range from 2.30% to 9.98% (2004: from 2.20% to 5.50%) per annum. These arrangements are secured by pledge of stocks and marketable securities, hypothecation of work-in-process, letter of credits, firm contracts, book debts, second and third registered charge of fixed assets of the Group.

14.2 The export refinance facilities obtained from various banks aggregate to Rupees 2,260 million (2004: Rupees 2,430 million). The rates of mark-up range from 2.30% to 9.57% (2004: from 2.20% to 5.50%). These arrangements are secured by pledge of stocks and marketable securities, hypothecation of work-in-process, letters of credit, firm contracts, book debts, second and third registered charge of fixed assets of the Group.

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>15. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing - secured	8	668,947	586,469
Term finance certificates	9	154,550	154,550
Liabilities against assets subject to finance lease	10	114,218	105,226
		937,715	846,245

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies – Holding company

- a. In framing the assessment for the assessment year 2002-03, the tax authorities has assessed loss for the year at Rs. 16.486 million by charging to tax the dividend income separately against the declared income of Rs. 5.101 million in addition to disallowing profit and loss expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these demands and has filed appeal with the Income Tax Appellate Tribunal against the order of the tax authorities. Pending the outcome of the appeal no provision has been made in these financial statements for the additional demand for the assessment year 2002-03, which on the basis adopted by the authorities would amount to Rs. 2.541 million, since the Company has strong grounds against the assessment framed by the tax authorities.
- b. The Company and the tax authorities has filed appeals before different appellate authorities regarding sales tax matters. Pending the outcome of appeals filed by the Company and tax authorities, no provision has been made in these financial statements which on the basis adopted by the authorities would amount to Rs. 5.880 million, since the Company has strong grounds against the assessments framed by the tax authorities.

### 16.2 Subsidiary Company

#### 16.2.1 Taxation

- a) The Subsidiary has filed writ petitions before the Lahore High Court (LHC) against the legality of judgment passed by the Customs, Excise & Sales Tax Appellate Tribunal whereby the Subsidiary was held liable on account of wrongful adjustment of input sales tax on raw materials and electricity bills; the amount involved pending adjudication before the LHC aggregate Rs. 13.252 million (2004:Rs. 13.252 million).
- b. The Subsidiary has filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Karachi against the order of the Deputy Collector Customs whereby the refund claim of the Subsidiary amounting to Rs. 12.350 million has been rejected and the Subsidiary has been held liable to pay an amount of Rs. 37.051 million by way of 10% customs duty allegedly leviable in terms of SRO 584(I) / 95 and 585(I) 95 dated 01 July, 1995. The impugned demand has been raised by the Department on the alleged ground that the Subsidiary is not entitled to exemption from payment of customs duty and sales tax in terms of SRO 279(I) / 94 dated 02 April, 1994.

- c. The Collector of Customs, Faisalabad has preferred a petition before the Supreme Court of Pakistan against the judgment delivered by the LHC in favour of the Subsidiary in a writ petition. The Department alleged that the Subsidiary had assessed sales tax at a lesser rate as compared to the survey and market price. Accordingly, a demand for payment of Rs. 11.588 million was raised against the Subsidiary. The matter is pending before the Supreme Court of Pakistan.
- d. The Additional Collector of Sales Tax, Faisalabad has preferred a petition before the Supreme Court of Pakistan against the judgment dated 07 December, 1999 delivered by the LHC in favour of the Subsidiary in a Customs Appeal. The Subsidiary, through the said appeal, had challenged the finding given by the Tribunal that the Subsidiary had wrongly adjusted input tax amounting Rs. 88.490 million for the period from July, 1996 to June, 1997 involved in import of cement plant for the purpose of Phase-II of the Subsidiary against the supply of cement manufactured by Phase-I of the Subsidiary. Levy of penalty of Rs.10 million along with additional tax as well as rejection of the refund claim of Rs. 2.245 million were also challenged. The Supreme Court of Pakistan, vide its order dated 07 January, 2000, has directed that status quo be maintained. The matter has now been referred to the Alternate Dispute Resolution Committee, Faisalabad for resolution and a decision in this regard is awaited.
- e. The Central Board of Revenue (CBR) has filed an appeal before the Supreme Court of Pakistan against the judgment delivered by the LHC in favour of the Subsidiary in a writ petition. The Subsidiary, through the said writ petition, had challenged the demand raised by the CBR for payment of duties and taxes on the plant & machinery imported by the Subsidiary pursuant to the exemption granted in terms of SRO 484 (I) / 92 dated 14 May, 1992. The CBR, however, alleged that the said plant & machinery could be locally manufactured and duties and taxes were therefore not exempt. A total demand of Rs. 1.387 billion was raised by the CBR out of which an amount of Rs. 269.328 million was deposited by the Subsidiary as undisputed liability. As regards the balance disputed amount, the matter was decided in favour of the Subsidiary as per the judgment of the LHC. The matter is pending adjudication before the Supreme Court of Pakistan. No provision has been made in these financial statements in respect of the aforementioned disputed demands aggregating Rs. 1.118 billion as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

#### 16.2.2 Claims

Claims against the Subsidiary not acknowledged as debt aggregated Rs. 3.750 million at 30 June 2005 (2004: Rs. 3.750 million).

