



ANNUAL REPORT 2006



KOHINOOR
TEXTILE MILLS LIMITED
A Kohinoor Maple Leaf Group Company

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 2006 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 year 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 auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in for such 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.

As explained in note 14.2.2 to the financial statements, the Kohinoor Textile Mills limited has not made provision for worker' Profit Participation Fund to the extent of Rupees 15.42 million against profit on sale of equity investment amounting to Rupees 308.464 million. Had the aforesaid provision been made in financial statements, the profit for the year ended 30 June 2006 and shareholders' equity as of that date would have been lower by Rupees 15.42 million.

In our opinion, except for the effects of failure to provide for workers' profit participation fund against profit on sale of equity investment described in the preceding paragraph by Kohinoor Textile Mills Limited, the consolidated financial statements present fairly the financial position of **KOHINOOR TEXTILE MILLS LIMITED** and its subsidiary company as at 30 June 2006 and the results of their operations for the year then ended.

Islamabad:
03 October 2006



RIAZ AHMAD & COMPANY
Chartered Accountants

CONSOLIDATED BALANCE SHEET

	Note	2006 (Rupees in thousand)	2005
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital:			
120,735,325 (2005: 120,735,325) ordinary shares of Rs. 10 each		1,207,353	1,207,353
30,000,000 (2005: 30,000,000) preference shares of Rs. 10 each		300,000	300,000
		<u>1,507,353</u>	<u>1,507,353</u>
Issued, subscribed and paid up share capital	4	1,058,374	962,158
Reserves	5	<u>2,976,797</u>	<u>2,473,087</u>
Shareholders' equity		4,035,171	3,435,245
Minority Interest	6	<u>3,959,625</u>	<u>3,415,190</u>
Total equity		7,994,796	6,850,435
NON-CURRENT LIABILITIES			
Long term financing	7	10,369,547	3,760,579
Term finance certificates	8	71,250	184,150
Liabilities against assets subject to finance lease	9	163,613	134,308
Lease finance advances	10	74,146	-
Long term deposits	11	2,977	6,572
Employees benefits	12	12,290	8,513
Deferred tax liability	13	929,358	359,050
		11,623,181	4,453,172
CURRENT LIABILITIES			
Trade and other payables	14	1,433,403	961,934
Accrued mark-up	15	359,961	81,632
Short term borrowings	16	3,183,994	2,704,998
Taxation	17	10,231	-
Current portion of non-current liabilities	18	<u>1,286,584</u>	<u>937,715</u>
		6,274,173	4,686,279
CONTINGENCIES AND COMMITMENTS	19	-	-
		<u>25,892,150</u>	<u>15,989,886</u>

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

Lahore :
03 October 2006

Chief Executive

AS AT 30 JUNE 2006

	Note	2006 (Rupees in thousand)	2005
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	19,649,764	11,128,568
Long term investment	21	17,395	14,566
Long term loans to employees	22	7,127	5,824
Long term deposits and prepayments	23	33,487	26,909
Due from gratuity fund trust		-	69,670
Goodwill	24	(243,450)	(292,140)
		19,464,323	10,935,318
CURRENT ASSETS			
Stores and spares	25	2,350,796	1,564,668
Stock-in-trade	26	1,808,741	1,295,902
Trade debts	27	1,050,866	732,979
Loans and advances	28	417,787	156,581
Security deposits and short term prepayments	29	27,320	45,294
Accrued interest		1,140	4,670
Other receivables	30	226,428	354,118
Short term investments	31	7,000	355,231
Taxation recoverable	17	-	8,904
Cash and bank balances	32	537,749	518,142
		6,427,827	5,036,489
		<u>25,892,150</u>	<u>15,989,886</u>

Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 (Rupees in thousand)	2005
SALES	33	12,683,829	9,060,371
COST OF SALES	34	<u>9,433,416</u>	<u>6,988,488</u>
GROSS PROFIT		3,250,413	2,071,883
SELLING AND DISTRIBUTION EXPENSES	35	<u>502,263</u>	<u>383,179</u>
ADMINISTRATIVE EXPENSES	36	184,291	118,497
OTHER OPERATING EXPENSES	37	<u>131,913</u>	<u>73,917</u>
		818,467	575,593
PROFIT FROM OPERATIONS		2,431,946	1,496,290
OTHER OPERATING INCOME	38	<u>395,592</u>	<u>106,259</u>
		2,827,538	1,602,549
FINANCE COST	39	<u>789,050</u>	<u>378,883</u>
PROFIT BEFORE TAXATION		2,038,488	1,223,666
TAXATION	40	<u>632,354</u>	<u>358,999</u>
PROFIT AFTER TAXATION		1,406,134	864,667
LESS : MINORITY INTEREST			
Dividend on Preference Shares		<u>52,794</u>	<u>11,759</u>
Share in profit for the year / period		<u>501,933</u>	<u>356,928</u>
		554,727	368,687
PROFIT AFTER TAXATION AND MINORITY INTEREST		<u>851,407</u>	<u>495,980</u>
EARNING PER SHARE – RUPEES	45	<u>8.04</u>	<u>4.73</u>

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

Chief Executive

Director

Lahore :
03 October 2006

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	42 1,972,601	1,793,878
Finance cost paid	(510,721)	(350,155)
Vacation benefits paid	(1,700)	(2,275)
WPPF paid	(63,698)	(50,306)
Taxes paid	(42,911)	(55,496)
Net cash from operating activities	1,353,571	1,335,646
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of property, plant and equipment	(9,124,939)	(3,946,840)
Long term deposits	(6,578)	504
Long term loans to employees	(1,559)	-
Return on bank deposits	9,927	14,595
Proceeds from sale of property, plant and equipment	82,889	39,987
Proceeds from sale of investments	403,795	-
Dividend received	3,900	11,886
Net cash used in investing activities	(8,632,565)	(3,879,868)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Right issue of ordinary shares	-	970,490
Issue of preference shares	-	541,474
Long term financing – secured	7,627,455	1,308,558
Lease finances advance	74,146	-
Short term borrowing	478,996	456,847
Repayment of:		
Long term financing – secured	(595,503)	(210,500)
Finance leases	(119,900)	(102,832)
Term finance certificates	(154,550)	(136,737)
Dividend paid	(12,043)	(133,402)
Net cash from financing activities	7,298,601	2,693,898
Net increase in cash and cash equivalents	19,607	149,676
Cash and cash equivalents at beginning of the year / period	518,142	368,466
Cash and cash equivalents at end of the year / period	32 537,749	518,142

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

Share Capital	Share Holder's Equity											Minority interest	Total Equity	
	Reserves										Total Reserves			Total
	Capital Reserves					Revenue Reserves								
	Capital Reserve	Share Premium	Fair value Reserve	Reserve for Bonus Shares	Sub Total	General Reserve	Dividend Equalization Reserve	Unappropriated profit	Sub Total					
----- (Rupees in thousand) -----														
Balance as at 30 September 2004 - as previously reported	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	1,844,033	4,662,867
Effect of change in accounting policy - Subsidiary (Note 3.11)	-	-	-	3,340	-	3,340	-	-	-	-	3,340	3,340	3,324	6,664
Effect of change in accounting policy - (Note 3.2)	-	-	80,180	-	(80,180)	-	(340,708)	-	340,708	-	-	-	-	-
Balance as at 30 September 2004 - as restated	801,798	18,901	151,855	292,347	-	463,103	749,783	9,509	797,981	1,557,273	2,020,376	2,822,174	1,847,357	4,669,531
Transfer to general reserves	-	-	-	-	-	-	340,708	-	(340,708)	-	-	-	-	-
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	791,247	951,607
Preference shares issued - minority share	-	-	-	-	-	-	-	-	-	-	-	-	541,474	541,474
Surplus / (Deficit) on revaluation of investment to fair value	-	-	-	(34,653)	-	(34,653)	-	-	-	-	(34,653)	(34,653)	1,447	(33,206)
Net profit for the period ended 30 June 2005	-	-	-	-	-	-	-	-	495,980	495,980	495,980	495,980	368,687	864,667
Dividend paid to minority share holders	-	-	-	-	-	-	-	-	-	-	-	-	(135,022)	(135,022)
Write off of expenses on issue of ordinary and preference shares	-	-	-	-	-	-	-	-	(8,616)	(8,616)	(8,616)	(8,616)	-	(8,616)
Balance as at 30 June 2005 - as restated	962,158	18,901	151,855	257,694	-	428,450	1,090,491	9,509	944,637	2,044,637	2,473,087	3,435,245	3,415,190	6,850,435
Transfer to general reserves	-	-	-	-	-	-	100,000	-	(100,000)	-	-	-	-	-
Bonus shares issued	96,216	-	(96,216)	-	-	(96,216)	-	-	-	-	(96,216)	-	-	-
Surplus on revaluation of investment to fair value	-	-	-	1,418	-	1,418	-	-	-	-	1,418	1,418	1,411	2,829
Adjustment of fair value on disposal of investment	-	-	-	(252,899)	-	(252,899)	-	-	-	-	(252,899)	(252,899)	-	(252,899)
Net profit for the year ended 30 June 2006	-	-	-	-	-	-	-	-	851,407	851,407	851,407	851,407	554,727	1,406,134
Dividend paid to minority share holders	-	-	-	-	-	-	-	-	-	-	-	-	(11,703)	(11,703)
Balance as at 30 June 2006	1,058,374	18,901	55,639	6,213	-	80,753	1,190,491	9,509	1,696,044	2,896,044	2,976,797	4,035,171	3,959,625	7,994,796

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

Chief Executive

Director

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

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 subsidiary is situated at 42-Lawrence Road, Lahore. The Subsidiary company is engaged in production and sale of cement.

