

Company Information

BOARD OF DIRECTOR	BASHIR H. ALIMOHAMMED - Chairman & Chief Executive A.RAZAK HAJI SATTAR YASIN HAJI KASSAM YOUNUS HAJI LATIF ZAIN BASHIR ZIAD BASHIR ABDUL AZIZ YOUSUF
COMPANY SECRETARY	MOHAMMED SALIM GHAFFAR
AUDIT COMMITTEE	A. RAZAK HAJI SATTAR - Chairman YOUNUS HAJI LATIF - Member ZAIN BASHIR - Member
BANKERS	ABN AMRO BANK NV BANK AL HABIB LIMITED CITIBANK, N.A. DEUTSCHE BANK AG HABIB BANK AG ZURICH HABIB BANK LIMITED MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN NDLC-IFIC BANK LIMITED STANDARD CHARTERED BANK THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED UNION BANK LIMITED UNITED BANK LIMITED
AUDITORS	GARDEZI & CO. Chartered Accountants
REGISTERED OFFICE	PLOT NO.82 MAIN NATIONAL HIGHWAY LANDHI, KARACHI-75120
SHARES DEPARTMENT	PLOT NO. HT/3A LANDHI INDUSTRIAL AREA KARACHI-75120
MILLS	LANDHI INDUSTRIAL AREA KARACHI-75120
E-MAIL	finance@gulahmed.com
URL	www.gulahmed.com

Notice Of Meeting

Notice is hereby given that the 53rd Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at Avari Towers, 242, Fatima Jinnah Road, Karachi, on Monday, October 31, 2005 at 9:30 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Accounts for the period ended June 30, 2005 and Auditors' Report thereon.
2. To approve the issue of bonus shares in the ratio of 1 share for every ten shares held and other appropriations as recommended by the Board.
3. To appoint Auditors and fix their remuneration.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board

MOHAMMED SALIM GHAFFAR
Company Secretary

Karachi
October 01, 2005

NOTES :

1. Share Transfer Books of the Company will remain closed from October 24, 2005 to October 31, 2005 (both days inclusive) for determining entitlement to the bonus shares as well as right shares.
2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original National Identity Card (NIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the NIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address, if any.

Directors' Report

Your Directors take pleasure in presenting 53rd Annual Report and the audited accounts for the nine months ended June 30, 2005.

CHANGE IN FINANCIAL YEAR END

As per directive of the Central Board of Revenue, your Company changed the closing date of financial year from 30th September to 30th June. Hence, the accounts now being presented are for nine months ended June 30, 2005, whereas the corresponding figures are for full year.

OPERATING RESULTS

Operating results of the Company are noted below:

	Rs.000s
Profit after providing depreciation/amortization of Rs. 275 million	121,908
Less: Provision for taxation	46,000
Profit after taxation	<u>75,908</u>
Add: Unappropriated profit brought forward	4,463
Amount available for appropriation	<u><u>80,371</u></u>
Appropriations	
General reserves	75,000
Amount carried forward	<u>5,371</u>
	<u><u>80,371</u></u>

On an annualized basis sales have grown by 17.54%. However the Company's profit has decreased due to steep rise in mark-up rates resulting in higher finance cost.

BONUS SHARES

Your Directors are pleased to recommend issue of 10% bonus shares, i.e. in the ratio of one share for every ten shares held. These bonus shares will be issued out of the capital reserves of the Company.

RIGHT SHARES

Your Directors have decided to issue 10% right shares on the existing paid-up capital of the Company (before the issue of bonus shares) in the ratio of one share for every ten shares held. The right shares will be issued at an issue price of Rs. 20/= per share including premium of Rs. 10/= per share.

The right shares are being issued to improve the liquidity of the Company.

FUTURE PROSPECTS

In the fierce competitive environment as a result of the quota free trade, there are many new entrants in export market. To succeed we are focusing on efficiency, operational excellence and pursuing new business opportunities.

The increasing fuel prices and continuing increase in mark-up rates are areas of main concern.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges.

The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of account of the company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed.

The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The key operating and financial data for the last six years, in a summarized form, is annexed.

During the year three board meetings were held and the attendance by each Director is included in the annual report.

BOARD OF DIRECTORS

At the Extraordinary General Meeting of the Company held on March 28, 2005 election of directors was held and all the retiring directors, Mr. Bashir H. AliMohammed, Mr. A. Razak Haji Sattar, Mr. Yasin Haji Kassam, Mr. Younus Haji Latif, Mr. Zain Bashir, Mr. Ziad Bashir and Mr. Abdul Aziz Yousuf were unanimously elected uncontested.

The present Board of Directors consist of the above noted persons.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company as at June 30, 2005 is included in the annual report.

AUDITORS

The present auditors Gardezi & Co., Chartered Accountants, retire and offer themselves for reappointment.

CONSOLIDATED ACCOUNTS

Consolidated accounts for the nine months ended June 30, 2005 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) and GTM (Europe) Limited are attached.

ACKNOWLEDGMENT

Your Directors are pleased to record their appreciation for the continued dedication, commitment and loyalty of the employees of the Company. We also appreciate the assistance and continued support of the various Government Departments and Bankers.

For and on behalf of the Board

Karachi
October 01, 2005

BASHIR H. ALIMOHAMMED
Chairman & Chief Executive

Gul Ahmed Textile Mills Limited

Six Years At A Glance

Rs. in Million

	<u>2005</u> *	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<u>Operating Results</u>						
Sales	5,876	6,666	5,567	5,766	4,996	4,517
Gross profit	963	1,045	1,178	1,231	1,214	1,134
Operating profit	359	363	580	790	843	859
Profit before tax	122	251	382	400	519	626
Profit after tax	76	203	302	336	473	558
<u>Balance Sheet</u>						
Property, plant and equipment	4,028	3,470	2,926	2,570	2,618	1,816
Long term investment, loans, advances and deposits	69	70	69	15	13	11
Net current assets/(liabilities)	276	151	176	79	91	(69)
Total assets employed	4,373	3,691	3,171	2,664	2,722	1,758
Represented by:						
Share capital	383	341	341	341	341	341
Reserves	1,885	1,852	1,751	1,449	1,284	982
Shareholders' equity	2,269	2,193	2,092	1,790	1,625	1,323
Long term loans	2,036	1,387	948	757	999	364
Deferred liabilities	68	111	131	117	98	71
Total capital employed	4,373	3,691	3,171	2,664	2722	1758
<u>Financial Ratios</u>						
Gross profit as % of sales	16.39	15.68	21.16	21.35	24.30	25.11
Profit before tax as % of sales	2.07	3.77	6.86	6.94	10.39	13.86
Earning per share (Rs.)	1.98	5.29	8.86	9.85	13.88	16.38
Dividend per share (Rs.)	-	-	3.00	5.00	5.00	7.00
Bonus (%)	10.00	12.50	-	-	-	-
Debt/Equity ratio						
Debt	0.47	0.39	0.31	0.30	0.38	0.22
Equity	0.53	0.61	0.69	0.70	0.62	0.78
Current ratio	1.05	1.03	1.06	1.03	1.03	0.97
Break up value (Rs./share)	59.19	64.36	61.41	52.55	47.69	38.82

* Results for nine months ended June, 2005.

Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing the minority interest on its Board of Directors. At present the Board includes three independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the period.
5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the period to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for the period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi
October 01, 2005

ZAIN BASHIR
Director

Review Report To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Gul Ahmed Textile Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the period ended from October 01, 2004 to June 30, 2005.

Karachi
October 01, 2005

GARDEZI & CO.
Chartered Accountants

Auditors Report To The Members

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at June 30, 2005 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the period from October 01, 2004 to June 30, 2005 then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the period from October 01, 2004 to June 30, 2005; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Gul Ahmed Textile Mills Limited
Balance Sheet As At June 30, 2005

		June 30, <u>2005</u>	September 30, <u>2004</u>			June 30, <u>2005</u>	September 30, <u>2004</u>
	<u>Note</u>	Rs.000s			<u>Note</u>	Rs.000s	
SHARE CAPITAL AND RESERVES				PROPERTY, PLANT AND EQUIPMENT			
Authorised capital		<u>500,000</u>	<u>500,000</u>	Operating assets	11	3,486,380	3,009,318
50,000,000 ordinary shares of Rs.10 each				Capital work-in-progress	12	<u>542,129</u>	<u>460,301</u>
						4,028,509	3,469,619
Issued, subscribed and paid-up capital	4	383,325	340,733	LONG TERM INVESTMENT	13	58,450	58,450
Reserves	5	1,841,721	1,805,053	LONG TERM LOANS AND ADVANCES	14	7,021	8,365
Unappropriated profit		5,371	4,463	LONG TERM DEPOSITS		3,560	3,560
Proposed bonus shares		<u>38,332</u>	<u>42,592</u>	CURRENT ASSETS			
		2,268,749	2,192,841	Stores, spares and loose tools	15	338,375	356,553
NON-CURRENT LIABILITIES				Stock-in-trade	16	2,408,648	2,043,870
Long term loans	6	2,036,250	1,386,906	Trade debts	17	1,925,491	2,058,428
Deferred liabilities	7	68,273	110,713	Loans and advances	18	166,061	258,548
CURRENT LIABILITIES				Deposits and prepayments	19	18,935	2,478
Short term borrowings	8	4,375,827	4,541,962	Other receivables	20	183,200	170,555
Current maturity of long term loans		73,993	99,798	Short term investment	21	551,497	546,785
Trade and other payables	9	943,201	684,018	Cash and bank balances	22	115,546	99,027
Provision for taxation		39,000	60,000			5,707,753	5,536,244
		5,432,021	5,385,778	CONTINGENCIES AND COMMITMENTS	10		
						<u>9,805,293</u>	<u>9,076,238</u>
		<u>9,805,293</u>	<u>9,076,238</u>			<u>9,805,293</u>	<u>9,076,238</u>

The annexed notes form an integral part of these accounts.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Profit And Loss Account
For the Period From October 01, 2004 to June 30, 2005

		For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Note	Rs.000s	
Sales	23	5,876,261	6,665,898
Cost of sales	24	<u>4,912,888</u>	<u>5,621,084</u>
Gross profit		963,373	1,044,814
Administrative expenses	25	<u>350,789</u>	<u>411,309</u>
Distribution cost	26	<u>253,435</u>	<u>270,558</u>
		<u>604,224</u>	<u>681,867</u>
Operating profit		359,149	362,947
Other operating income	27	<u>6,719</u>	<u>11,454</u>
		365,868	374,401
Finance cost	28	<u>236,912</u>	<u>109,594</u>
Workers' profit participation fund		6,448	13,240
Workers' welfare fund		600	900
		<u>243,960</u>	<u>123,734</u>
Profit for the period/year before taxation		121,908	250,667
Provision for taxation	29	<u>46,000</u>	<u>47,917</u>
Profit after taxation		<u>75,908</u>	<u>202,750</u>
Earnings per share (Rs.)	30	1.98	5.29

The annexed notes form an integral part of these accounts.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Cash Flow Statement
For the Period From October 01, 2004 to June 30, 2005

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	121,908	250,667
Adjustments for:		
Depreciation/amortization	274,672	328,209
Gratuity	21,380	12,117
Finance cost	269,895	135,868
Provision for slow moving/obsolete items	2,014	2,505
Provision for doubtful debts	2,510	500
Profit on sale of operating assets	(3,006)	(7,316)
Interest income/exchange differences	(32,983)	(26,274)
	<u>656,390</u>	<u>696,276</u>
Changes in working capital:		
(Increase)/decrease in current assets		
Stores,spares and loose tools	16,164	(116,089)
Stock-in-trade	(364,778)	(1,108,762)
Trade debts	130,427	(1,049,003)
Loans and advances	67,146	(30,917)
Deposits and prepayments	(16,457)	(2,083)
Other receivables	(4,951)	(61,256)
	<u>(172,449)</u>	<u>(2,368,110)</u>
Increase in current liabilities		
Trade and other payables	126,770	40,410
	<u>(45,679)</u>	<u>(2,327,700)</u>
Cash generated from/ (used) in operations	<u>610,711</u>	<u>(1,631,424)</u>
Receipts from/payments for :		
Gratuity	(8,174)	(7,727)
Finance cost	(200,128)	(156,581)
Income tax	(34,659)	(55,668)
Long term loans and advances	1,344	(854)
Net cash generated from/(used) in operating activities	<u>369,094</u>	<u>(1,852,254)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(840,477)	(898,387)
Proceeds from sale of operating assets	9,921	33,571
Interest income/exchange differences	25,289	24,671
Long term deposits	-	65
Net cash used in investing activities	<u>(805,267)</u>	<u>(840,080)</u>

For nine month
ended June
30, 2005

For year ended
September
30, 2004

Rs.000s

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from long term loans	700,000	500,000
Repayments of long term loans	(76,461)	(153,881)
Dividend paid	-	(102,220)
Net cash generated from financing activities	623,539	243,899
Net increase/(decrease) in cash and cash equivalents	187,366	(2,448,435)
Cash and cash equivalents - at the beginning of the period/year	(3,896,150)	(1,447,715)
Cash and cash equivalents - at the end of the period/year	(3,708,784)	(3,896,150)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