#### 16.3 Commitments in respect of:

- a) Contracts for capital expenditure amount to Rs. 2.198 billion. (2004: Rs. 0.381 billion).
- b) Letters of credit other than for capital expenditure amount to Rs. 4.729 billion (2004: Rs. 1.207 billion).
- c) Guarantees issued by various commercial banks in respect of financial and operational obligations of the Subsidiary to various institutions and corporate bodies aggregate to Rs. 130.978 million (2004 : Rs. 49.431 million)

	Note	30 Jun 2005	30 Sep 2004
		(Rupees in thousand)	
<b>17. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	17.1	7,655,784	7,430,535
Capital work in progress	17.2	3,472,784	209,172
		<u>11,128,568</u>	<u>7,639,707</u>

## 17.1 OPERATING FIXED ASSETS

Description	C O S T			DEPRECIATION			Book Value as at June 30, 2005	Rate
	As at October 01, 2004	Additions/ (deletions)	As at June 30 2005	As at October 01, 2004	Depreciation Charge / (deletion) for the period	As at June 30 2005		
----- (R u p e e s i n t h o u s a n d) -----								
<b>Owned</b>								
Freehold	163,006	11,544	174,550	-	-	-	174,550	-
Office Building	37,679	884	38,563	13,541	1,590	15,131	23,432	5-10
Factory Buildings	1,219,452	33,293	1,252,745	569,203	43,051	612,254	640,491	5-10
Other Buildings	81,712	571	82,283	40,116	3,675	43,791	38,492	5 10
Residential Buildings	57,706	3,761	61,467	22,785	1,677	24,462	37,005	5 10
School and hospital	1,385	-	1,385	647	28	675	710	5
Plant and Machinery	10,379,052	663,977	10,831,704	4,372,350	432,213	4,660,537	6,171,167	5-20
		(211,325)			(144,026)			
Service and other Equip.	27,795	744	28,525	15,704	962	16,655	11,870	10-30
		(14)			(11)			
Furniture & fixture	102,559	13,756	116,299	56,160	7,770	63,917	52,382	10-30
		(16)			(13)			
Office equipment	52,291	3,128	55,411	21,031	2,579	23,602	31,809	10-30
		(8)			(8)			
Quarry equipment	138,110	-	130,860	115,937	4,432	113,181	17,679	20
		(7,250)			(7,188)			
Vehicles	97,389	40,831	133,111	59,004	10,295	66,292	66,819	20
		(5,109)			(3,007)			
Share of joint assets (Note: 17.1.6)	3,608	-	3,608	2,859	75	2,934	674	10
	12,361,744	772,489	12,910,511	5,289,337	508,347	5,643,431	7,267,080	
		(223,722)			(154,253)			
<b>Leased</b>								
Plant and machinery	490,840	145,000	489,800	132,712	31,040	106,973	382,827	10
		(146,040)			(56,779)			
Vehicles	-	6,914	6,914	-	1,037	1,037	5,877	20
	490,840	151,914	496,714	132,712	32,077	108,010	388,704	
		(146,040)			(56,779)			
<b>2005 :</b>	<b>12,852,584</b>	<b>924,403</b>	<b>13,407,225</b>	<b>5,422,049</b>	<b>540,424</b>	<b>5,751,441</b>	<b>7,655,784</b>	
		<b>(369,762)</b>			<b>(211,032)</b>			
<b>2004 :</b>	<b>12,182,042</b>	<b>896,589</b>	<b>12,852,584</b>	<b>4,997,792</b>	<b>551,733</b>	<b>5,422,049</b>	<b>7,430,535</b>	
		<b>(226,047)</b>			<b>(127,476)</b>			

17.1.1 Deletion in leased assets represents the transfer to owned plant and machinery.

17.1.2 Machinery having cost, accumulated depreciation and book value of Rs 145.537million, 96.083million and 49.455 million respectively was grouped in current asset as held for disposal.

17.1.3 No exchange fluctuation loss was capitalised during the current period/year (2004: additions to plant & machinery included exchange fluctuation loss amounting Rs.43.277 million).

17.1.4 The company has given on lease, land measuring 6 Kanals and 18 Marlas to Sui Northern Gas Pipelines Ltd. in the year 1991 at an annual rent of Rupees two thousand.