2. STATEMENT OF COMPLIANCE

2.1 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 (IAS) 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 (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following IAS, which have been published, have been revised and the amendments are applicable to the financial statements of the Group covering accounting periods beginning on or after January 01, 2006 or later periods:

- a) IAS – 1 – Capital disclosures
- b) IAS – 19 – Actuarial gains and losses, group plans and disclosures
- c) IAS – 39 – The fair value option

Adoption of the above amendments would result in an impact on the extent of disclosures presented in the future financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in Note 3.17;
- recognition of employee retirement benefits at present value; and
- measurement at fair value of certain financial assets.

The preparation of financial statements in conformity with International Accounting Standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Groups accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note: 50.

3.2 Change in accounting policy

During the current year, the Group has changed its accounting policy pertaining to the appropriations made subsequent to the year / period end, consequent upon the amendment made by SECP in the Fourth Schedule to the Companies Ordinance 1984 and in the light of a circular issued by the Institute of Chartered Accountants of Pakistan. The Group effective from the current year, has therefore, not recognized the appropriations made subsequent to the year end. Previously, such appropriations were being treated as adjusting events in the financials statements of the Group.

The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the bench mark treatment specified under IAS 8 " Accounting Policies, changes in Accounting Estimates and Errors"

Had there been no change in accounting policy the effect of change for the period / year 2005 and 2004 is tabulated below :

	2005	2004
	(Rupees in thousand)	
Unappropriated profit would have been lower by	(100,000)	(340,708)
General reserves would have been higher by	100,000	340,708
Reserve for bonus shares would have been higher by	96,216	80,180
Share premium would have been lower by	(96,216)	(80,180)

The effect of change in accounting policy has been reflected in the statement of changes in equity, while it has no effect on the reserves and profit for the current year.

3.3 Employees 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 plan

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 using projected unit credit method. Actuarial gains / losses are recognized in accordance within the limits set-out by IAS 19 " Employees Benefit " Note : 41.

(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.

3.4 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 local sales and other income is based on taxable income at the prevailing current rates after considering the rebates and tax credits available, if any, or one half percent of turn over, whichever is higher.

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.

3.5 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

3.6 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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

3.7 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.

3.8 Property, plant, equipment and depreciation

Owned

a) Holding Company

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 3.16.

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

Depreciation on all operating property, plant and equipment is charged to income on reducing balance method after taking into account residual value, if any, so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in Note 20.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

b) Subsidiary company

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 plant and machinery represents historical cost, exchange differences capitalized upto 30 June 2004 and the cost of borrowings during the construction period in respect of loans and finances taken for the specific projects.

Transactions relating to jointly owned assets with Pak American Fertilizers Limited (PAFL), as stated in Note : 20.1.9, are recorded on the basis of advices received from the housing colony.

Depreciation is calculated at the rates specified in Note : 20.1 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 assets residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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.

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

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

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.

3.9 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured reliably. Intangible asset is stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized over the useful life of the asset. The amortization charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

3.10 Goodwill

On acquisition of an entity, difference between the purchase consideration and the fair value of the identifiable assets and liabilities acquired, is initially recognized 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%.

3.11 Investments

The Group's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investments at fair value through profit and loss account".

Investments at fair value through profit and loss account

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term.

Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held to maturity investments

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Available for Sale

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes to interest rates or equity prices are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Upon impairment, gain / loss including that had been previously recognized directly in equity, is included in the profit and loss account for the year.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Unquoted investments, where the fair value cannot be reliably determined, are recognized at cost less impairment, if any.

All purchases and sales of investments are recognized on the trade date which is the date that the Company to purchase or sell the investment.

Equity investment in subsidiary and associated companies

Holding company

The investments in associates in which the Company does not have significant influence and subsidiary are classified as "Available for Sale".

Subsidiary company

Investments in equity instruments of associates where the Subsidiary company does not have significant influence, effective from the current year, are being stated as per the accounting policy mentioned below. Till 30 June 2005, these investments were stated at cost less impairment loss, if any. The change in accounting policy has been effected for better presentation and has been accounted for retrospectively by restating the comparative information in accordance with the recommended treatment specified in the revised IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Had there been no change in the accounting policy, the carrying value of investments as at 30 June 2005 and 30 June 2006 would have been lower by Rs.9.566 million and Rs.12.395 million respectively with corresponding effects on fair value reserve on measurement of available-for-sale investments.

The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current year.

In the interim financial statements of the Subsidiary company for the current year, investments in SGIC were stated at the Subsidiary's share of the underlying net assets of SGIC using the equity method. The management, as at 30 June, 2006, has carried-out an appraisal and concluded that holding of 6.71% equity of SGIC and the Subsidiary Company's representation on the board of directors of SGIC through a non-executive director have not resulted in creation of a significant influence over the operations of SGIC; further, the Subsidiary company does not have the power to participate in the financial and operating policy decisions of SGIC. Accordingly, these investments have been classified as available-for-sale as at 30 June 2006.

3.12 Inventories

Inventories, except for stock in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and Spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock in Trade

Cost of raw material is based on annual average cost.

Cost of work in process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads. Cost of goods purchased for resale are based on weighted average.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is valued at 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 a sale.

3.13 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.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair values. 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.

3.15 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.

3.16 Borrowing 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.

3.17 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.

	2006	2005
4.1 Reconciliation of the number of shares outstanding;		
	(Number of Shares)	
Number of shares outstanding at the beginning of the year / period	96,215,681	80,179,735
Add: 10% Bonus issue of shares during the year / period	9,621,568	8,017,973
10% Right issue of shares during the year / period	–	8,017,973
	9,621,568	16,035,946
	105,837,249	96,215,681

4.2 Zimpex (Private) Limited, which is an associated company, held 16,371,371 (2005: 18,360,338) ordinary shares of Rupees 10 each at 30 June 2006.

	Note	2006	2005
		Rupees in thousand)	
5. RESERVES			
Capital Reserves			
Capital reserve		18,901	18,901
Share premium	5.1	55,639	151,855
Fair value reserve	5.2	6,213	257,694
		80,753	428,450
Revenue reserves			
General reserve		1,190,491	1,090,491
Dividend equalization reserves		9,509	9,509
Unappropriated profit		1,696,044	944,637
		2,896,044	2,044,637
		2,976,797	2,473,087

5.1 This reserve can be utilized by the Group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

5.2 This represents the surplus on revaluation of long term and short term investments to their fair values.

6. MINORITY INTEREST

Opening balance	3,415,190	1,847,357
Add: Share during the year / period in:		
Ordinary share capital	–	450,072
Preference share capital	–	541,474
Share premium	–	341,175
Surplus on revaluation of investment to fair value	1,411	1,447
Profit	554,727	368,687
	556,138	1,702,855
Less: Payment of dividend	11,703	135,022
	3,959,625	3,415,190

7. LONG TERM FINANCING	Note	2006	2005
From banking companies and other financial institutions - Secured		(Rupees in thousand)	
Holding Company			
National Bank of Pakistan - (NBP-1)	7.1	31,986	49,212
MCB Bank Limited - (MCB-1)	7.2	10,171	23,734
MCB Bank Limited - (MCB-2)	7.3	75,000	125,000
The Bank of Punjab - (BOP-1)	7.4	320,754	292,177
The Bank of Punjab - (BOP-2)	7.5	200,000	-
Union Bank Limited - (UNB-1)	7.6	102,725	109,600
Albaraka Islamic Bank Limited - (ABIB)	7.7	100,000	-
United Bank Limited - (UBL)	7.8	112,500	162,500
Allied Bank Limited - (ABL-1)	7.9	281,568	83,886
Allied Bank Limited - (ABL-2)	7.10	500,000	500,000
Faysal Bank Limited (FBL-1)	7.11	300,000	-
Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Limited - (SPIA IPL-1)	7.12	57,778	65,000
Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Limited - (SPIA IPL-2)	7.13	40,000	-
Bank Alfalah Limited (BAL)	7.14	350,000	-
Pakistan Industrial Credit and Investment Corporation Limited - (PICIC-1)	7.15	44,850	69,204
PICIC - Commercial Bank Limited - (PCBL-1)	7.16	292,786	-
NIB Bank Limited - (NIB)	7.17	30,000	-
Askari Commercial Bank Limited - (ACBL - 1)	7.18	200,000	-
Askari Commercial Bank Limited - (ACBL-2)		-	350,000
Subsidiary Company			
MCB Bank Limited - (MCB-3)	7.19	34,900	71,300
MCB Bank Limited - (MCB-4)	7.20	355,784	444,730
Habib Bank Limited (HBL-1)	7.20	355,784	444,730
MCB Bank Limited - (MCB-5)	7.21	128,572	157,143
Faysal Bank Limited - (FBL-2)	7.21	225,000	275,000
The Bank of Punjab - (BOP-3)	7.21	60,000	80,000
Askari Commercial Bank Limited - (ACBL-3)	7.21	30,000	40,000
First Women Bank Limited - (FWB-1)	7.21	21,000	28,000
National Bank of Pakistan - (NBP-2)	7.22	416,667	520,833
Union Bank Limited - (UNB-2)	7.23	250,000	250,000
National Bank of Pakistan - (NBP-3)	7.23	150,000	150,000
PICIC Commercial Bank Limited - (PCBL-2)	7.23	130,000	130,000
Allied Bank Limited - (ABL-3)	7.24	475,000	-
MCB Bank Limited - (MCB-6)	7.24	150,000	-
The Hongkong and Shanghai Banking Corporation Limited - (HSBCL)	7.24	115,000	-
The Bank of Punjab - (BOP-4)	7.24	100,000	-
Soneri Bank Limited - (SBL)	7.24	75,000	-
Pak Libya Holding Co. (Pvt.) Limited - (PLHC)	7.24	50,000	-
First Women Bank Limited - (FWB-2)	7.24	35,000	-
National Bank of Pakistan - (NBP-4)	7.25	859,954	-
Habib Bank Limited - (HBL-2)	7.25	859,954	-
Allied Bank Limited - (ABL-4)	7.25	761,490	-
Faysal Bank Limited - (FBL-3)	7.25	631,637	-
Prime Commercial Bank Limited - (PCB)	7.25	626,908	-
The Bank of Punjab - (BOP-5)	7.25	425,678	-
Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Limited - (SPIA IPL-3)	7.25	134,150	-
Allied Bank Limited - (ABL-5)	7.26	950,000	-
		<u>11,457,596</u>	<u>4,422,049</u>
Less: Current portion	18	<u>1,095,526</u>	<u>668,947</u>
		10,362,070	3,753,102
Other loans – Unsecured			
Holding Company			
Kohinoor Sugar Mills Limited - (KSML)	7.27	4,794	4,794
Kohinoor Industries Limited - (KIL)	7.28	2,683	2,683
		<u>7,477</u>	<u>7,477</u>
		<u>10,369,547</u>	<u>3,760,579</u>

7.1 National Bank of Pakistan (NBP-1)

This represents demand finance facility of Rs. 60 million, obtained for import of textile machinery for Balancing, Modernization and Replacement (BMR) and is allowed for a period of four and a half years 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.