Short term investment	551,497	546,785
Cash and bank balances	115,546	99,027
Short term borrowings	(4,375,827)	(4,541,962)
	(3,708,784)	(3,896,150)

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
STATEMENT OF CHANGES IN EQUITY
For the Period From October 01, 2004 to June 30, 2005

	Rs.000s					
	Shares capital	Revenue reserve	Capital reserve	Unappropriated profit	Proposed dividend/ bonus shares	Total
Balance as at September 30, 2003	340,733	1,495,000	152,645	1,713	102,220	2,092,311
Dividend transferred to current liabilities after approval in Annual General Meeting	-	-	-	-	(102,220)	(102,220)
Profit for the year	-	-	-	202,750	-	202,750
Transferred to general reserve	-	200,000	-	(200,000)	-	-
Bonus shares @ 12.5%	-	-	(42,592)	-	42,592	-
Balance as at September 30, 2004	340,733	1,695,000	110,053	4,463	42,592	2,192,841
Bonus shares issue	42,592	-	-	-	(42,592)	-
Profit for the period	-	-	-	75,908	-	75,908
Transfer to general reserve	-	75,000	-	(75,000)	-	-
Bonus shares @ 10%	-	-	(38,332)	-	38,332	-
Balance as at June 30, 2005	383,325	1,770,000	71,721	5,371	38,332	2,268,749

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Notes To The Accounts
For the Period From October 01, 2004 to June 30, 2005

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

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 Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directive 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.

As per SRO 684 (1) 2004 dated August 10, 2004 issued by the Central Board of Revenue, the Company's tax year / financial year is required to end on June 30, instead of September 30 and further clarified by the Securities and Exchange Commission of Pakistan vide circular No.29 of 2004 dated November 05, 2004. In order to make the Company's accounting period consistent with the aforementioned requirement the Company has prepared its financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for the year ended September 30, 2004 the same has been disclosed as comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

Accounts of the Company have been prepared on historical cost convention, modified by adjustments of exchange difference referred in note 3.2.

3.2 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual agreements.

Foreign currency transactions are translated into Pak Rupees at the rates ruling on the transaction date or as fixed under contractual agreements.

Exchange differences on loans and deposits created to hedge these loans are capitalized upto the date of commissioning of the assets. Other exchange differences are included in current year's income.

3.3 Borrowing Cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. All other mark-up, interest, profit and other charges are charged to income.

3.4 Retirement gratuity

The Company operates an unfunded gratuity scheme payable to its employees under the law. Consequent to the adoption of IAS 19, the Company now accounts for gratuity provision on the basis of actuarial valuation on Projected Unit Credit method.

Effective July 01, 2005 Company has introduced approved funded contributory provident fund for its employees and is in the process of gradually phasing out its unfunded gratuity scheme.

3.5 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.

3.6 Provisions

Provisions are recognized in the balance sheet when the Company has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.7 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any. Deferred taxation is accounted for on all material temporary differences using the liability method.

3.8 **Property, Plant & Equipment**

Tangible operating assets

Tangible operating assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost. No amortization is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. However, during the current period the Company has charged nine month's depreciation on its property, plant and equipment due to change in the year of textile companies from September 30 to June 30. Gains and losses on disposal of fixed assets are included in current period's income.

Intangible operating assets

Intangible assets are stated at cost less accumulated amortization. Amortization is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

Capital work-in-progress

Capital work-in-progress is stated at cost.

3.9 **Investments**

Investment in related parties

Investments are initially measured at cost. At subsequent reporting dates, the Company reconsiders the carrying amount of the investments to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognized as an income not exceeding the amount of original cost.

Investments held for trading

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

Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

3.10 **Stores, spares and loose tools**

These are valued at average cost and goods-in-transit are stated at actual cost.

3.11 **Stock-in-trade**

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

3.12 **Trade debts**

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.13 **Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or cost, as the case may be.

3.14 **Offsetting of financial assets and liabilities**

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

3.15 **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.16 **Revenue recognition**

Sales are recorded on despatch of goods to buyers.
Return on investment is recognised on accrual basis.

3.17 **Transfer pricing**

Transactions with related parties for sale / purchase of goods, assets and services are priced on an arms length basis determined in accordance with comparable uncontrolled price method.

	June 30, <u>2005</u>	September 30, <u>2004</u>
	Rs.000s	
4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
17,484,722 ordinary shares of Rs.10 each fully paid in cash	174,847	174,847
5,447,326 ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
15,400,411 ordinary shares of Rs.10 each issued as fully paid bonus shares	154,005	111,413
	<u>383,325</u>	<u>340,733</u>
5. RESERVES		
Revenue reserve		
General reserve	1,695,000	1,495,000
Add: Transfer from profit and loss account	75,000	200,000
	<u>1,770,000</u>	<u>1,695,000</u>
Capital reserve		
Share premium	88,494	131,086
Less: Reserve for bonus shares	(38,332)	(42,592)
	<u>50,162</u>	<u>88,494</u>
Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
	71,721	110,053
	<u>1,841,721</u>	<u>1,805,053</u>

**June 30,
2005**

September 30,
2004

Rs.000s

6. LONG TERM LOANS - SECURED

6.1 Suppliers Credit 7	-	13,008
6.2 Suppliers Credit 9	13,993	42,585
6.3 Habib Bank Limited Loan 1	-	11,111
6.4 Habib Bank Limited Loan 3	700,000	700,000
6.5 Standard Chartered Bank	12,500	25,000
6.6 United Bank Limited Loan 1	150,000	150,000
6.7 United Bank Limited Loan 2	500,000	500,000
6.8 NDLC-IFIC Bank	33,750	45,000
6.9 National Bank of Pakistan	700,000	-
	2,110,243	1,486,704
Less: Current maturity shown under current liabilities	73,993	99,798
	2,036,250	1,386,906

6.1 Suppliers Credit 7 was repaid during the period.

6.2 Suppliers Credit 9 is repayable in 12 half yearly equal installments commencing from May, 2000. Interest is payable half yearly @1.50% above six months EURO LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by pari passu charge over the fixed assets of the Company.

6.3 Habib Bank Limited Loan 1 was repaid during the period.

6.4 Habib Bank Limited Loan 3 is repayable in six half yearly equal installments commencing from September, 2006. Mark-up is payable on six month KIBOR Ask Side plus 60 basis points, immediately preceding the mark-up payment period with no floor and no cap. The loan is secured by equitable mortgage charge over land, building, plant and machinery of the Company.