17.1.5 Depreciation charge for the period/year has been allocated as follows:

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
Cost of sales	32	523,001	531,666
Administrative and general expenses	34	16,678	19,926
Other factory overheads		75	83
Unallocated expenditure		670	58
		<u>540,424</u>	<u>551,733</u>

17.1.6 Ownership of the housing colony assets included in the fixed assets is shared by the Subsidiary jointly with Pak American Fertilizers Limited in the ratio of 101:245 since the time when both the companies were managed by Pakistan Industrial Development Corporation (PIDC). These assets are in possession of the housing colony establishment for mutual benefits. The cost of these assets are as follows:

	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
Buildings	2,138	2,138
Roads & Bridge	202	202
Air Strip	16	16
Plant and Machinery	257	257
Furniture, Fixtures	833	833
Vehicles	162	162
	<u>3,608</u>	<u>3,608</u>

17.1.7 DETAIL OF ASSETS DISPOSED OFF DURING THE PERIOD

Description	Qty.	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/ (Loss)	Mode of Sale	Sold to
----- (Rupees in thousand) -----								
Luwa Filter Compact Fibre	1 No.	2,472	–	2,472	2,472	–	Lease back	Faysal Bank Limited, Lahore
Murata Machcone No.7ii	1 Set	7,094	5,618	1,476	3,800	2,324	Negotiation	Babri Cotton Mills Ltd. Habibabad Kohat
Drawing Frame Toyoda	1 Set	1,759	1,433	326	1,800	1,474	Negotiation	Redco Textile Mills Ltd. Islamabad.
Cleaner, Parcopine, Axi-Flow Beater	1 Set	230	150	80	450	370	Negotiation	Al-Barkat Enterprises ,8 KM Lahore Road Sheikhpura.
Bale Breaker	4 No.	318	233	85	784	699	Negotiation	Meo Engineering Company Plot # 25-C St.3 Gulshan Colony, Quaidabad Landhi, Karachi
Drawing Frames	1 No.	6,314	5,261	1,053	1,800	747	Negotiation	Amna Textile Industries, faisalabad
Comber Reiterers	6 No.	1,315	857	458	423	(35)	Negotiation	Ikhlas Hussain, Faisalabad
Ring Frames – Russian	14 Set	10,755	8,541	2,214	2,100	(114)	Negotiation	Tariq Cottex, Tata Factory, Factory area, Faisalabad.
Ring Frames – Russian	31 Set	22,995	18,261	4,734	4,390	(344)	Negotiation	Shahid Muneeb & Company, 113-Gulistan Market, Faisalabad.
Ring Frames – Toyoda	13 Set	975	335	640	1,664	1,024	Negotiation	Shahid Muneeb & Company, 113-Gulistan Market, Faisalabad.
Savio Esparo	1 No.	2,420	1,134	1,286	4,168	2,882	Negotiation	Kashir Textile Mills Limited, Faisalabad
Savio Esparo	1 No.	2,420	1,134	1,286	3,650	2,364	Negotiation	Saif Textile Mills Limited, Kashmir Complex, Blue area, Islamabad
Diaper Manufacturing Machine	1 Set	4,745	3,660	1,085	5,000	3,915	Negotiation	Mr. Noor ud din, 33 Main gulberg, Lahore.
Calander Machine	1 No.	1,016	530	486	686	200	Negotiation	Al-Noor Pro. & Textile Mills Pvt.Sargodha Rd. FBD.
Suzuki Cultus LOX-6067	1 No.	520	349	171	350	179	Negotiation	Mrs.Fozia Gulzar w/o Sohail Sadiq P-369 Model Town Lahore
Honda Civic LRE-7300	1 No.	1,240	605	635	975	340	Negotiation	Mr.Asif Maqbool Sukhra M-9 Ise Bldg 19 Khyaban-e-Iwan-e-Iqbal Lhr.
Suzuki Baleno LXL-9158	1 No.	538	397	141	450	309	Negotiation	Mr.Razwan Mazhar S/O Mazar-ul-Haq C/O New Rawal Hotel RWP.
Toyota Corolla LXL-3366	1 No.	737	544	193	585	392	Negotiation	Mr. Manzoor, Jail Road, Lahore
Toyota Corolla LOY-3496	1 No.	791	685	106	525	419	Negotiation	Malik Bashir, Gulberg FB Area, Karimabad, Karachi
Honda VTI LRU-250	1 No.	996	199	797	950	153	Negotiation	Kohinoor Weaving Mills Limited
Other assets with book value less than Rs. 50,000		8,535	8,244	291	2,965	2,674		
		<u>78,185</u>	<u>58,170</u>	<u>20,015</u>	<u>39,987</u>	<u>19,972</u>		