7.2 MCB 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 installments 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 4% per annum.

7.3 MCB 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.

7.4 The Bank of Punjab (BOP-1)

This represents demand finance facility of Rs. 400 million (2005 : 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 guarantee of sponsor directors. Facility amounting to Rs. 300 million carries mark up at the rate of 6-months average KIBOR plus 100 basis points (bps) and additional facility of Rs. 100 million carries mark up at the rate of 6-months average KIBOR plus 275 basis points (bps) with a floor of 4.25% per annum, payable quarterly.

7.5 The Bank of Punjab (BOP-2)

This represents term finance facility of Rs. 200 million, converted from short term facilities to long term loan and is allowed for a period of five years with a grace period of one year. The loan is repayable in sixteen (16) equal quarterly installments commencing after conclusion of grace period. It is secured by bank's ranking charge on fixed assets of the Company. It carries mark up at the rate of 6-months KIBOR plus 200 basis points (bps) prevailing at each quarter end being payable quarterly. Formal sanction letter and repayment schedule is awaited from the bank.

7.6 Union Bank Limited (UNB-1)

This represents the term finance facility of Rs. 110 million, obtained for import of state of art machinery and is 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 directors. It carries mark up at the rate of 6-months KIBOR plus 2.25% per annum with no floor and cap.

7.7 Albaraka Islamic Bank Limited (ABIB)

This represents Murabaha finance facility of Rs. 100 million, obtained for construction. The facility is allowed for a period of four years with a grace period of one year. The facility is repayable in sixteen (16) equal quarterly installments commencing with first payment being due at the end of 15th month from the date of disbursement. It is secured by pari passu charge and hypothecation on fixed assets i.e. land and building constructed for ring spinning and stitching. It carries mark up at the rate of 3-years KIBOR plus 2% per annum with floor of 12.75% per annum.

7.8 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 on all existing and future fixed assets of Kohinoor Textile Mills Limited (Raiwind Division) and personal guarantees of the sponsor directors.

7.9 Allied Bank Limited (ABL - 1)

This represents term finance facility of Rs. 300 million (2005 : 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. Facility amounting to Rs. 100 million carries mark up at the rate of 6-months KIBOR plus 1.25% per annum, facility of Rs. 125 million carries mark up at the rate of 6-months KIBOR plus 1.75% per annum and facility of Rs. 75 million carries mark up at the rate of 6-months KIBOR plus 2.50% per annum with no floor and cap.

7.10 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 conclusion of grace period. It is secured by first pari passu charge over fixed assets of the Raiwind Division for Rs. 667 million. It carries mark up at the rate of 6-months KIBOR plus 2% per annum.

7.11 Faysal Bank Limited (FBL - 1)

This represents Morabaha finance facility of Rs. 300 million, obtained for purchase of local / imported textile machinery, tools spares and other related equipment. It 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 with first payment being due at the end of 15th month from the date of first disbursement. It is secured by first registered parri passu mortgage and hypothecation charge of Rs. 400 million over all present and future fixed assets (excluding surplus land) of Kohinoor Textile Mills Limited (Rawalpindi Division) and personal guarantees of sponsor directors. It carries mark up at the rate of 6-months average KIBOR (Asking) plus 2.50% per annum with semi annual repricing.

7.12 Saudi Pak Industrial and Agricultural Investment Co. (Private) Limited (SPIA IPL -1)

This represents the term finance facility of Rs. 65 million 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, 2006. 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.

7.13 Saudi Pak Industrial and Agricultural Investment Co. (Private) Limited (SPIA IPL - 2)

This represents a term finance of Rs. 40 million under State Bank of Pakistan (LFT-EOP) scheme at subsidized and fixed rate of mark up of 7.75% per annum. The financing is for import of Warping and sizing machines being part of BMR. The facility is for a period of five years with a grace period of one year and is repayable in equal quarterly instalments.

7.14 Bank Alfalah Limited (BAL)

This represents term finance facility of Rs. 350 million allowed for a period of five years with a grace period of six months. The facility is repayable in equal quarterly installments commencing six months after the date of disbursement. It is secured by first parri passu mortgage charge of 467 million duly registered with SECP, on 43 Acres of surplus land of Kohinnor Textile Mills Limited, ranking charge on Company's fixed assets (other than land mentioned earlier) for Rs. 467 million, personal guarantees of sponsor directors. It carries mark up at the rate of 6-months KIBOR plus 2% per annum with semi annual repricing.

7.15 Pakistan Industrial Credit and Investment Corporation Limited (PICIC - 1)

This represents a loan of Rupees 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% per annum.

7.16 PICIC – Commercial Bank Limited (PCBL - 1)

This represents a term finance facility of Rupees 300 million under State Bank of Pakistan (LTF-EOP) scheme for a period of five years with a grace period of one year. The financing is for import of 72 Picanol Omni Plus wide width Air Jet Looms and other textile machinery. It is repayable in equal quarterly installments, commencing after expiry of grace period. It carries mark up at the rate of 8% per annum.

7.17 NIB Bank Limited (NIB)

This represents the term finance facility of Rs. 30 million, obtained for BMR and is allowed for a period of eighteen months from the date of disbursement. The facility is repayable in six (6) equal quarterly installments commencing one quarter after the date of disbursement. It is secured by first pari passu charge upto extent of Rs. 40 million on fixed assets (excluding land and building) of the Company and personal guarantees of the sponsor directors. It carries mark up at the rate of 3-months KIBOR plus 2.50% per annum with floor of 11% per annum.

7.18 Askari Commercial Bank Limited (ACBL - 1)

This represents the term finance facility of Rs. 200 million, converted from short term finances and is allowed for a period of five years with one year grace period. The facility is repayable in sixteen (16) equal quarterly installments commencing after 1 year and three months from date of disbursement. It is secured by first pari passu charge of 267 million on fixed assets of the Company. It carries mark up at the rate of 6-months KIBOR plus 225 basis points without floor and cap. Formal sanction letter and repayment schedule is awaited from the bank.

7.19 MCB Bank Limited – (MCB - 3)

Year-end balance of this loan is repayable in two half-yearly instalments 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.

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

7.21 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%, with no floor or cap. These loans are repayable in fourteen half-yearly equal instalments 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%. These loans are repayable in ten half-yearly equal instalments commenced from October 2004. Mark-up on these loans is payable on quarterly basis.

7.22 National Bank of Pakistan (NBP - 2)

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

7.23 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 of grey cement to 500 tpd dry process line of white cement. Under the terms of syndicate 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 equal quarterly instalments commencing September 2006. These loans carry mark-up at the rate of 6-months KIBOR + 2.25% with no floor or cap.

- 7.24** The Subsidiary company, during the current year, has raised a syndicated term finance facility of Rs.1.000 billion for financing its capital expenditure requirements. The Syndicate comprises of ABL, MCB, HSBC, BOP, SBL, PLHC and FWB. The finance facility is repayable in 9 equal half-yearly instalments commencing 30 November 2007 and carries mark-up at the rate of 6-months KIBOR + 2%.
- 7.25** Out of long term finance facility of Rs.4.800 billion available from a Syndicate of commercial banks and development finance institution (i.e. NBP, HBL, ABL, FBL, PCBL, BOP and SPIAIPPL) for financing the ongoing expansion project of 6,700 tpd clinker capacity, the total amount disbursed by all the participating banks and DFI till 30 June, 2006 aggregated Rs. 4.300 billion. This finance facility is repayable in 9 equal half-yearly instalments commencing August 2007 and carries mark-up at the rate of 6-months KIBOR +2%.
- 7.26** This finance facility has also been obtained to finance the ongoing expansion project. Under the terms of agreement dated 09 June 2006, this finance facility is available for a period of 6 years including a grace period of 18 months. Repayment of this finance facility will be effected in 9 equal half-yearly instalments commencing June 2008 and carries mark-up at the rate of 6-months KIBOR +2.25%.
- 7.27 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.
- 7.28 Kohinoor Industries Limited (KIL)**
The balance is an old one, un-reconciled, unconfirmed and disputed.
- 7.29** The loans, as detailed in notes 7.19 to 7.26 above, are secured by first pari passu charge over present and future fixed assets of the Subsidiary company, demand promissory notes and personal guarantee of some of the directors.

	Note	2006	2005
(Rupees in thousand)			
8. TERM FINANCE CERTIFICATES (TFCs) - SECURED			
Term Finance Certificates – Holding company		142,500	213,750
Term Finance Certificates – Subsidiary company		41,650	124,950
		184,150	338,700
Less: Current portion	18	112,900	154,550
		71,250	184,150

Term Finance Certificates – Holding company

The Holding 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 millions 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 Holding 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 company 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 2006 (2005: Rs. 5,400).

