

## **DIRECTOR'S REPORT**

Your Directors are pleased to present the 15th Annual Report on the affairs of the company along with the Audited Financial Statements and Auditor's Report thereon for the year ended June 30, 2006.

### **Financial and operational results**

The Company earned pretax profit of Rs.28.600 (M) after charging costs, expenses and depreciation for the year ended June, 2006.

	<b>Rs. 000</b>
Pre tax profit for the period	28,600
Provision for taxation	(22,263)
Profit after taxation	6,337
Unappropriated profit brought forward	57,872
Profit available for appropriations	64,209
Transfer from surplus on revaluation of fixed assets	4,108
Unappropriated profit carried forward	68,317

The earning per share is Rs. 0.92 (Par value Rs. 10/= per share)

### **Operational Review**

During the period under review the company performance was good. Net sales during the year was Rs.1,612 billion which is highest in the history of the company (Rs.984.803 million during the nine month of the last year) against total cost of sales of Rs.1.473 billion (Rs.822.435 million- 2005) giving a gross profit of Rs.138.794 million (Rs.162.368 million-2005). The main reason of decrease in profit as compared to last year is due to increase in cotton prices and no proportionate increase in the prices of cotton yarn. The increase in gas prices, financial cost also effect the profitability of the company.

### **Investment and Sources of Financing**

During the year 157.722 (M) were invested in the fixed assets. This is the part of the company's expansion/BMR plan to increase its spinning Capacity by adding TFO machines. Depreciation cash flow Rs. 70.482 (M) retained earning and net increase in long term debts of Rs. 47.398 (M) were used to finance this expansion.

### **Future Outlook**

The Cotton crop for the coming season is some what effected due to the rains and pest attack. We expect a good crop in the next year and hope for the fair prices which will be helpful for textile industry. Price of natural gas, salaries, wages and freight has been increased since July, 2006 due to this textile industry is facing problems. In current scenario It is very difficult to compete the international market because of our main competitors (India & China) are enjoying the very supportive environment due to that they can supply textile made up on cheaper prices than us. In view of this your company has decided to slow down its expansion, intensive cost control and marketing efforts are being taken to combat this situation. The quantum of exports decreased during the year mainly due to the high prices of quality yarn in the local market. Now there is the increasing trend in prices of export market. Your company is export oriented unit and recently we are exporting the yarn to U.S.A and Japanese market. Our export will substantially increase as we are promoting yarn to non traditional countries this will create the positive impact on our profitability. In spite of inflationary trend and increasing interest rates which have almost touched the ceiling, we hope that by the grace of God, and the hard work of the management and focusing its efforts on specialize and value added high quality textile products your company will be able to achieve better results.

### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

As required by the Code of Corporate Governance, directors are pleased to report that:

- a. The Financial Statement prepared by the Management, present fairly its state of affairs, the result of its operations, Cash Flows and changes in equity;

- b. Proper books of accounts have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.
- e. Internal Auditors is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the management.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data for last six years is annexed.
- i. The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
- j. There has been no trading of shares by Chief Executive, Directors, Financial Officer, Company Secretary, their spouses and minor children, during the year.
- k. During the year under review three (5) meetings were held.

Attendance by each Director is as follows:

<u>Name of Director</u>	<u>Attendance</u>
● Mian Muhammad Ahmed	4
● Mian Riaz Ahmed	3
● Mrs. Rehana Attaullah (Resigned from the Board of Directors on December 1 <sup>st</sup> 2005.)	2
● Mr. Shahzad Ahmed	5
● Mr. Naveed Ahmed	4
● Mr. Imran Ahmed	4
● Mr. Kashif Riaz	4
● Mr. Shafqat Masood	5
● Mr. Irfan Ahmed (Joined the Board of Directors on December 1 <sup>st</sup> 2005 to fill in the Casual Vacancy due to resignation Of Mrs. Rehana Attaullah)	2

### **Pattern of Shareholding**

The pattern of shareholding as at June, 2006 is annexed.

### **Auditors**

The Messrs M. Yousaf Adil Saleem And Company Chartered Accountants retire at the Annual General Meeting and being eligible, offer themselves for re appointment for the financial year ending June 30, 2007.

### **Thanks and appreciation**

Your Directors feel pleasure in expressing the highly dedicated services rendered by the employees of the Company and wish to convey their thanks to the Company's bankers and financial institutions for their co-operation and support extended to the Company.

Dated: October 07, 2006

**FOR AND ON BEHALF OF THE BOARD**

**Kashif Riaz  
CHIEF EXECUTIVE**