6.5 Standard Chartered Bank Loan is repayable in eight half yearly equal installments commencing from January, 2002. Mark-up is payable quarterly @ 1.50% above SBP's discount rate immediately preceding the previous mark-up payment date with a minimum rate of 13% per annum revised to 11.50% effective April 2002. Effective January, 2004 mark-up rate revised to six months T-Bills cut-off yield plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.

6.6 United Bank Limited Loan 1 is repayable in eight half yearly equal installments commencing from September, 2002. Mark-up is payable half yearly @ 2.50% above prevailing SBP's discount rate at the time of due date of the relevant installment or six months T-Bill+1.50%, whichever is higher. This amount is now repayable in six half yearly equal installments commencing from March 2006. Mark-up is payable half yearly at six months T-Bill cut-off yield immediately preceding the mark-up payment date plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.

- 6.7 United Bank Limited Loan 2 is repayable at the time of maturity in September 2008. Mark-up is payable half yearly @ 0.85% above six months T-Bill cut-off yield immediately preceding the mark-up payment date upto March 27, 2005. Effective from March 28,2005 mark-up rate converted into Interest rate swap @8.30% fixed plus 0.85%. The loan is secured by way of hypothecation of stock, book debts and receivables.
- 6.8 NDLC-IFIC Bank Loan is repayable in eight half yearly equal installments commencing from March, 2003. Mark-up is payable half yearly @1.50% above SBP's discount rate prevailing before the beginning of each six months payment period. Effective from September, 2003 mark-up rate has been revised at six month T-Bill cut-off yield plus 2% with a minimum rate of 4% per annum. The loan is secured by hypothecation charge over specified machinery.
- 6.9 National Bank of Pakistan Loan is repayable in six half yearly equal installments commencing from December, 2007. Mark-up is payable half yearly on average six months KIBOR Ask Rate+1.25% prevailing on the disbursement date and then on the immediately preceding day before the start of each semi-annual period. The loan is secured by first pari passu charge over moveable fixed assets of the Company.

	June 30, 2005	September 30, 2004
7. DEFERRED LIABILITIES	Rs.000s	
Taxation - 7.1	68,273	61,273
Gratuity - 7.2	-	49,440
	<u>68,273</u>	<u>110,713</u>
7.1. Deferred taxation		
Opening balance	61,273	85,670
Provision/(reversal) during the period/year	7,000	(24,397)
	<u>68,273</u>	<u>61,273</u>

This represents the net deferred tax liability arising mainly due to temporary differences in respect of accelerated tax depreciation allowance and deductible temporary differences in respect of provision against gratuity, doubtful debts and slow moving items.

7.2. Gratuity

Opening balance as at October 1	49,440	45,050
Provision during the period/year	21,380	12,117
	<u>70,820</u>	<u>57,167</u>
Paid during the period/year	(8,174)	(7,727)
	<u>62,646</u>	49,440
Transferred to current liabilities	(62,646)	-
Closing balance as at June 30 (September 30)	<u>-</u>	<u>49,440</u>

As the gratuity scheme is being discontinued with effect from July 01, 2005 and amount due will be paid to the employees in FY2005-2006, gratuity has been calculated on basis of actual amount payable to the employees and has been accordingly reclassified from deferred liabilities to current liabilities.

8. SHORT TERM BORROWINGS - SECURED

Short term bank borrowings	3,623,556	4,253,200
Short term running finance	552,271	143,762
Murabaha	200,000	145,000
	<u>4,375,827</u>	<u>4,541,962</u>

Short term borrowing includes Rs. 3,364 million (2004: Rs.3,530 million) which is secured by pari passu hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables and Rs. 500 million (2004:Rs. 500) which is secured against charge over the fixed assets. Unavailed facility at the period end was Rs. 2,861 million (2004: Rs.2,495 million).

The balance amount of short term borrowing Rs. 512 million (2004: Rs.512 million) is secured against US Dollar bonds, referred to in note 21. Unavailed facility at the period end was Rs. Nil (2004: Rs.NIL)

Mark-up rates range from 2.40% to 9.86% (2004: 1.61% to 6.25%) per annum.

June 30,
2005 September 30,
2004
Rs000s

9. TRADE AND OTHER PAYABLES

Creditors	567,332	449,521
Due to associated undertakings	3,666	2,208
Accrued expenses	204,520	190,220
Workers' profit participation fund (note 9.1)	7,680	15,137
Interest/mark-up accrued on loans (secured)	30,610	3,325
Mark-up on short term borrowings (secured)	55,734	13,252
Gratuity payable (note 7.2)	62,646	-
Unclaimed dividend	387	436
Others	10,626	9,919
	<u>943,201</u>	<u>684,018</u>

9.1 Workers' profit participation fund

Opening balance as at October 1	15,137	23,261
Provision for the period/year	6,448	13,240
Interest for the period/year	1,232	1,897
	<u>22,817</u>	<u>38,398</u>
Less: Payments made during the period/year	15,137	23,261
Closing balance as at June 30 (September 30)	<u>7,680</u>	<u>15,137</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 The Company is contingently liable for:

(a) Rs.87 million (2004: Rs. 75 million) against guarantees issued by Banks which are secured by pari passu hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques Rs.17 million (2004: Rs.22 million) issued to various Government Agencies.

(c) Bills discounted Rs. 341 million (2004: Rs.NIL)

10.2 The Company is committed for capital expenditure as at June 30, 2005 of Rs.282 million (2004:Rs.389 million).

10.3 The Company is committed for non capital expenditure items under letters of credits as at June 30, 2005 of Rs.143 million (2004: Rs. 171 million)

11. OPERATING ASSETS

Rs. 000s

	Cost at Oct. 01, 2004	Additions/ (deletions)	Cost at June 30, 2005	Accumulated depreciation/ amortization at Oct. 01, 2004	Depreciation/ amortization charge/(deletion) for the period	Accumulated depreciation/ amortization at June 30, 2005	Written down value at June 30, 2005	Annual rate %
Tangible								
Leasehold land	115,238	118,417	233,655	-	-	-	233,655	-
Buildings on leasehold land	505,770	214,244 (300)	719,714	249,218	35,289 (30)	284,477	435,237	10
Plant and machinery	4,372,379	375,908 (779)	4,747,508	1,982,882	195,302 (375)	2,177,809	2,569,699	10
Office equipment, furniture and fixtures	236,079	18,786 (2,571)	252,294	106,822	20,631 (1,975)	125,478	126,816	10 to 30
Transport equipment	182,336	30,765 (15,627)	197,474	83,998	18,519 (9,982)	92,535	104,939	20
	5,411,802	758,120 (19,277)	6,150,645	2,422,920	269,742 (12,362)	2,680,300	3,470,345	
Intangible								
Computer Software	36,903	529	37,432	16,467	4,930	21,397	16,035	20
June 30,2005	5,448,705	758,649 (19,277)	6,188,077	2,439,387	274,672 (12,362)	2,701,697	3,486,380	
September 30,2004	4,762,811	773,004 (87,110)	5,448,705	2,172,033	328,209 (60,855)	2,439,387	3,009,318	