The final instalment of these TFCs outstanding at the year end has been redeemed subsequent to the balance sheet date on 19 July 2006.

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 company, excluding freehold land and buildings, and personal guarantee of the Subsidiary company's Chief Executive.

To protect the TFC holders, Faysal Bank Limited 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	2006 (Rupees in thousand)	2005
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
Minimum lease payments		286,360	279,599
Less : Un-amortized finance charges		44,589	31,073
Present value of minimum lease payments		241,771	248,526
Less: Current portion	18	78,158	114,218
		<u>163,613</u>	<u>134,308</u>

- 9.1** The present value of minimum lease payments has been discounted at an implicit interest rate ranges from 8.50% to 17.00% (2005: from 6.27% to 18.35%) per annum to arrive at their fair 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 Group. 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 Rs. 22.430 million (2005: Rs. 30.501 million) included in long term security deposits, demand promissory notes, personal guarantees and pledge of sponsors' shares in public limited companies.

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

	2006		2005	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	----- (Rupees in thousand) -----			
Due not later than one year	99,619	78,158	129,158	114,218
Due later than one year but not later than five years	186,741	163,613	150,441	134,308
	<u>286,360</u>	<u>241,771</u>	<u>279,599</u>	<u>248,526</u>

	Note	2006 (Rupees in thousand)	2005
10. LEASE FINANCE ADVANCES – Secured			
First National Bank Modaraba (FNBM) Islamic Corporation for the Development of the Private Sector, Jeddah (ICD – a Subsidiary of Islamic Development Bank)	10.1	25,866	–
	10.2	<u>48,280</u>	<u>–</u>
		<u>74,146</u>	<u>–</u>

10.1 The Subsidiary, during the year, has entered into a forward lease agreement with ICD to finance the power generation equipment of the expansion project of 6,700 tpd. The lease agreement is for a period of 8 years including a grace period of 24 months. The lease facility carries mark-up at the rate of 6 months U.S.\$ LIBOR plus a spread of 2.5% per annum and is secured against the first exclusive charge on power generation plant. ICD, against the total commitment of U.S.\$ 14,500 thousand, has disbursed U.S.\$ 800 thousand upto 30 June 2006.

10.2 The Subsidiary, during the year, has entered into a forward lease agreement with ICD to finance the power generation equipment of the expansion project of 6,700 tpd. The lease agreement is for a period of 8 years including a grace period of 24 months. The lease facility carries mark-up at the rate of 6 months U.S.\$ LIBOR plus a spread of 2.5% per annum and is secured against the first exclusive charge on power generation plant. ICD, against the total commitment of U.S.\$ 14,500 thousand, has disbursed U.S.\$ 800 thousand upto 30 June 2006.

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.

12. EMPLOYEES BENEFITS

Due to gratuity fund trust		2,040	–
Deferred liability for vacation benefits	41.1	<u>10,250</u>	<u>8,513</u>
		<u>12,290</u>	<u>8,513</u>

2006 **2005**
(Rupees in thousand)

13. DEFERRED TAX LIABILITY

The liability for deferred taxation comprises timing differences relating to:

Taxable temporary difference

Accelerated tax depreciation allowance	1,597,310	1,015,302
Lease finances	546	-
	<u>1,597,856</u>	<u>1,015,302</u>

Deductible temporary differences

Tax losses carry forward	592,827	626,058
Provision for doubtful debts	1,477	698
Provision for obsolete stores & spares	4,934	4,690
Deferred liability for vacation benefits	3,588	2,980
Turn over tax available for carry forward	65,672	21,826
	<u>668,498</u>	<u>656,252</u>
	<u>929,358</u>	<u>359,050</u>

13.1 The movement in deferred tax assets and liabilities during the year without taking into consideration the off setting balances within the same tax jurisdiction is as follows :

Deferred tax liability	Deferred tax assets				Net liability (asset)
	Accelerated tax depreciation	Tax losses	Provision for doubtful debts . obsolete store / deferred liabilities of vacation benefi	Tax available for carry forward	

----- (Rupees in thousand) -----

Balance as at October 01, 2004	1,001,695	1,016,085	-	-	1,016,085	(14,390)
Charged to profit and loss account	13,607	(390,027)	8,368	21,826	(359,833)	373,440
Balance as at June 30, 2005	1,015,302	626,058	8,368	21,826	656,252	359,050
Charged to profit and loss account	582,554	(33,231)	1,631	43,846	12,246	570,308
Balance as at June 30, 2006	<u>1,597,856</u>	<u>592,827</u>	<u>9,999</u>	<u>65,672</u>	<u>668,498</u>	<u>929,358</u>

14. TRADE AND OTHER PAYABLES

	Note	2006 (Rupees in thousand)	2005
Creditors		880,671	613,766
Accrued liabilities		194,755	196,248
Customers deposit-interest free repayable on demand	14.1	38,881	31,268
Advances from customers		15,418	8,800
Contractors' retention money		31,207	21,020
Royalty and excise duty payable		3,499	2,832
Workers' profit participation fund	14.2	92,697	67,660
Unclaimed dividend		4,433	4,773
Withholding tax payable		2,711	6,082
Others		169,131	9,485
		<u>1,433,403</u>	<u>961,934</u>

14.1 The distributors and contractors give the Group a right to utilise these deposits in the normal course of business.

	Note	2006 (Rupees in thousand)	2005
14.2 Workers' profit participation fund			
Balance at beginning of the year / period		67,660	55,864
Allocation for the year / period	37	88,491	61,840
		<u>156,151</u>	<u>117,704</u>
Interest on funds utilized in the Group's business		244	262
		<u>156,395</u>	<u>117,966</u>
Less: Payment to the fund / deposited with the government treasury		63,698	50,306
		<u>92,697</u>	<u>67,660</u>

14.2.1 The Group retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Group till the date of allocation to workers.

14.2.2 The Holding Company has not made provision for workers' profit participation fund amounting to Rs. 15.423 million against profit on sale of equity investment amounting to Rs. 308.464 million in the light of an opinion given by the legal advisor.

14.2.3 Provision for workers' profit participation fund against share of profit in associated companies has been made to the extent of dividend received from these associated companies.

15. ACCRUED MARK UP

Mark up / interest on secured loans and finances		354,613	69,733
Term finance certificates		5,348	11,899
		<u>359,961</u>	<u>81,632</u>

16. SHORT TERM BORROWINGS - Secured

From banking companies:

Running finances	16.1	2,075,090	1,283,473
Export refinances	16.1	1,105,436	1,421,525
Temporary bank overdrafts – unsecured	16.2	3,468	-
		<u>3,183,994</u>	<u>2,704,998</u>

16.1 The export refinance and running finance facilities obtained from various banks aggregate to Rs. 8,574 million (2005: Rs. 6,957 million). The rates of mark-up range from 4.53% to 13.00% (2005: from 2.30% to 9.57%). 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.

16.2 This has arisen due to issuance of cheques for amounts in excess of the balance in a bank account.

17. TAXATION – Net

Opening balance		(8,904)	61,032
Add: Provision / (write back) made for:			
Current year / period		64,759	51,957
Prior years		(2,713)	(66,395)
		<u>62,046</u>	<u>(14,441)</u>
		53,142	46,591
Less: Tax deducted at source / advance tax		42,911	55,495
Taxation payable / (recoverable)		<u>10,231</u>	<u>(8,904)</u>

	Note	2006 (Rupees in thousand)	2005
18. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing - secured	7	1,095,526	668,947
Term finance certificates	8	112,900	154,550
Liabilities against assets subject to finance lease	9	78,158	114,218
		<u>1,286,584</u>	<u>937,715</u>

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 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 Holding Company has strong grounds against the assessment framed by the tax authorities.
- b) The Holding 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 Holding company has strong grounds against the assessments framed by the tax authorities.

19.1.2 Subsidiary company

19.1.2.1 The Subsidiary has filed writ petitions before the Lahore High Court (LHC) against the legality of judgment passed by the Customs, Excise and 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.

19.1.2.2 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 was rejected and the Subsidiary was 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 was raised by the Department on the alleged ground that the Subsidiary was not entitled to exemption from payment of customs duty and sales tax in terms of SRO 279(I) / 94 dated 02 April 1994.

The LHC, upon the Subsidiary's appeal, vide its order dated 06 November, 2001 has decided the matter in favour of the Subsidiary; however, the Collector of Customs has preferred a petition before the Supreme Court of Pakistan, which is pending adjudication.

19.1.2.3 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 Supreme Court of Pakistan, subsequent to the balance sheet date vide its order dated 05 July 2006, has dismissed the Collector of Customs' appeal.