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>17.2 CAPITAL WORK IN PROGRESS</b>			
Civil works and buildings		53,105	1,972
Plant and machinery		1,895,089	191,612
Mechanical works		139,891	9,068
Electrical works		50,168	992
Unallocated capital expenditure	17.2.1	111,205	5,528
Stores and spares held for capital expenditure		21,053	-
Advances to suppliers against:			
- Civil works and buildings		1,187,778	-
- Plant and machinery		10,511	-
- Vehicles		3,984	-
		<u>3,472,784</u>	<u>209,172</u>
<b>17.2.1 Un-allocated capital expenditure -net</b>			
- salaries and wages		16,068	1,973
- traveling		5,746	1,506
- vehicles' running and maintenance		2,012	131
- training		126	3
- financial expenses		80,946	-
- printing & stationery		797	79
- telephone		82	4
- consultancy		3,852	1,752
- depreciation		728	58
- insurance		2,250	-
- rent, rates and taxes		424	-
- repair and maintenance		112	-
- others		2,102	22
		<u>115,245</u>	<u>5,528</u>
Less: Mark-up on deposits		4,040	-
		<u>111,205</u>	<u>5,528</u>
<b>18. LONG TERM INVESTMENTS</b>			
<b>Investment in related party-available for sale</b>			
Unquoted :			
Security General Insurance Company Limited:			
Security General Insurance Company Ltd.			
812,514 (2004 : 738,649) ordinary shares			
of Rs. 10/- each fully paid			
		<u>5,000</u>	<u>5,000</u>
		<u>5,000</u>	<u>5,000</u>

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>19. LONG TERM LOANS TO EMPLOYEES - Secured</b>			
House building		6,940	7,094
Vehicle		1,790	1,953
Others		388	409
		<u>9,118</u>	<u>9,456</u>
Less : Recoverable within one year	26	<u>3,294</u>	<u>3,107</u>
		<u>5,824</u>	<u>6,349</u>
<b>19.1</b>			
These loans are secured against charge/lien on employees' retirement benefits and carry interest at the rates ranging from 6% to 12% per annum. These loans are recoverable in monthly installments ranging from 12 to 120.			
<b>19.2</b>			
No amount was due from directors, chief executive and executives at the year-end.			
<b>20. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits		39,552	39,531
Prepayments		2,833	2,833
		<u>42,385</u>	<u>42,364</u>
Less: current portion	27	<u>15,476</u>	<u>6,095</u>
		<u>26,909</u>	<u>36,269</u>
<b>21. EMPLOYEES BENEFITS</b>			
Due from gratuity fund trust	39	69,670	60,437
Deferred liability for vacation benefits		(8,513)	(7,760)
		61,157	52,677
<b>22. GOODWILL</b>			
Goodwill arised on acquisition of subsidiary		(486,903)	(486,903)
Less: Accumulated amortization at the beginning of the period/year		146,073	97,383
Less: Amortization for the period / year	36	48,690	48,690
		<u>194,763</u>	<u>146,073</u>
		<u>(292,140)</u>	<u>(340,830)</u>
<b>23. STORES AND SPARES</b>			
Stores including in transit Rs 136.350 million (2004: Rs 114.496 million)		912,848	721,154
Spares including in transit Rs 50.434 million (2004: Rs 20.997 million)		606,100	630,311
Tools		9,665	8,305
Machinery held for disposal		49,455	-
		<u>1,578,068</u>	<u>1,359,770</u>
Less : Provision for obsolescence		<u>13,400</u>	<u>13,400</u>
		<u>1,564,668</u>	<u>1,346,370</u>

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>24. STOCKS-IN-TRADE</b>			
Raw material including in transit Rs. Nil (2004: Rs. 0.647 million)		544,881	321,581
Packing material		26,611	36,837
Work in process		196,326	128,537
Finished goods		528,084	472,446
		<u>1,295,902</u>	<u>959,401</u>
<b>25. TRADE DEBTS</b>			
<b>Considered good:</b>			
- Related parties	25.1	79,203	47,155
- Others		653,776	550,236
		<u>732,979</u>	<u>597,391</u>
<b>Considered doubtful:</b>			
Others		1,995	-
		<u>734,947</u>	<u>597,391</u>
Less: Provision for doubtful debts		1,995	-
		<u>732,979</u>	<u>597,391</u>
<b>25.1 Related parties:</b>			
Kohinoor Weaving Mills Limited		79,203	46,447
Samin Textile Mills Limited		-	708
		<u>79,203</u>	<u>47,155</u>
<b>26. LOANS AND ADVANCES – considered good</b>			
Current portion of long term loans to employees	19	3,294	3,107
<b>Advances to:</b>			
- Executives		5,822	3,659
- Other Employees		4,560	4,015
- Suppliers		130,445	185,249
		140,827	192,923
Letter of credit		18,663	236,028
		<u>162,784</u>	<u>432,058</u>
<b>27 SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Current portion of security deposits	20	15,476	6,095
Prepayments		23,615	18,393
		<u>39,091</u>	<u>24,488</u>