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

	For nine month ended June 30, 2005	For year ended September 30, 2004
	Rs000s	
Cost of goods manufactured (note 24.1)	231,461	266,666
Administrative expenses (note 25)	43,211	61,543
	274,672	328,209

11.2 Details of operating assets sold (by negotiation except where stated)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Shop	300	270	300	Mr.Intikhab Alam S/o Zaheer Alam H.#. 281, Korangi No.1-1/2, Sector 32-B Karachi
Plant and Machinery	113	60	113	Y.B. Machinery Merchant Shershah S.I.T.E. Karachi
	293	155	358	Naseem Brothers Baldia, S.I.T.E. Karachi
	374	189	252	Amfield Limited K.E.P.Z.
Office equipment, furniture and fixture	2,571	596	-	Scrapped
Transport Equipment	265	57	160	Mr. Rahil Feroze H.No.402, Bahadurabad Centre Plot No. 164 B.M.C.H.S. Karachi
	677	177	271	Mrs. Shehnaz Ghaffar H.No.B-7/2, Sidco Avenue Apartments Streichen Road Saddar Karachi
	643	108	166	Syed Jawaid Ali Hashim H.No. 332, Block 7/8 Azizabad Federal B. Area Karachi
	659	173	264	Mr. Imran Hanif Flat No. B-5, Al- Hayyat Apartments Al- Hilal Society Near Old Sabzi Mandi Karachi
	497	104	240	Mr. Hakim Khan House No. B-49 Sector 11-B North Karachi
	475	156	280	Mr. Kaleem Akhter House No. B-92 -93 Memon Nagar, Hyderabad Cantt. Qasimabad Hyderabad
	772	130	290	Mr. Mohammed Zakaria House No. 20/202, 2ND Floor Jaleel Arcade Jamshed Road No. 3 Karachi
	374	63	120	Mr. Javaid Pervez House No. 1129/8 Azizabad Federal B. Area Karachi
	889	291	605	Mr. Adam Khan Afridi House No. 1231, Ghousia Colony P.I.B. Karachi

	540	221	438	Mr. Khurshid Ali House No. 21 Al-Wajid Town Sector 4/F Orangi Town Karachi
	466	153	295	Mr. Qaiser Rasheed House # 2 E, Mularam Compound Malir City Karachi
	619	130	248	Mr. Anwer Hasan Khan (Employee) E/32/2, Block No 4, Gulshan-e-Iqbal Karachi
	879	288	288	Mrs Marrium Abdul Karim House # C/7, Achan Square, Block no 13/C Gulshan-e- Iqbal karachi
	1,099	288	590	Mr. Mohammed Rafiq Flat # 4/4 Jetpur Square F.B. Area Block # 14 Karachi
	1,105	362	455	Mr. Mehmood Hussain (Employee) House No. 5, Siddiq Street, Kot Radha Kishan Tehsil & District Kasoor
	3,295	2,672	3,320	Insurance Claim
Written down value below Rs. 50,000 each	2,374	274	869	Various
June, 2005	<u>19,277</u>	<u>6,915</u>	<u>9,921</u>	
September, 2004	87,110	26,255	33,571	

	June 30, 2005	September 30, <u>2004</u>
	Rs.000s	
12. CAPITAL WORK-IN-PROGRESS		
Machinery under installation	179,009	72,775
Building construction	359,574	375,840
Store items held for capitalization	3,546	11,686
	<u>542,129</u>	<u>460,301</u>

13. LONG TERM INVESTMENTS

Subsidiary-unquoted

Gul Ahmed International Limited - FZC
10,000 (2004: 10,000) Ordinary shares of USD 100 each
Equity held 100 % (2004: 100%)
Value of investment based on the net assets shown in the
audited accounts as at June 30, 2005
Rs. 83 million (2004: Rs.70 million)

<u>58,450</u>	<u>58,450</u>
---------------	---------------

14. LONG TERM LOANS AND ADVANCES

Considered good, due from

Executives

Opening balance as at October 1	5,028	3,278
Add: Disbursement during the period/year	6,160	4,250
	<u>11,188</u>	<u>7,528</u>
Less: Repayment made during the period/year	(2,878)	(2,500)
Closing Balance as at June 30 (September 30)	8,310	5,028
Less: Receivable within one year	(3,790)	(2,148)
	<u>4,520</u>	<u>2,880</u>

Other employees

Less: Receivable within one year	12,256	11,681
	(9,755)	(6,196)
	<u>2,501</u>	<u>5,485</u>
	<u>7,021</u>	<u>8,365</u>

14.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly instalments. These loans are secured against retirement benefits and other dues of the employees.

15. STORES, SPARES AND LOOSE TOOLS

Stores	185,400	195,257
including in transit Rs. 7 million (2004: Rs.24 million)		
Spares	174,994	181,513
including in transit Rs. 8 million (2004: Rs.6 million)		
Loose tools	1,509	1,297
	<u>361,903</u>	<u>378,067</u>
Less: Provision for slow moving/obsolete items	23,528	21,514
	<u>338,375</u>	<u>356,553</u>

	June 30, <u>2005</u>	September 30, <u>2004</u>
		Rs.000s
16. STOCK-IN-TRADE		
Raw materials	806,677	640,374
including in transit Rs.55 million (2004: Rs.61 million)		
Work-in-process	54,296	68,026
Finished goods	<u>1,547,675</u>	<u>1,335,470</u>
	<u><u>2,408,648</u></u>	<u><u>2,043,870</u></u>
17. TRADE DEBTS - UNSECURED		
Considered good	1,925,491	2,058,428
Considered doubtful	<u>21,542</u>	<u>19,028</u>
	<u>1,947,033</u>	<u>2,077,456</u>
Less: Provision for doubtful trade debts	<u>21,542</u>	<u>19,028</u>
	<u><u>1,925,491</u></u>	<u><u>2,058,428</u></u>
17.1 Includes Rs.148 million (2004: Rs. 78 million) due from associated undertaking.		
17.2 The maximum aggregate month end balance due from associated undertaking during the period/year is Rs.148 million (2004: Rs.78 million).		
18. LOANS AND ADVANCES		
Considered good		
Current portion of loans and advance to employees (note 14)	13,545	8,344
Suppliers	55,594	127,238
Advance income tax	80,180	97,664
Income tax refundable	16,640	24,497
Letter of credit	<u>102</u>	<u>805</u>
	<u>166,061</u>	<u>258,548</u>
19. DEPOSITS AND PREPAYMENTS		
Prepayments	<u>18,935</u>	<u>2,478</u>
20. OTHER RECEIVABLES		
Accrued interest	16,077	8,383
Sales tax refundable	61,646	65,281
Duty drawback receivable	72,068	63,482
Others	<u>33,409</u>	<u>33,409</u>
	<u>183,200</u>	<u>170,555</u>
21. SHORT TERM INVESTMENT - AVAILABLE FOR SALE		
US Dollar bonds (USD 9.241 million (2004: USD 9.241 million))	<u>551,497</u>	<u>546,785</u>
These are under lien for borrowings referred to in note 8.		
These bonds carry mark-up between 2% to 4% (2004: 2% to 4%) above six months USD LIBOR.		
22. CASH AND BANK BALANCES		
In hand	1,648	1,775
With banks in - current accounts	3,278	2,658
- short term deposits	<u>110,620</u>	<u>94,594</u>
	<u>115,546</u>	<u>99,027</u>