20.1 OPERATING FIXED ASSETS

Description	AS AT 01 JULY 2005			MOVEMENT DURING THE YEAR				AS AT 30 JUNE 2006			Rate
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / Accumulated Depreciation	Transfer / Write off Cost / Accumulated Depreciation	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
(Rupees in thousand)											
Owned											
Freehold land	174,550	-	174,550	22	-	-	-	174,572	-	174,572	-
Office buildings	38,563	15,131	23,432	969	-	-	1,202	39,532	16,333	23,199	5-10
Factory buildings	1,252,745	612,254	640,491	353,789	-	-	48,401	1,606,534	660,655	945,879	5-10
Other buildings	82,283	43,791	38,492	7,477	-	-	3,660	89,760	47,451	42,309	5-10
Residential buildings	61,467	24,462	37,005	2,004	-	-	2,138	63,471	26,600	36,871	5-10
School and hospital	1,385	675	710	909	-	-	42	2,294	717	1,577	5
Plant and machinery	10,831,704	4,660,537	6,171,167	3,015,526	244,529 (175,115)	122,682 (106,765)	502,367	13,480,019	4,881,024	8,598,995	5-20
Service and other equipment	28,525	16,655	11,870	1,146	-	-	1,230	29,671	17,885	11,786	10-30
Computer and IT installations	38,701	15,329	23,372	8,631	-	-	7,394	47,332	22,723	24,609	10-30
Furniture and fixture	116,299	63,917	52,382	27,815	55 (31)	-	9,941	144,059	73,827	70,232	10-30
Office equipment	16,710	8,273	8,437	879	101 (49)	-	868	17,488	9,092	8,396	10-30
Quarry Equipments	130,860	113,181	17,679	5,566	-	-	3,710	136,426	116,891	19,535	20
Share of joint assets - Note : 20.1.9	3,608	2,934	674	234	-	-	91	3,842	3,025	817	10
Vehicles	133,111	66,292	66,819	49,613	12,736 (7,466)	-	15,595	169,988	74,421	95,567	20
	12,910,511	5,643,431	7,267,080	3,474,580	257,421 (182,661)	122,682 (106,765)	596,639	16,004,988	5,950,644	10,054,344	
Leased											
Plant and machinery	489,800	106,973	382,827	86,147	235,699 (75,981)	-	28,317	340,248	59,309	280,939	10
Vehicles	6,914	1,037	5,877	-	-	-	947	6,914	1,984	4,930	20
Quarry Equipments	-	-	-	18,575	-	-	309	18,575	309	18,266	20
	496,714	108,010	388,704	104,722	235,699 (75,981)	-	29,573	365,737	61,602	304,135	
	13,407,225	5,751,441	7,655,784	3,579,302	493,120 (258,642)	122,682 (106,765)	626,212	16,370,725	6,012,246	10,358,479	

20.1.1 Addition to plant and machinery include mark up amounting to Rs. 84.800 million (2005: Rs. Nil)

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

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

	Note	2006 (Rupees in thousand)	2005
Cost of sales	34	590,253	523,001
Administrative expenses	36	26,513	16,678
Other factory overheads		91	75
Unallocated expenditure		9,355	670
		<u>626,212</u>	<u>540,424</u>

20.1.4 OPERATING FIXED ASSETS

Description	AS AT 01 OCTOBER 2004			MOVEMENT DURING THE YEAR				AS AT 30 JUNE 2005			Rate
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / Accumulated Depreciation	Transfer / Write off Cost / Accumulated Depreciation	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
(Rupees in thousand)											
Owned											%
Freehold land	163,006	–	163,006	11,544	–	–	–	174,550	–	174,550	–
Office buildings	37,679	13,541	24,138	884	–	–	1,590	38,563	15,131	23,432	5-10
Factory buildings	1,219,452	569,203	650,249	33,293	–	–	43,051	1,252,745	612,254	640,491	5-10
Other buildings	81,712	40,116	41,596	571	–	–	3,675	82,283	43,791	38,492	5-10
Residential buildings	57,706	22,785	34,921	3,761	–	–	1,677	61,467	24,462	37,005	5-10
School and hospital	1,385	647	738	–	–	–	28	1,385	675	710	5
Plant and machinery	10,379,052	4,372,350	6,006,702	663,977	211,325 (144,026)	–	432,213	10,831,704	4,660,537	6,171,167	5-20
Service and other equipment	27,795	15,704	12,091	744	14 (11)	–	962	28,525	16,655	11,870	10-30
Furniture and fixture	102,559	56,160	46,399	13,756	16 (13)	–	7,770	116,299	63,917	52,382	10-30
Office equipment	52,291	21,031	31,260	3,128	8 (8)	–	2,579	55,411	23,602	31,809	10-30
Quarry Equipments	138,110	115,937	22,173	–	7,250 (7,188)	–	4,432	130,860	113,181	17,679	20
Share of joint assets - Note : 20.1.9	3,608	2,859	749	–	–	–	75	3,608	2,934	674	10
Vehicles	97,389	59,004	38,385	40,831	5,109 (3,007)	–	10,295	133,111	66,292	66,819	20
	12,361,744	5,289,337	7,072,407	772,489	223,722 (154,253)	–	508,347	12,910,511	5,643,431	7,267,080	
Leased											
Plant and machinery	490,840	132,712	358,128	145,000	146,040 (56,779)	–	31,040	489,800	106,973	382,827	10
Vehicles	–	–	–	6,914	–	–	1,037	6,914	1,037	5,877	20
	490,840	132,712	358,128	151,914	146,040 (56,779)	–	32,077	496,714	108,010	388,704	
	12,852,584	5,422,049	7,430,535	924,403	369,762 (211,032)	–	540,424	13,407,225	5,751,441	7,655,784	

20.1.5 DETAIL OF ASSETS DISPOSED OFF DURING THE YEAR

Description	Qty.	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Profit (Loss)	Mode of Sale	Sold to
----- (Rupees in thousand) -----								
Bailing Press	1 Set	177	102	75	250	175	Negotiation	E.F.U Gen Ins Co. Feroze sons Building Saddar Road Rawalpindi
Bailing Press	1 Set	380	134	246	74	(172)	Negotiation	Muhammad Rafique Faisalabad, Scheem No.212 Near old Jail, Dijkot Road Faisalabad
Blow Room Machinery	1 Set	2,265	2,110	155	585	430	Negotiation	M/S Shahid Muneeb & Co, 113 Gulshan Market, Railway Road, Faisalabad.
Card Machine Toyoda HPC	3 Nos	2,348	2,064	284	749	465	Negotiation	Noorani Spinning Industries, Lahore Road, Sheikhupura
Comber Machine CM-8M	10 Sets	6,678	2,695	3,983	720	(3,263)	Negotiation	Muhammad Rafique Faisalabad, Scheem No.212 Near old Jail, Dijkot Road Faisalabad
Drawing Frame Toyoda	1 No.	774	668	106	760	654	Negotiation	Pak Land Textile Mills, Hattar
LVS+Step Cleaner and Parcopinr	1 Set	380	272	108	400	292	Negotiation	Noorani Spinning Industries, Lahore Road, Sheikhupura
Machine Blow Room RSK (Hargeth)	1 No.	1,048	861	187	340	153	Negotiation	AI-Barkat Enterprises, Near Noor Industries, Lahore Road, Sheikhupura
Murata Mach Conner M-1988	1 No.	7,094	5,751	1,343	3,850	2,507	Negotiation	Amna Textile Industries, Faisalabad.
Murata Mach Conner M-1988	1 No.	7,094	5,740	1,354	3,800	2,446	Negotiation	D.M. Textile Mills Limited, Westrage Nai Chawani, Rawalpindi
Parcopine (Hergeth) M-1979	1 No.	230	160	70	150	80	Negotiation	AI-Barkat Enterprises, Near Noor Industries, Lahore Road, Sheikhupura
Retter Bale Breaker	1 No.	3,779	3,013	766	1,550	784	Negotiation	Noor Spinning, Faisalabad Road, Sheikhupura
Retter(b.Room,Card parts Etc)	1 No.	1,113	935	178	245	67	Negotiation	AI-Barkat Enterprises, Lahore Road, Sheikhupura
Savio Espro Winder	3 Sets	19,410	14,189	5,221	10,200	4,979	Negotiation	Hattar Textile Mills Limited, 103 Abpara, Khyban-e-Suharwardi, Islamabad
Spindle with bolister	1 Set	400	81	319	29	(290)	Negotiation	Muhammad Rafique Faisalabad, Scheem No.212 Near old Jail, Dijkot Road Faisalabad
Toyoda Ring Frames	2 Sets	1,334	1,181	153	250	97	Negotiation	AI-Barkat Enterprises, Near Noor Industries, Lahore Road, Sheikhupura
Toyoda Ring Frames	13 Sets	8,714	7,710	1,004	1,625	621	Negotiation	M/S Shahid Muneeb & Co, 113 Gulshan Market, Railway Road, Faisalabad.
Toyoda Ring Frames	17 Sets	14,789	11,245	3,544	2,566	(978)	Negotiation	Shahid Muneeb & Company 113-Gulsitan Market Railway Road Faisalabad
Toyoda Ring Frames	17 Sets	11,387	8,969	2,418	2,481	63	Negotiation	Siddique Textile Corporation Faisalabad
Boiler Super Thermax	1 No	6,795	1,592	5,203	4,533	(670)	Negotiation	Super Thermax Boiler (Pvt) Limited, 17 KM, Lahore Sheikhupura Road, Sheikhupura.
Water Mangle	1 No	2,707	2,543	164	1,274	1,110	Negotiation	A.N. Traders, Samundri Road, Faisalabad.
Kier Washing Machine Complete	2 No	1,753	1,561	192	600	408	Negotiation	K.K. Traders, Yaseen Amrket, Near Anwar Khan Balouch Blazing Home School, Faisalabad
Warping and Sizing Machine	1Set	32,251	23,258	8,993	13,000	4,007	Negotiation	Z. K. Industries, D-149 B, Site, Karachi
Air Jet Looms	1 No.	110,287	77,237	33,050	21,187	(11,863)	Negotiation	Toyota Tsusho, 9-8 Meieki Chome, Nakamura
Suzuki Carry RIZ - 3280	1 No	402	175	227	300	73	Negotiation	E.F.U Gen Ins Co. Feroze sons Building Saddar Road Rawalpindi
Toyota Corolla RL - 586	1 No	939	398	541	900	359	Negotiation	E.F.U Gen Ins Co. Feroze sons Building Saddar Road Rawalpindi
Suzuki Mehran LX - 6590	1 No	125	38	87	200	113	Negotiation	Mr. M. Waqas Hussain, H # 39, Street 5, Hassan Town, Miraj Park, Multan Road, Lahore.
Suzuki Baleno LXO - 9083	1 No	684	519	165	350	185	Negotiation	Mr. Aftab Ahmed, 16-S Bahir Street, Near Hameed Ali Park, Ghuri Road, Ichrah, Lahore.
Shehzore Dalla LXP - 6677	1 No	560	391	169	370	201	Negotiation	Mr. Mohammad Naeem, H # 280-A, Qadri Street, Munshi Court, Lahore.
Toyota Corolla LXG - 5090	1 No	450	238	212	615	403	Negotiation	Mr. Yasir Arafat, H # 60-L, Phase I, Defence, Lahore Cantt.
Toyota Corolla LXZ - 2112	1 No	784	548	236	630	394	Negotiation	EFU GEN. INSURANCE
Toyota Corolla LXL - 1166	1 No	700	184	516	700	184	Negotiation	Kohinoor Weaving Mills Limited, 8th Manga Raiwind Roar, Kasur
Honda Civic EXI LZK - 424	1 No	958	252	706	960	254	Negotiation	Mr. Jawwad Hussain Shirazi, House 10, Street 6, Lane 5, Cavalary Ground, Lahore.
Suzuki Swift LOW-4035	1 No.	396	339	57	300	243	Negotiation	Mr. Jalal-ud-Din Ex.Engg. Manager KTML Rawalpindi
Suzuki Beleno LXZ -9280	1 No	600	493	107	320	213	Negotiation	New Rawal Motors, Rehmanabad, Rawalpindi
Honda Civic RIW-6659	1 No	878	727	151	650	499	Negotiation	Chaudhary Muhammad Imran, Village Pindpracha, Jhangi Syedan, Islamabad.
Honda Civic RIW-6428	1 No	952	785	167	760	593	Negotiation	Chaudhary Muhammad Iqbal, Village Pindpracha, Jhangi Syedan, Islamabad.
Honda Civic VTI RIV-3600	1 No	1,268	777	491	850	359	Negotiation	New Rawal Motors, Rehmanabad, Rawalpindi.
Honda Civic VTI LZK-3700	1 No	1,372	300	1,072	1,105	33	Negotiation	Malik Abdul Rauf, Lahore
Toyota Corolla	1 No	967	677	290	711	421	Negotiation	Muhammad Sheraz Ashraf - Employee
Suzuki Jeep	1 No	400	334	66	308	242	Negotiation	Muhammad Sheraz Ashraf,
Yamaha Motorcycle	1 No	40	37	3	30	27	Insurance claim	EFU General Insurance Company Limited
Other assets with book value less than Rs. 50,000	-	1,759	1,378	381	1,612	1,231		
	2006	257,421	182,661	74,760	82,889	8,129		
	2005	78,185	58,170	20,015	39,987	19,972		