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>28 OTHER RECEIVABLES</b>			
Sales tax refundable		271,398	239,808
Custom duty receivable		19,261	12,485
Export rebate		48,153	33,578
Insurance claims		3,623	428
Due from associated undertakings-Hyundai Kohinoor Motors (Pvt) Ltd.		–	600
Others		11,683	44,849
		<u>354,118</u>	<u>331,748</u>
<b>29. SHORT TERM INVESTMENTS</b>			
<b>Investment in related parties/associates – available for sale</b>			
<b>Quoted</b>			
Kohinoor Weaving Mills Ltd.			
11,125,608 (2004: 10,114,190) Ordinary shares of Rs. 10 each fully paid. Equity held 33.65% (2004: 33.65%)			
Fair value of investment at the beginning of the period/year		384,339	357,696
(Deficit) / Surplus on remeasurement at the period/year end		(36,108)	26,643
Fair value of investment at the end of the period/year		<u>348,231</u>	<u>384,339</u>
<b>Un-Quoted :</b>			
Security General Insurance Co. Ltd.			
1,137,519 (2004: 1,034,108) Ordinary shares of Rs. 10 each fully paid. Equity held 9.40% (2004: 9.40%)			
		7,000	7,000
		<u>355,231</u>	<u>391,339</u>
<b>30. CASH AND BANK BALANCES</b>			
Cash in hand		893	3,624
Cash in transit		2,748	1,470
Cash in banks:			
- on Current accounts	30.1	167,274	40,669
- on deposit accounts	30.2	214,389	123,923
- on PLS accounts	30.3	132,838	198,780
		<u>514,501</u>	<u>363,372</u>
		<u>518,142</u>	<u>368,466</u>

30.1 The balances in current accounts include US \$ 13,420 (2004: US \$ Nil) and Rs. 8.024 million (2004 : Rs. 7.903 million) held by various banks as margin against guarantees issued by them.

30.2 The balances in deposit accounts carry interest ranging from 1.5% to 6.00% (2004: from 3.30% to 6.00%) per annum.

30.3 Profit & loss sharing accounts bear mark-up at the rates ranging from 1% to 3% (2004 : 1% to 3%)

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>31. SALES</b>			
Export		2,702,755	3,363,069
Local – net of sales tax		6,357,616	5,613,524
		<u>9,060,371</u>	<u>8,976,593</u>
Less : Commission to selling agents		184,830	220,496
		<u>8,875,541</u>	<u>8,756,097</u>

31.1 Local sales are exclusive of sales tax amounting to Rs 1,070.134 million (2004: Rs. 979.634 million) and excise duty amounting to Rs 1,020.618 million (2004 : Rs. 872.608 million).

### 32. COST OF SALES

Raw materials consumed	32.1	2,019,888	2,470,304
Salaries, wages and other benefits		382,354	397,920
Provident fund contributions		12,080	12,150
Dyes and chemicals consumed		167,366	184,187
Processing charges		72,300	72,457
Stores and spares consumed		319,773	260,715
Packing materials		324,380	319,874
Fuel and power		2,280,237	1,651,295
Repair and maintenance		60,640	70,843
Insurance		21,063	30,998
Other factory overheads		98,147	97,811
Depreciation	17.1	523,001	531,666
		<u>6,281,229</u>	<u>6,100,220</u>
Work in process			
Opening stock		128,537	137,687
Closing stock		(196,326)	(128,537)
		<u>(67,789)</u>	<u>9,150</u>
Cost of goods manufactured		6,213,440	6,109,370
Finished goods			
Opening stock		275,470	252,813
Closing stock		(231,615)	(275,470)
		<u>43,885</u>	<u>(22,657)</u>
Cost of sales – own manufactured goods		6,257,295	6,086,713
Opening stock of purchased finished goods		196,976	173,720
Add: Finished goods purchased		830,686	828,839
		1,027,662	1,002,559
Less: Closing stock of purchased finished goods		296,469	196,976
Cost of sales – purchased finished goods		<u>731,193</u>	<u>805,583</u>
		<u>6,988,488</u>	<u>6,892,296</u>

	Note	30 Jun 2005	30 Sep 2004
		(Rupees in thousand)	
<b>32.1. Raw material consumed</b>			
Opening stock		320,934	415,626
Add: Purchases		2,243,835	2,375,612
		<u>2,564,769</u>	<u>2,791,238</u>
Less: Closing stock		544,881	320,934
		<u>2,019,888</u>	<u>2,470,304</u>
<b>33. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and other benefits		21,253	21,669
Provident fund contributions		646	779
Outward freight and handling		2,040	2,587
Clearing and forwarding		141,908	154,592
Traveling and conveyance		8,078	9,623
Insurance		764	1,564
Vehicles' running		3,823	3,402
Electricity, gas and water		236	259
Postage, telephone and telex		4,896	6,749
Legal and professional		231	153
Sales promotion and advertisement		7,326	5,469
Provision for doubtful debts		1,995	-
Miscellaneous expenses		5,153	6,173
		<u>198,349</u>	<u>213,019</u>
<b>34. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		43,945	45,421
Provident fund contributions		1,241	1,299
Traveling		8,381	7,954
Repairs and maintenance		5,138	7,545
Rent, rates and taxes		2,105	2,174
Insurance		791	1,210
Vehicles' running		6,500	7,242
Printing, stationery and periodicals		5,235	4,960
Electricity, gas and water		1,041	1,255
Postage, telephone and telex		5,978	6,150
Legal and professional		4,723	8,384
Depreciation	17.1	16,678	19,926
Miscellaneous expenses		16,741	27,268
		<u>118,497</u>	<u>140,788</u>