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
23. SALES		
Local	1,741,865	1,791,113
Export		
Direct Export	3,433,480	3,760,480
Indirect Export	717,822	1,132,944
	4,151,302	4,893,424
	5,893,167	6,684,537
Less: Brokerage and Commission	16,906	18,639
	5,876,261	6,665,898

23.1 Sales are exclusive of sales tax amounting Rs.328.893 million (2004: Rs.434.927 million).

24. COST OF SALES

Opening stock of finished goods	1,335,470	642,484
Add: Cost of goods manufactured (note 24.1)	4,248,124	5,576,380
Purchases and processing charges	876,969	737,690
	6,460,563	6,956,554
Less: Closing stock of finished goods	1,547,675	1,335,470
	4,912,888	5,621,084

24.1 Cost of goods manufactured

Raw materials consumed (note 24.2)	1,993,242	3,149,293
Stores consumed	779,035	754,156
Salaries, wages and benefits	632,821	711,602
Fuel, power and water	455,435	498,996
Insurance	25,653	34,234
Repairs and maintenance	124,672	178,208
Depreciation	231,461	266,666
Other expenses	21,848	18,567
Cost of samples shown under distribution cost	(29,773)	(25,271)
	4,234,394	5,586,451
Work-in-process		
Opening	68,026	57,955
Closing	(54,296)	(68,026)
	13,730	(10,071)
	4,248,124	5,576,380

Salaries, wages and benefits include gratuity of Rs.13 million (2004: Rs.7 million).

24.2 Raw materials consumed

Opening stock	578,954	234,669
Purchases during the period/year	2,165,834	3,493,578
Closing stock	(751,546)	(578,954)
	1,993,242	3,149,293

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
25. ADMINISTRATIVE EXPENSES		
Salaries and benefits	145,940	169,119
Rent, rates and taxes	15,654	17,998
Repairs and maintenance	16,537	10,068
Vehicle up keep	21,651	27,010
Conveyance and traveling	26,708	42,729
Printing and stationery	22,471	31,031
Postage and telecommunication	17,989	18,734
Legal and consultancy fees	17,305	10,996
Depreciation/amortization	43,211	61,543
Auditors' remuneration (note 25.1)	190	189
Donations (note 25.2)	3,252	4,253
Insurance	6,147	6,175
Bad/doubtful debts	2,510	500
Provision for slow moving/obsolete items	2,014	2,505
Other expenses	9,210	8,459
	<u>350,789</u>	<u>411,309</u>

Salaries and benefits include staff gratuity of Rs. 8 million (2004: Rs.5 million).

25.1 Auditors' remuneration

Audit fee	125	125
Half yearly review	30	30
Audit of workers' profit participation fund and other services	2	2
Out of pocket expenses	33	32
	<u>190</u>	<u>189</u>

25.2 None of the Directors or their spouses have any interest in the donees.

26. DISTRIBUTION COST

Freight and shipment expenses	142,662	174,840
Insurance and bank charges	1,313	1,230
Advertisement and publicity	59,216	51,315
Cost of samples transferred from cost of goods manufactured	29,773	25,271
Other expenses	20,471	17,902
	<u>253,435</u>	<u>270,558</u>

27. OTHER OPERATING INCOME

Profit on sale of operating assets	3,006	7,316
Scrap sales	3,648	4,138
Others	65	-
	<u>6,719</u>	<u>11,454</u>

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
28. FINANCE COST		
Interest/mark-up on long term loans	59,638	34,627
Mark-up on short term borrowings	195,195	87,758
Interest on workers' profit participation fund	1,232	1,897
Bank charges	13,830	11,586
	<u>269,895</u>	<u>135,868</u>
Interest income/exchange differences	(32,983)	(26,274)
	<u><u>236,912</u></u>	<u><u>109,594</u></u>
29. PROVISION FOR TAXATION		
Current	39,000	60,000
Deferred	7,000	(24,397)
Prior	-	12,314
	<u>46,000</u>	<u>47,917</u>
29.1 Reconciliation between accounting profit and tax expense		
Net profit for the period/year before taxation	<u>121,908</u>	<u>250,667</u>
Tax at the applicable tax rate of 35%	42,668	87,733
Effect of income assessed under presumptive tax regime	22,873	(3,040)
Effect of expenses deductible for tax purposes less inadmissible expenses	(26,541)	(24,693)
	<u>39,000</u>	<u>60,000</u>
30. EARNINGS PER SHARE		
Profit for the period/year	<u>75,908</u>	<u>202,750</u>
Number of shares	<u>38,332,459</u>	<u>38,332,459</u>
Earnings per share (Rs.)	1.98	5.29

31. REMUNERATION OF DIRECTORS AND EXECUTIVES

	June 30, 2005				September 30, 2004			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	1,800	3,900	40,355	46,055	2,400	5,200	42,219	49,819
House rent allowance	720	1,560	16,142	18,422	960	2,080	16,858	19,898
Utility allowance	180	390	4,036	4,606	240	520	4,215	4,975
Other allowances	-	499	7,819	8,318	-	502	7,165	7,667
	2,700	6,349	68,352	77,401	3,600	8,302	70,457	82,359
Number of persons	1	3	56	60	1	3	47	51

31.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

31.2 The Chief Executive and some Directors are also provided with free residential telephones.

31.3 Aggregate amount charged in the accounts for the period for meeting fee to three Directors was Rs 4(000) (2004: three Directors Rs.4(000)).