	Note	2006	2005
		(Rupees in thousand)	
20.4 CAPITAL WORK IN PROGRESS			
Civil works		108,248	53,105
Plant and machinery		7,762,375	1,895,089
Mechanical works		490,711	139,891
Electrical works		83,007	50,168
Un-allocated capital expenditure	20.4.1	492,073	111,205
Stores and spares held for capital expenditure		172,187	21,053
Advances to suppliers against:			
Plant and machinery		78,968	10,511
Civil works and buildings		280	1,187,778
Vehicles		-	3,984
Furniture, fixtures and equipment		1,616	-
Electrical works		101,820	-
		<u>9,291,285</u>	<u>3,472,784</u>

20.4.1 Un-allocated capital expenditure -net

Salaries and wages	35,172	16,068
Traveling	6,622	5,746
Vehicles' running and maintenance	2,777	2,012
Training	410	126
Financial expenses	427,488	80,946
Printing & stationery	1,960	797
Postage, telegram and telephone	983	82
Legal and professional	1,185	-
Consultancy	1,113	3,852
Depreciation	3,737	728
Insurance	8,523	2,250
Rent, rates and taxes	1,292	424
Repair and maintenance	302	112
Others	4,549	2,102
	<u>496,113</u>	<u>115,245</u>
Less: Mark-up on deposits	4,040	4,040
	<u>492,073</u>	<u>111,205</u>

21. LONG TERM INVESTMENTS

Investment in related party-available for sale

Unquoted :

Security General Insurance Company Ltd.		
812,514 (2005 : 812,514) ordinary shares		
of Rs. 10/- each fully paid	5,000	5,000
Equity held 6.71% (2005: 6.71%)		
Surplus on remeasurement of investment at the year / period end	12,395	9,566
	<u>17,395</u>	<u>14,566</u>

	Note	2006 (Rupees in thousand)	2005
22. LONG TERM LOANS TO EMPLOYEES - Secured			
House building		8,245	6,940
Vehicle		2,086	1,790
Others		346	388
		<u>10,677</u>	<u>9,118</u>
Less : Recoverable within one year	28	<u>3,550</u>	<u>3,294</u>
		<u><u>7,127</u></u>	<u><u>5,824</u></u>
22.1	These loans relate to the Subsidiary and 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 instalments ranging from 30 to 120.		
22.2	No amount was due from directors and chief executive at the year/ period end.		
22.3	Out of the opening receivable balance of Rs. 68 thousand from an executive, an amount of Rs. 21 thousand was received during the year; balance of Rs. 47 thousand was receivable as at 30 June 2006. No other loans were advanced to executives during the current year.		
23. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		47,334	39,552
Prepayments		2,833	2,833
		<u>50,167</u>	<u>42,385</u>
Less: current portion	29	<u>16,680</u>	<u>15,476</u>
		<u><u>33,487</u></u>	<u><u>26,909</u></u>
24. GOODWILL			
Goodwill arised on acquisition of subsidiary		(486,903)	(486,903)
Less: Accumulated amortization at the beginning of the year / period		194,763	146,073
Less: Amortization for the year / period	38	48,690	48,690
		<u>243,453</u>	<u>194,763</u>
		<u><u>(243,450)</u></u>	<u><u>(292,140)</u></u>
25. STORES AND SPARES			
Stores including in transit Rs. 29.938 million (2005: Rs. 136.350 million)		1,353,539	912,848
Spares including in transit Rs. 117.025 million (2005: Rs. 50.434 million)		995,464	606,100
Tools		15,890	9,665
Machinery held for disposal		–	49,455
		<u>2,364,893</u>	<u>1,578,068</u>
Less : Provision for obsolescence		<u>14,097</u>	<u>13,400</u>
		<u><u>2,350,796</u></u>	<u><u>1,564,668</u></u>

	Note	2006 (Rupees in thousand)	2005
26. STOCKS-IN-TRADE			
Raw material including in transit Rs. 218.738 million (2005: Rs. Nil)		713,209	544,881
Packing material		20,521	26,611
Work in process		233,791	196,326
Finished goods		841,220	528,084
		<u>1,808,741</u>	<u>1,295,902</u>
27. TRADE DEBTS			
Considered good:			
Related party (Kohinoor Weaving Mills Limited)		–	79,203
Others		1,050,866	653,776
		<u>1,050,866</u>	<u>732,979</u>
Considered doubtful:			
Others		9,380	1,995
		<u>1,060,246</u>	<u>734,947</u>
Less: Provision for doubtful debts		9,380	1,995
		<u>1,050,866</u>	<u>732,979</u>
28. LOANS AND ADVANCES – considered good			
Current portion of long term loans to employees	22	3,550	3,294
Advances to:			
Executives		8,760	5,822
Other Employees		6,202	4,560
Suppliers		391,080	130,445
		406,042	140,827
Letter of credit		8,195	12,460
		<u>417,787</u>	<u>156,581</u>
29. SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of security deposits	23	16,680	15,476
Margin against letter of credit		316	6,203
Prepayments		10,324	23,615
		<u>27,320</u>	<u>45,294</u>
30. OTHER RECEIVABLES			
Sales tax refundable	30.1	154,660	271,398
Custom duty receivable		16,079	19,261
Excise duty		17,814	
Export rebate		27,051	48,153
Insurance claims		776	3,623
Others		10,048	11,683
		<u>226,428</u>	<u>354,118</u>

- 30.1 2005 balance included sales tax paid aggregating Rs.35.797 million against various cases as detailed in the contingencies note; however, Rs.19.000 million have been received-back during the current year and the Subsidiary is still in litigation to get refund of the remaining balance of Rs.16.797 million.

	Note	2006 (Rupees in thousand)	2005
31. SHORT TERM INVESTMENTS			
Investment in related parties/associates – available for sale			
Quoted			
Kohinoor Weaving Mills Limited			
Nil (2005: 11,125,608) Ordinary shares of Rs. 10 each fully paid. Equity held Nil (2005: 33.65%)			
Fair value of investment at the beginning of the year / period		348,231	384,339
Less: Sale of investment during the year / period		<u>(348,231)</u>	<u>–</u>
		–	384,339
Surplus / (Deficit) on remeasurement at the end of the year / period		<u>–</u>	<u>(36,108)</u>
Fair value of investment at the end of the year / period		–	348,231
Un-Quoted :			
Security General Insurance Company Limited			
1,137,519 (2005: 1,137,519) Ordinary shares of Rs. 10 each fully paid. Equity held 9.40% (2005: 9.40%)			
		<u>7,000</u>	<u>7,000</u>
		<u>7,000</u>	<u>355,231</u>

32. CASH AND BANK BALANCES

Cash in hand including in transit Rs. 1.183 million (2005: 2.748 million)		4,452	3,641
Cash at banks:			
On Current accounts including cheques under clearance of Rs. 362.496 million (2005: Rs. 14.347 million)		<u>478,972</u>	<u>167,274</u>
On deposit accounts		1,859	214,389
On profit and loss accounts		<u>52,466</u>	<u>132,838</u>
		<u>533,297</u>	<u>514,501</u>
		<u>537,749</u>	<u>518,142</u>

- 32.1 The balances in current accounts include US \$ 46,145 (2005: US \$ 13,420)
- 32.2 Current accounts include a sum of Rs. 14.774 million (2005: Rs. 8.024 million) held by various banks as margin against guarantees issued by them.
- 32.3 The balances in deposit accounts carry interest ranging from 1.5% to 4.47% (2005: from 1.5% to 6.00%) per annum.
- 32.4 Profit and loss sharing accounts bear mark up at the rates ranging from 1% to 3% (2005: from 1% to 3%) per annum.