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
<b>35. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	35.1	978	922
Donation	35.2	11,099	1,250
Workers' profit participation fund	13.2	61,840	53,420
		<u>73,917</u>	<u>55,592</u>
<b>35.1 Auditors' remuneration</b>			
Audit fee		550	535
Certification including half yearly review		295	250
Out of pocket expenses		133	137
		<u>978</u>	<u>922</u>
<b>35.2</b> None of the directors and their spouses have any interest in the donees' fund.			
<b>36. OTHER OPERATING INCOME</b>			
<b>Income from financial assets:</b>			
Income on bank deposits		3,065	3,567
<b>Income from related parties:</b>			
Dividend income		11,886	15,955
<b>Income from non-financial assets:</b>			
Scrap sales		17,484	13,610
Gain on disposal of property, plant and equipment		19,972	31,868
Amortization of goodwill	22	48,690	48,690
Export quota sale		–	91
Miscellaneous		5,162	4,177
		<u>91,308</u>	<u>98,436</u>
		<u>106,259</u>	<u>117,958</u>
<b>37. FINANCE COST</b>			
<b>Mark-up / finance charges / interest on:</b>			
Long term financing – secured		197,873	319,159
Term finance certificates		35,512	25,765
Short term borrowings		108,669	76,139
Finance leases		15,846	25,851
Workers' profit participation fund		262	269
		<u>358,162</u>	<u>447,183</u>
Bank charges and commission		9,211	15,902
Exchange loss		11,510	–
		<u>378,883</u>	<u>463,085</u>

	Note	30 Jun 2005 (Rupees in thousand)	30 Sep 2004
<b>38. PROVISION FOR TAXATION</b>			
<b>Current period</b>			
Current		(8,752)	67,677
Deferred		369,287	242,557
		<u>360,535</u>	<u>310,234</u>
<b>Prior year</b>			
Current		(5,689)	15,011
Deferred		4,153	20,416
		<u>(1,536)</u>	<u>35,427</u>
		<u>358,999</u>	<u>345,661</u>

### 38.1 Tax charge reconciliation

	%age	%age
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate as per Income Tax ordinance, 2001	35.00	35.00
Tax effect of amounts that are:		
Chargeable to tax at different rates	(29.03)	(24.35)
Tax effect under presumptive tax regime and others	(1.57)	(5.00)
Effect of changes in prior years tax	(5.30)	2.97
Deferred tax	31.45	20.28
	<u>(4.45)</u>	<u>(6.10)</u>
Average effective tax rate charged to profit and loss account	<u>30.55</u>	<u>28.90</u>

### 39. STAFF RETIREMENT BENEFITS

The future contribution rates of these schemes include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation of these plans:

	% age	% age
- discount rate	9%	8%
- expected return on plan assets	14%	14%
- expected rate of growth per annum in future salaries	8%	7%
- average expected remaining working life time of employees	11 years	11 years

### 39.1 Movement in the net asset

Net asset at the beginning of the year	(60,437)	(50,150)
Income recognized	(8,155)	(7,506)
Contribution paid	(1,078)	(2,781)
	<u>(69,670)</u>	<u>(60,437)</u>

	30 Jun 2005	30 Sep 2004
	(Rupees in thousand)	
<b>39.2 The amounts recognized in the balance sheet is as follows:</b>		
Present value of obligation	74,066	64,803
Fair value of defined benefit plan assets	(147,812)	(125,713)
Unrecognized actuarial gain	4,076	473
Asset recognized in the balance sheet	<u>(69,670)</u>	<u>(60,437)</u>

**39.3 The amounts recognized in the profit and loss account are as follows:**

Current service cost	4,261	3,557
Interest cost	5,184	4,243
Expected return on plan assets	<u>(17,600)</u>	<u>(15,306)</u>
Income recognized in the profit and loss account	<u>(8,155)</u>	<u>(7,506)</u>

The Subsidiary's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits - Revised 2000).

**40. CASH GENERATED FROM OPERATIONS**

Profit before taxation	1,223,666	1,109,275
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	540,424	551,733
Amortization of goodwill	(48,690)	(48,690)
Finance cost	367,373	459,518
Net gain on sale of fixed assets	(19,972)	(31,868)
Deferred liability for vacation benefits	3,028	2,871
Dividend income	(11,886)	(15,955)
Return on bank deposits	(3,065)	-
Write-off of expenses incurred on issue of ordinary and preference shares	(27,499)	-
Provision for doubtful debts	1,995	
Provision for obsolete stores	-	3,400
Exchange (gain) / loss	11,510	(804)
Provision for WPPF	7,768	39,553
Working capital changes	<b>40.1</b> <u>(288,577)</u>	<u>(9,252)</u>
	<u>1,756,075</u>	<u>2,059,781</u>