31.4 Total number of employees at the end of the period/year were 6,693 (2004: 6,679).

32. TRANSACTIONS WITH RELATED PARTIES

Transaction with related parties carried out at an arm's length basis using comparable uncontrolled price method are as follows:

	June 30, 2005	September 30, 2004
	Rs.000s	
Purchase of goods	11,283	23,754
Sale of goods	279,298	128,191
Rent paid	513	713
Deposit with bank	1,316	1,702

33. CAPACITY AND PRODUCTION

Unit	June 30, 2005			September 30, 2004	
	Capacity	Production	Working	Capacity	Production
Cloth Sq. metres (50 Picks converted)	83,561	53,109	3 shifts	83,561	80,241
Yarn Kgs. (20 Counts converted)	36,035	24,773	3 shifts	36,035	32,161

i) Production reported above is for nine months period from October 04 to June 05 whereas the Production Capacity is for the full year.

ii) Production is lower due to variation in production mix and various technical factors.

34. FINANCIAL ASSETS AND LIABILITIES

Rs.000s

	Interest/mark-up bearing			Non interest/mark-up bearing			June 30, 2005 Total	September 30, 2004 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial assets								
Long term loans	-	-	-	-	7,021	7,021	7,021	8,365
Long term deposits	-	-	-	-	3,560	3,560	3,560	3,560
Trade debts	-	-	-	1,925,491	-	1,925,491	1,925,491	2,059,678
Loans and advances	-	-	-	13,545	-	13,545	13,545	8,344
Deposits and prepayments	-	-	-	40	-	40	40	40
Other receivables	-	-	-	49,486	-	49,486	49,486	41,792
Short term investment	551,497	-	551,497	-	-	-	551,497	546,785
Cash and bank balances	110,620	-	110,620	4,926	-	4,926	115,546	99,027
	662,117	-	662,117	1,993,488	10,581	2,004,069	2,666,186	2,767,591
Financial liabilities								
Long term loans	73,993	2,036,250	2,110,243	-	-	-	2,110,243	1,486,704
Short term borrowings	4,375,827	-	4,375,827	-	-	-	4,375,827	4,541,962
Trade and other payables	7,680	-	7,680	853,629	-	853,629	861,309	666,270
Proposed bonus shares	-	-	-	-	-	-	-	42,592
	4,457,500	2,036,250	6,493,750	853,629	-	853,629	7,347,379	6,737,528
Off balance sheet items								
Financial commitments								
Guarantees	-	-	-	87,434	-	87,434	87,434	75,390
Bills discounted	-	-	-	340,620	-	340,620	340,620	-
Commitments	-	-	-	424,347	-	424,347	424,347	389,432
	-	-	-	852,401	-	852,401	852,401	464,822
	4,457,500	2,036,250	6,493,750	1,706,030	-	1,706,030	8,199,780	7,202,350

The effective interest/mark-up rates for the monetary financial assets/liabilities are mentioned in the respective notes to the financial statements.

34.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk.

34.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts and partially through hedging by purchase of US Dollar bonds.

34.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

34.4 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

35. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 01, 2005 by the Board of Directors of the Company.

36. GENERAL

Figures have been rounded off to the nearest thousand rupees.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

ATTENDANCE AT BOARD MEETINGS
For the Period From October 01, 2004 to June 30, 2005

<u>Name of Director</u>	<u>Total number of meetings</u>	<u>No. of Meeting attended</u>
Bashir H. AliMohammed	3	3
A. Razak Haji Sattar	3	3
Yasin Haji Kassam	3	2
Younus Haji Latif	3	2
Zain Bashir	3	3
Ziad Bashir	3	3
Abdul Aziz Yousuf	3	3

**Pattern Of Shareholding
As At June 30, 2005**

No. of Shareholders	Shareholding			Shares held	
700	From	1	to	100	23,107
754	From	101	to	500	160,816
114	From	501	to	1,000	79,126
94	From	1,001	to	5,000	198,790
21	From	5,001	to	10,000	158,331
5	From	10,001	to	15,000	61,486
5	From	15,001	to	20,000	86,005
3	From	25,001	to	30,000	79,139
4	From	30,001	to	35,000	128,550
3	From	40,001	to	45,000	131,549
2	From	45,001	to	50,000	97,806
1	From	50,001	to	55,000	54,900
2	From	85,001	to	90,000	176,828
1	From	95,001	to	100,000	97,510
1	From	110,001	to	115,000	113,018
2	From	115,001	to	120,000	233,136
1	From	120,001	to	125,000	120,643
2	From	135,001	to	140,000	271,826
1	From	145,001	to	150,000	149,000
1	From	150,001	to	155,000	154,783
1	From	155,001	to	160,000	156,462
1	From	165,001	to	170,000	166,333
1	From	170,001	to	175,000	172,854
2	From	180,001	to	185,000	364,011
1	From	190,001	to	195,000	193,741
1	From	195,001	to	200,000	195,824
1	From	200,001	to	205,000	201,454
1	From	210,001	to	215,000	212,755
2	From	215,001	to	220,000	433,717
1	From	225,001	to	230,000	228,498
1	From	260,001	to	265,000	260,186
1	From	265,001	to	270,000	269,381
1	From	285,001	to	290,000	289,037
1	From	315,001	to	320,000	316,455
1	From	330,001	to	335,000	331,617
1	From	355,001	to	360,000	355,936
1	From	385,001	to	390,000	386,133
1	From	390,001	to	395,000	391,034
1	From	410,001	to	415,000	411,458
4	From	420,001	to	425,000	1,688,940
1	From	440,001	to	445,000	442,932
1	From	505,001	to	510,000	509,188
1	From	540,001	to	545,000	544,973
1	From	635,001	to	640,000	638,838
1	From	840,001	to	845,000	841,311
1	From	1,045,001	to	1,050,000	1,046,650
1	From	1,410,001	to	1,415,000	1,414,590
1	From	1,790,001	to	1,795,000	1,793,378
1	From	2,300,001	to	2,305,000	2,302,070
1	From	3,340,001	to	3,345,000	3,343,238
1	From	3,735,001	to	3,740,000	3,737,810
1	From	3,745,001	to	3,750,000	3,746,207
2	From	4,180,001	to	4,185,000	8,369,099
1,756					38,332,459

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1,715	27,636,435	72.10
Investment Companies	15	1,202,324	3.14
Insurance Companies	6	1,832,602	4.78
Joint Stock Companies	6	16,556	0.04
Modaraba Companies	5	119,390	0.31
Financial Institutions	3	16,478	0.04
Foreign Investors	2	7,484,017	19.53
Charitable Institutions	2	19,661	0.05
Government Departments	2	4,996	0.01
	1,756	38,332,459	100.00