33. SALES

Export		3,694,497	2,702,755
Local – net of sales tax	33.1	<u>8,989,332</u>	<u>6,357,616</u>
		<u>12,683,829</u>	<u>9,060,371</u>

- 33.1 Local sales are exclusive of sales tax amounting to Rs. 1,128.106 million (2005: Rs. 1,070.134 million) and excise duty amounting to Rs 1,036.977 million (2005 : Rs. 1,020.618 million).

	Note	2006 (Rupees in thousand)	2005
34. COST OF SALES			
Raw materials consumed	34.1	2,749,162	2,019,888
Salaries, wages and other benefits		549,284	382,354
Provident fund contributions		15,770	12,080
Dyes and chemicals consumed		383,038	167,366
Processing charges		18,609	72,300
Stores and spares consumed		376,130	319,773
Packing materials		417,832	324,380
Fuel and power		2,930,336	2,280,237
Repair and maintenance		78,010	60,640
Insurance		23,342	21,063
Other factory overheads		114,185	98,147
Depreciation	20.1.3	590,253	523,001
		<u>8,245,951</u>	<u>6,281,229</u>
Work in process			
Opening stock		196,326	128,537
Transfer from trial run operations		11,842	-
Closing stock		(233,791)	(196,326)
		<u>(25,623)</u>	<u>(67,789)</u>
Cost of goods manufactured		8,220,328	6,213,440
Finished goods			
Opening stock		231,615	275,470
Transfer from trial run operations		7,109	-
Closing stock		(210,935)	(231,615)
		<u>27,789</u>	<u>43,885</u>
Cost of sales – own manufactured goods		8,248,117	6,257,295
Opening stock of purchased finished goods		296,469	196,976
Add: Finished goods purchased		1,519,115	830,686
		1,815,584	1,027,662
Less: Closing stock of purchased finished goods		630,285	296,469
Cost of sales – purchased finished goods		<u>1,185,299</u>	<u>731,193</u>
		<u>9,433,416</u>	<u>6,988,488</u>
34.1. Raw material consumed			
Opening stock		544,881	320,934
Add: Purchases		2,698,752	2,243,835
		3,243,633	2,564,769
Less: Closing stock		494,471	544,881
		<u>2,749,162</u>	<u>2,019,888</u>

	Note	2006	2005
		(Rupees in thousand)	
35. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and other benefits		28,551	21,253
Provident fund contributions		803	646
Outward freight and handling		3,707	2,040
Clearing and forwarding		141,758	141,908
Traveling and conveyance		14,396	8,078
Insurance		1,260	764
Vehicles' running		5,350	3,823
Electricity, gas and water		401	236
Postage, telephone and telex		6,202	4,896
Legal and professional		139	231
Sales promotion and advertisement		19,990	7,326
Commission to selling agents		260,660	184,830
Provision for doubtful debts		9,380	1,995
Miscellaneous expenses		9,666	5,153
		<u>502,263</u>	<u>383,179</u>
36. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		71,598	43,945
Provident fund contributions		2,068	1,241
Traveling		10,485	8,381
Repairs and maintenance		7,371	5,138
Rent, rates and taxes		9,295	2,105
Insurance		1,516	791
Vehicles' running		10,601	6,500
Printing, stationery and periodicals		6,859	5,235
Electricity, gas and water		1,602	1,041
Postage, telephone and telex		6,856	5,978
Legal and professional		5,477	4,723
Provision for obsolete stores and spares		697	-
Depreciation	20.1.3	26,513	16,678
Miscellaneous expenses		23,353	16,741
		<u>184,291</u>	<u>118,497</u>
37. OTHER OPERATING EXPENSES			
Auditors' remuneration	37.1	1,620	978
Donation	37.2	29,783	11,099
Property, plant and equipment written-off		12,019	-
Workers' profit participation fund	14.2	88,491	61,840
		<u>131,913</u>	<u>73,917</u>

	Note	2006	2005
		(Rupees in thousand)	
37.1 Auditors' remuneration			
Audit fee		600	550
Certification including half yearly review		460	295
Other consultancy services and out of pocket expenses		560	133
		1,620	978
		1,620	978
37.2	None of the directors and their spouses have any interest in the donees' fund.		
38. OTHER OPERATING INCOME			
Income from financial assets :			
Exchange gain		2,405	–
Income on bank deposits		6,397	3,065
Unclaimed balances written back – net		220	1,259
		9,022	4,324
Income from related parties:			
Dividend income from;			
Security General Insurance Corporation Limited		3,900	738
Kohinoor Weaving Mills Limited		–	11,148
		3,900	11,886
Income from non-financial assets:			
Scrap sales		34,043	17,484
Gain on disposal of property, plant and equipment		8,129	19,972
Gain on disposal of investments		308,464	–
Loss on sale of stores		(23,975)	–
Amortization of goodwill	24	48,690	48,690
Miscellaneous		7,319	3,903
		382,670	90,049
		395,592	106,259
39. FINANCE COST			
Mark-up / finance charges / interest on:			
Long term financing – secured		398,648	197,873
Term finance certificates		28,107	35,512
Short term borrowings		312,236	108,669
Finance leases		20,143	15,846
Workers' profit participation fund		244	262
		759,378	358,162
Bank charges and commission		23,255	9,211
Exchange loss		6,417	11,510
		789,050	378,883

	Note	2006	2005
		(Rupees in thousand)	
40. PROVISION FOR TAXATION			
Current year / period			
Current		64,759	(8,752)
Deferred		570,308	369,287
		635,067	360,535
Prior year / period			
Current		(2,713)	(5,689)
Deferred		-	4,153
		(2,713)	(1,536)
		632,354	358,999

40.1 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	-	(2.25)
Tax effect under presumptive tax regime and others	(31.95)	(12.53)
Effect of changes in prior years tax	(0.01)	(1.03)
Deferred tax	27.98	20.83
	(3.98)	5.02
Average effective tax rate charged to profit and loss account	31.02	40.02

41. EMPLOYEES' BENEFITS - GRATUITY

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

	2006	2005
- discount rate	9%	9%
- expected return on plan assets	14%	14%
- expected rate of growth per annum in future salaries	8%	8%
- average expected remaining working life time of employees	11 years	11 years

41.1 The amounts recognized in the balance sheet is as follows:	2006	2005
	(Rupees in thousand)	
Present value of obligation	45,937	74,066
Benefits payable to Supervisors and Officers	57,306	-
Fair value of plan assets	(100,830)	(147,812)
Unrecognized actuarial (loss) / gain	(1,298)	4,076
Benefits payable to outgoing members	925	-
Net liability / (asset) recognized in the balance sheet	2,040	(69,670)

	Note	2006 (Rupees in thousand)	2005
41.2 Movement in the net liability / (asset) recognized in the balance sheet is as follows:			
Net asset at the beginning of the year		(69,670)	(60,437)
Expense (income) recognized		2,040	(8,155)
Funds transferred from gratuity trust		74,009	–
Other miscellaneous adjustments		674	–
Contribution paid		(5,013)	(1,078)
Net liability / (asset) at the end of the year		<u>2,040</u>	<u>(69,670)</u>
41.3 The amounts recognized in the profit and loss account is as follows:			
Current service cost		7,632	4,261
Interest cost		6,666	5,184
Expected return on plan assets		(20,694)	(17,600)
Loss on present value of defined benefit obligations			
Due to settlements to supervisors and officers	41.4	<u>8,436</u>	<u>–</u>
Income recognized in the profit and loss account		<u>2,040</u>	<u>(8,155)</u>
41.4	The Subsidiary company has withdrawn gratuity benefits for its Officers and Supervisors with effect from 01 July 2006; therefore, their accrued benefits have been calculated on termination basis as at 30 June 2006.		
41.5	The Subsidiary company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).		
41.6	The latest actuarial valuation of the gratuity scheme has been carried-out on 30 June 2006.		
42. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,038,488	1,223,666
Adjustment for non-cash charges and other items:			
Depreciation		626,212	540,424
Amortization of goodwill		(48,690)	(48,690)
Finance cost		789,050	367,373
Gain on sale of fixed assets		(8,129)	(19,972)
Gain on sale of investments		(308,464)	–
Deferred liability for vacation benefits		3,437	3,028
Dividend income		(3,900)	(11,886)
Return on bank deposits		(6,397)	(3,065)
Write-off of expenses incurred on issue of ordinary and preference shares		–	(27,499)
Provision for obsolete stores		697	–
Property, plant and equipment written-off		12,019	–
Unclaimed balances written-back		(220)	–
Exchange loss		–	11,510
Provision for WPPF		88,491	61,840
Working capital changes	42.1	<u>(1,209,993)</u>	<u>(302,851)</u>
		<u>1,972,601</u>	<u>1,793,878</u>

2006 2005
(Rupees in thousand)

42.1 Working capital changes

(Increase) / decrease in current assets:

Stores and spares	(782,927)	(168,843)
Stock-in-trade	(512,839)	(336,501)
Trade debts	(317,887)	(135,588)
Advances	(374,610)	167,868
Gratuity fund trust	69,670	(9,233)
Security deposits and short term prepayments	17,974	(3,953)
Other receivables	86,895	(9,382)
	(1,813,724)	(495,632)

Increase/(decrease) in current liabilities

Trade and other payables	603,731	192,781
	(1,209,993)	(302,851)

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executives		Directors		Executives	
	2006	2005	2006	2005	2006	2005
Number of persons	2	2	5	4	33	25
	----- (Rupees in thousand) -----					
Managerial remuneration	4,844	4,127	8,196	4,189	30,514	23,591
Contribution to provident fund	382	128	219	166	1,699	1,066
Housing and utilities	608	1,213	2,562	505	10,535	5,591
Medical	152	-	666	653	857	1,389
Group insurance	138	77	52	33	2,869	2,782
Club subscription	51	30	-	-	-	-
Others	215	-	388	420	7,003	3,345
	6,390	5,575	12,083	5,966	53,477	37,764

Chief Executives and certain directors are provided with free transport, residential telephone facilities for both business and personal use and free medical facilities. Chief Executives are also provided free furnished accommodation.