**40.1 Working capital changes**

<b>(Increase)/decrease in current assets:</b>		
Stores and spares	(168,843)	(556,774)
Stock-in-trade	(336,501)	70,001
Trade debts	(137,583)	79,385
Advances	158,635	333,042
Security deposits and short term prepayments	(3,953)	-
Other receivables	<u>(9,382)</u>	<u>431</u>
	<u>(497,627)</u>	<u>(73,915)</u>
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	<u>209,050</u>	<u>64,663</u>
	<u>(288,577)</u>	<u>(9,252)</u>

#### 41. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Chief Executives		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Number of persons	2	2	4	4	25	21
	----- (Rupees in thousand) -----					
Managerial remuneration	4,127	3,948	4,189	3,306	23,591	19,844
Contribution to provident fund	128	154	166	240	1,066	971
Housing and utilities	1,213	935	505	683	5,591	4,503
Medical	-	-	653	333	1,389	1,871
Group insurance	77	93	33	42	2,782	2,338
Club subscription	30	44	-	-	-	-
Others	-	-	420	571	3,345	2,518
	<u>5,575</u>	<u>5,174</u>	<u>5,966</u>	<u>5,175</u>	<u>37,764</u>	<u>32,045</u>

In addition, the Chief Executive and certain directors are provided with free transport for both business and personal use.

The Chief Executive is also provided free furnished accommodation, residential telephone and free medical facilities.

The aggregate amount charged in the financial statements in respect of directors' fee paid to 5 (2004 : 3) directors was Rs. 125,000 (2004: Rs. 34,000).

#### 42. TRANSACTIONS WITH RELATED PARTIES :

The related parties comprise of associated companies, directors of the company, key management personnel and staff retirement fund. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Note	30 Jun 2005	30 Sep 2004
(Rupees in thousand)			
Purchase of goods and services		301,541	413,841
Sale of goods and services		1,012,647	822,761
Sale of property, plant and equipment		950	600
Purchase of property, plant and equipment		825	31,803
Dividend income		11,886	151,670
Contribution to provident fund	42.1	13,967	14,228
Contribution to gratuity fund	42.1	1,078	2,781

42.1 Contributions to the provident and gratuity funds are in accordance with the terms of the entitlement of employees.

#### 43. NUMBER OF EMPLOYEES

	30 Jun 2005	30 Sep 2004
Number of employees at period/year end	<u>5,954</u>	<u>5,423</u>

		30 Jun 2005	30 Sep 2004
<b>44. EARNING PER SHARE</b>			
Net Profit for the period/year	(Rs. in thousand)	<u>495,980</u>	<u>520,503</u>
Weighted average ordinary shares in issue	(Nos)	<u>95,406,837</u>	<u>88,197,709</u>
Basic earning per share	(Rs.)	<u>5.20</u>	<u>5.90</u>

**45. PLANT CAPACITY AND ACTUAL PRODUCTION**

		(Numbers)	
<b>SPINNING :</b>			
<b>-Rawalpindi Division</b>			
Spindles (average) Installed / worked:		77,187	73,728
		(Kilograms in thousand)	
100% plant capacity converted into 20s count based on 3 shifts per day for 817 shifts (2004: 1,098 shifts)		24,488	32,188
Actual Production converted into 20s count based on 3 shifts per day for 817 shifts (2004: 1,098 shifts)		22,675	29,601
<b>-Gujar Khan Division :</b>			
		(Numbers)	
Spindles (average) Installed / worked:		51,762	55,894
		(Kilograms in thousand)	
100% plant capacity converted into 20s count based on 3 shifts per day for 819 shifts (2004: 1,092 shifts)		16,019	20,990
Actual production converted into 20s count based on 3 shifts per day for 819 shifts (2004: 1,092 shifts)		15,026	19,321
<b>WEAVING :</b>			
<b>-Raiwind Division</b>			
Looms Installed / worked		216	216
		(Square meters in thousand)	
100% plant capacity at 60 picks based on 3 shifts per day 819 shifts (2004: 1,092 shifts)		51,480	68,640
Actual production converted to 60 picks based on 3 shifts per day for 819 shifts (2004: 1,092 shifts)		45,007	60,587

**PROCESSING OF CLOTH****(Meters in thousand)**

Capacity at 3 shift per day for 819 shifts (2004: 1092 shifts)	25,485	33,675
Actual at 3 shifts per day for 819 shifts (2004: 1092 shifts)	17,623	22,003

**POWER PLANT****(Mega watts)**

Annual rated capacity (Based on 365 days)	102,667	102,667
Actual generation		
Main Engines	46,378	60,153
Standby generators	768	1,202

**CEMENT****(Metric Tonnes in thousand)****CLINKER:**

## Grey

Annual rated capacity (Based on 300 days)	1,470	1,470
Annual production for the period/year	1,321	1,052

## White

Annual rated capacity (Based on 300 days)	30	30
Annual production for the period/year	33	35

**REASONS FOR LOW PRODUCTION**

- Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality, interruption in electric and gas.
- The generation of power was limited to actual demand.
- Short fall in production of grey cement was mainly due to market constraints.

#### 46. FINANCIAL ASSETS AND LIABILITIES

	Interest/mark-up bearing						Non interest/mark-up bearing						Total	
	Maturity upto one year		Maturity after one year but less than five years		Maturity after five years		Maturity upto one year		Maturity after one year but less than five years		Maturity after five years			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	( Rupees in thousand )													
<b>Financial assets</b>														
Long term Investment	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Long term loans to employees	3,294	3,107	5,824	6,349	-	-	-	-	-	-	-	-	9,118	9,456
Long term deposits	-	-	-	-	-	-	15,746	6,095	22,205	31,565	1,871	1,871	39,552	39,531
Trade debts	-	-	-	-	-	-	732,976	597,391	-	-	-	-	732,979	597,391
Advances	-	-	-	-	-	-	10,382	7,674	-	-	-	-	10,382	7,674
Accrued interest	-	-	-	-	-	-	4,670	16,200	-	-	-	-	4,670	16,200
Other receivables	-	-	-	-	-	-	10,606	144,430	-	-	-	-	10,606	144,430
Short term investments	-	-	-	-	-	-	355,231	391,339	-	-	-	-	355,231	391,339
Cash and bank balances	347,227	322,703	-	-	-	-	170,915	45,763	-	-	-	-	518,142	368,466
	350,521	325,810	5,824	6,349	-	-	1,300,259	1,208,892	22,205	31,565	6,871	6,871	1,685,680	1,579,487
<b>Off balance sheet</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	350,521	325,810	5,824	6,349	-	-	1,300,259	1,208,892	22,205	31,565	6,871	6,871	1,685,680	1,579,487
<b>Financial liabilities</b>														
Long term financing	668,947	586,469	3,753,102	2,737,522	-	-	-	-	-	-	7,477	7,477	4,429,526	3,331,468
Term finance certificates	154,550	154,550	184,150	320,887	-	-	-	-	-	-	-	-	338,700	475,437
Liabilities against assets subject to finance lease	114,218	105,226	134,308	181,188	-	-	-	-	-	-	-	-	248,526	286,414
Long term deposits	-	-	-	-	-	-	-	-	6,572	7,182	-	-	6,572	7,182
Trade and other payables	-	-	-	-	-	-	864,754	678,324	-	-	-	-	864,754	678,324
Accrued mark up	-	-	-	-	-	-	81,632	52,904	-	-	-	-	81,632	52,904
Short term borrowings	2,704,998	2,248,151	-	-	-	-	-	-	-	-	-	-	2,704,998	2,248,151
	3,642,713	3,094,396	4,071,560	3,239,597	-	-	946,386	731,228	6,572	7,182	7,477	7,477	8,674,708	7,079,880
<b>Off balance sheet</b>														
Commitments	-	-	-	-	-	-	2,198,232	380,740	-	-	-	-	2,198,232	380,740
Letter of credit	-	-	-	-	-	-	4,728,809	1,207,363	-	-	-	-	4,728,809	1,207,363
Guarantees	-	-	-	-	-	-	130,978	49,431	-	-	-	-	130,978	49,431
	-	-	-	-	-	-	7,058,019	1,637,534	-	-	-	-	7,058,019	1,637,534
<b>Total financial liabilities</b>	3,642,713	3,094,396	4,071,560	3,239,597	-	-	8,004,405	2,368,762	6,572	7,182	7,477	7,477	15,732,727	8,717,414
<b>On balance sheet gap</b>	(3,292,192)	(2,768,586)	(4,065,736)	(3,233,248)	-	-	353,873	477,664	15,633	24,383	(606)	(606)	(6,989,028)	(5,500,393)
<b>Off balance sheet gap</b>	-	-	-	-	-	-	(7,058,019)	(1,637,534)	-	-	-	-	(7,058,019)	(1,637,534)

#### **46.1 Financial risk management**

Overall, risks arising from the Group's financial assets and liabilities are limited. The Group manages its exposure to financial 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 Group uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

##### **b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has long term Rupee based loans at variable rates and fixed rates. Variable rate Rupee loans risks are minimized by instituting State Bank of Pakistan discount rate along with caps and floors. This protects the Group against any adverse movement in market interest rates.

##### **c) Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Group's credit risk is primarily attributable to its receivables and its bank balances. The credit risk on liquid funds is limited because the counter parties are bank with reasonably high credit rating. Out of total financial assets of Rs. 1,685.680 million (2004: Rs. 1,549.487 million), the financial assets which are subject to credit risk amounted to Rs. 432.097 million (2004: Rs. 469.464 million). The Group believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the group applies credit limits to its customers. Exports are mainly against banks' letter of credit.

##### **d) Liquidity risk**

Liquidity risk is the risk that the group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group believes that it is not exposed to any significant level of liquidity risk.

#### **46.2. 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, except for long term investment which is stated at cost.

#### **47. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 23 September 2005 by the Board of Directors of the Group.

#### **48. 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