Executives are provided with free use of company maintained vehicles in accordance with the Company policy.

The aggregate amount charged in the financial statements in respect of directors' fee paid to 5 (2005 : 5) directors was Rs. 145 thousand (2005: Rs. 125 thousand).

44. TRANSACTIONS WITH RELATED PARTIES

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.

The related parties comprise of subsidiary, associated companies, directors of the Group, 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	2006 (Rupees in thousand)	2005
Associates			
Purchase of goods and services		–	301,541
Sale of goods and services		1,901	1,012,647
Sale of property, plant and equipment		–	950
Purchase of property, plant and equipment		–	825
Dividend income		3,900	11,886
Others			
Contribution to provident fund	44.1	18,641	13,967
Contribution to gratuity fund	44.1	5,013	1,078

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

		2006	2005
45. BASIC EARNING PER SHARE			
Net Profit for the year / period	(Rs. in thousand)	<u>851,407</u>	<u>495,980</u>
Weighted average ordinary shares in issue	(Nos)	<u>105,837,249</u>	<u>104,947,521</u>
Basic earning per share	(Rs.)	<u>8.04</u>	<u>4.73</u>

46. PLANT CAPACITY AND ACTUAL PRODUCTION	2006	2005
	(Numbers)	
SPINNING :		
Rawalpindi Division		
Spindles (average) Installed / worked:	78,870	77,187
	(Kilograms in thousand)	
100% plant capacity converted into 20s count based on 3 shifts per day for 1,094 shifts (2005: 817 shifts)	33,901	24,488
Actual Production converted into 20s count based on 3 shifts per day for 1,092 shifts (2005: 817 shifts)	31,223	22,675
Gujar Khan Division :	(Numbers)	
Spindles (average) Installed / worked:	60,737	51,762
	(Kilograms in thousand)	
100% plant capacity converted into 20s count based on 3 shifts per day for 1,092 shifts (2005: 817 shifts)	25,219	16,019
Actual production converted into 20s count based on 3 shifts per day for 1,092 shifts (2005: 819 shifts)	23,680	15,026
WEAVING :	(Numbers)	
Raiwind Division		
Looms Installed / worked	204	216
	(Square meters in thousand)	
100% plant capacity at 60 picks based on 3 shifts per day 1,095shifts (2005: 819 shifts)	84,875	51,480
Actual production converted to 60 picks based on 3 shifts per day for 1,095 shifts (2005: 819 shifts)	59,664	45,007
PROCESSING OF CLOTH	(Meters in thousand)	
Capacity at 3 shift per day for 1,094 shifts (2005: 819 shifts)	50,150	25,485
Actual at 3 shifts per day for 1,094 shifts (2005: 819 shifts)	30,855	17,623
POWER PLANT	(Mega watts)	
Annual rated capacity (Based on 365 days)	102,667	102,667
Actual generation		
Main Engines	65,454	46,378
Standby generators	1,180	768
CEMENT	(Metric Tonnes in thousand)	
Clinker:		
Grey		
Annual rated capacity (Based on 300 days)	1,500	1,470
Annual production for the year / period	1,401	1,321
White		
Annual rated capacity (Based on 300 days)	67	30
Annual production for the year / period	32	33

REASONS FOR LOW PRODUCTION

Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality, interruption in gas supply.

Cloth processing units working capacity was lower mainly due to replacement and installation of the machines.

The generation of power was limited to actual demand.

Shortfall in production of white cement was mainly due to market constraints.

47. 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			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial assets	(Rupees in thousands)													
Long term Investment	-	-	-	-	-	-	-	-	-	-	17,395	14,566	17,395	14,566
Long term deposits	-	-	-	-	-	-	16,680	15,476	28,783	22,205	1,871	1,871	47,334	39,552
Trade debts	-	-	-	-	-	-	1,050,866	732,976	-	-	-	-	1,050,866	732,976
Loans and advances	-	-	-	-	-	-	127,462	10,382	-	-	-	-	127,462	10,382
Accrued Profit	-	-	-	-	-	-	1,140	4,670	-	-	-	-	1,140	4,670
Loans to Employee	3,550	3,294	7,127	5,824	-	-	-	-	-	-	-	-	10,677	9,118
Other receivables	-	-	-	-	-	-	10,824	10,606	-	-	-	-	10,824	10,606
Short term investments	-	-	-	-	-	-	7,000	355,231	-	-	-	-	7,000	355,231
Cash and bank balances	54,325	347,227	-	-	-	-	483,424	170,915	-	-	-	-	537,749	518,142
	57,875	350,521	7,127	5,824	-	-	1,697,396	1,300,256	28,783	22,205	19,266	16,437	1,810,447	1,695,243
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	57,875	350,521	7,127	5,824	-	-	1,697,396	1,300,256	28,783	22,205	19,266	16,437	1,810,447	1,695,243
Financial liabilities														
Long term financing	1,095,526	668,947	10,362,070	3,753,102	-	-	-	-	-	-	7,477	7,477	11,465,073	4,429,526
Term finance certificates	112,900	154,550	71,250	184,150	-	-	-	-	-	-	-	-	184,150	338,700
Liabilities against assets subject to finance lease	78,158	114,218	237,759	134,308	-	-	-	-	-	-	-	-	315,917	248,526
Trade and other payables	-	-	-	-	-	-	1,432,435	864,754	-	-	-	-	1,432,435	864,754
Accrued mark up	-	-	-	-	-	-	359,961	81,632	-	-	-	-	359,961	81,632
Long term deposits	-	-	-	-	-	-	-	-	2,977	6,572	-	-	2,977	6,572
Short term borrowings	3,180,526	2,704,998	-	-	-	-	3,468	-	-	-	-	-	3,183,994	2,704,998
	4,467,110	3,642,713	10,671,079	4,071,560	-	-	1,795,864	946,386	2,977	6,572	7,477	7,477	16,944,507	8,674,708
Off balance sheet														
Commitments	-	-	-	-	-	-	912,508	2,198,232	-	-	-	-	912,508	2,198,232
Letter of credit	-	-	-	-	-	-	1,177,386	4,728,809	-	-	-	-	1,232,600	4,728,809
Guarantees	-	-	-	-	-	-	241,475	130,978	-	-	-	-	241,475	130,978
	-	-	-	-	-	-	2,331,369	7,058,019	-	-	-	-	2,386,583	7,058,019
Total financial liabilities	4,467,110	3,642,713	10,671,079	4,071,560	-	-	4,127,233	8,004,405	2,977	6,572	7,477	7,477	19,331,090	15,732,727
On balance sheet gap	(4,409,235)	(3,292,192)	(10,663,952)	(4,065,736)	-	-	(98,468)	353,870	25,806	15,633	11,789	8,960	(15,134,060)	(6,979,465)
Off balance sheet gap	-	-	-	-	-	-	(2,331,369)	(7,058,019)	-	-	-	-	(2,386,583)	(7,058,019)

47.1 Effective Interest / mark up rates

The Company's exposure to interest / mark up effective rates on its financial assets and financial liabilities are summarized as follows:

	2006	2005
	Percentage	
Financial Assets		
Profit on bank	1.00 to 4.47	1.00 to 6.00
Financial Liabilities		
Long term loans	9.46 to 12.75	4.39 to 11.61
Term finance certificates	9.86 to 11.54	4.85 to 09.86
Liabilities against assets subject to finance leases	8.50 to 17.00	6.27 to 18.35
Short term finances	4.53 to 13.00	2.30 to 09.57

47.2 Financial risk management, objectives and policies

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

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. 1,810.447 million (2005: Rs. 1,695.243 million), the financial assets which are subject to credit risk amounted to Rs. 361.940 million (2005: Rs. 432.097 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 follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

47.3 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.

48. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 03 October 2006 have proposed 10% bonus shares amounting to Rs. 105.837 million (2005 : 10% : Rs. 96.216 million) and transfer to general reserve amounting to Rs. 300.000 million (2005: Rs. 100.000 million) for approval of the members at the annual general meeting to be held on 31 October 2006. The financial statements for the year ended 30 June 2006 do not include the effect of the proposed bonus shares and transfer to general reserve, which will be accounted for in the financial statements for the year ending 30 June 2007.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 03 October 2006 by the Board of Directors of the Group.

50. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a. Taxation
- b. Property, plant and equipment
- c. Provision for doubtful debts, loans and advances
- d. Staff retirement benefits
- e. Classification of investments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

51. GENERAL

51.1 No significant reclassification / rearrangement of comparative figures has been made except detailed below:

51.1.1 Selling commission amounting to Rs. 184.830 million has been grouped under Selling and distribution expenses instead of netting it off from sales.

51.2 Pursuant to the change in financial year of the Holding company from September to June, comparative figures of profit and loss account, cash flow statement, statement of changes in equity and related notes to financial statements were of nine months ending on 30 June 2005, hence are not comparable.

51.3 Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.

Chief Executive

Director

KTM
ANNUAL REPORT 2006



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TEXTILE MILLS LIMITED
A Kohinoor Maple Leaf Group Company

KOHINOOR

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42-Lawrence Road, Lahore, Pakistan.