Pattern Of Shareholding As At June 30, 2005

Additional Information

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares held</u>
<u>NIT and ICP</u>		
Investment Corporation of Pakistan	1	6,842
National Bank of Pakistan - Trustee Department	1	1,046,650
<u>Investment Companies and Mutual Funds</u>		
Insurance Companies	6	1,832,602
Joint Stock Companies	6	16,556
Modaraba Companies	5	119,390
Financial Institutions	3	16,478
Foreign Investors	2	7,484,017
Charitable Institutions	2	19,661
Government Departments	2	4,996
<u>DIRECTORS</u>		
Bashir H. AliMohammed (Chief Executive)	1	2,302,070
A. Razak Haji Sattar	1	544,973
Yasin Haji Kassam	1	172,854
Younus Haji Latif	1	2,812
Zain Bashir	1	3,343,238
Ziad Bashir	1	4,184,549
Abdul Aziz Yousuf	1	2,812
<u>DIRECTORS'/CEO'S SPOUSES</u>		
Parveen Haji Bashir	1	1,793,378
Jamila Bai A.Razak	1	316,455
Zohra Bai Haji Yasin	1	135,263
Momin Bai Haji Younus	1	43,457
Tania Zain	1	841,311
<u>Shareholders holding 10% or more voting interest</u>		
Ziad Bashir (Director)	1	4,184,549
Zaki Bashir	1	4,184,550

Detail of trading in the shares by:

DIRECTORS

Mr. Zain Bashir
Mr. Ziad Bashir

=678,746= shares given to family memebrrs
= 87,261= shares acquired from family member

DIRECTOR'S SPOUSE

Ms. Parveen Bashir

=2,011,725= shares given to family member

Auditors Report On Consolidated Financial Statements

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED (the Holding Company) and Gul Ahmed International Limited (FZC) and GTM (Europe) Limited (the Subsidiaries) as at June 30, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the period from October 01, 2004 to June 30, 2005. We have also expressed separate opinion on the financial statements of the Holding Company. Subsidiaries have been audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiaries, is based solely on the report of such other auditors. 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 the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiaries as at June 30, 2005 and the results of their operations for the period then ended.

Karachi
October 01, 2005

GARDEZI & CO.
Chartered Accountants

Gul Ahmed Textile Mills Limited
Consolidated Balance Sheet As At June 30, 2005

		June 30, <u>2005</u>	September 30, <u>2004</u>			June 30, <u>2005</u>	September 30, <u>2004</u>
	<u>Note</u>	Rs.000s			<u>Note</u>	Rs.000s	
SHARE CAPITAL AND RESERVES				PROPERTY, PLANT & EQUIPMENT			
Authorised capital		<u>500,000</u>	<u>500,000</u>	Operating assets	11	3,487,636	3,009,517
50,000,000 ordinary shares of Rs.10 each				Capital work-in-progress	12	<u>542,129</u>	<u>460,301</u>
						4,029,765	3,469,818
Issued, subscribed and paid-up capital	4	383,325	340,733				
Reserves	5	1,840,022	1,803,748	LONG TERM LOANS AND ADVANCES	13	7,021	8,365
Unappropriated profit		15,942	11,524				
Proposed bonus shares		<u>38,332</u>	<u>42,592</u>	LONG TERM DEPOSITS		3,560	3,560
		2,277,621	2,198,597	CURRENT ASSETS			
NON-CURRENT LIABILITIES				Stores, spares and loose tools	14	338,375	356,553
Long term loans	6	2,036,250	1,386,906	Stock-in-trade	15	2,477,804	2,086,816
Deferred liabilities	7	68,377	110,713	Trade debts	16	1,917,578	2,023,612
CURRENT LIABILITIES				Loans and advances	17	166,061	258,548
Short term borrowings	8	4,376,787	4,541,962	Deposits and prepayments	18	24,447	2,870
Current maturity of long term loans		73,993	99,798	Other receivables	19	183,561	170,673
Trade and other payables	9	966,489	695,904	Short term investment	20	566,659	562,095
Provision for taxation		39,000	60,120	Cash and bank balances	21	123,686	151,090
		5,456,269	5,397,784			5,798,171	5,612,257
CONTINGENT LIABILITIES AND COMMITMENTS	10					<u>5,798,171</u>	<u>5,612,257</u>
		<u>9,838,517</u>	<u>9,094,000</u>			9,838,517	9,094,000

The annexed notes form an integral part of these accounts.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Consolidated Profit and Loss Account
For The Period From October 01, 2004 to June 30, 2005

	Note	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
		Rs.000s	
Sales	22	5,930,160	6,662,306
Cost of sales	23	4,934,163	5,606,618
Gross profit		995,997	1,055,688
Administrative expenses	24	357,329	414,843
Distribution cost	25	268,096	274,960
		625,425	689,803
Operating profit		370,572	365,885
Other operating income	26	6,719	11,454
		377,291	377,339
Finance cost	27	243,647	108,481
Workers' profit participation fund		6,448	13,240
Workers' welfare fund		600	900
		250,695	122,621
Profit for the period/year before taxation		126,596	254,718
Provision for taxation	28	46,000	48,037
Profit after taxation		80,596	206,681
Earnings per share (Rs.)	29	2.10	5.39

The annexed notes form an integral part of these accounts.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Consolidated Cash Flow Statement
For The Period From October 01, 2004 to June 30, 2005

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	126,596	254,718
Adjustments for:		
Depreciation/amortization	274,962	328,274
Gratuity	21,484	12,117
Finance cost	270,922	136,244
Provision for slow moving/obsolete stores and spares	2,014	2,505
Provision for doubtful debts	2,510	500
Profit on sale of operating assets	(3,006)	(7,316)
Interest income/exchange differences	(27,275)	(27,763)
	668,207	699,279
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spare and loose tools	16,164	(116,089)
Stock-in-trade	(390,988)	(1,134,606)
Trade debts	103,529	(1,020,207)
Loans and advances	67,146	(30,734)
Deposits and prepayments	(21,577)	(2,352)
Other receivables	(4,951)	(61,215)
	(230,677)	(2,365,203)
Increase in current liabilities		
Trade and other payables	138,172	51,225
	(92,505)	(2,313,978)
Cash generated from/ (used) in operations	575,702	(1,614,699)
Receipts from/payments for :		
Gratuity	(8,174)	(7,727)
Finance cost	(201,155)	(156,957)
Income tax	(34,783)	(55,693)
Long term loans and advances	1,344	(854)
	332,934	(1,835,930)
Net cash generated from/(used) in operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(841,825)	(898,636)
Proceeds from sale of operating assets	9,921	33,571
Interest income/exchange differences	19,338	26,042
Long term deposits	-	65
Net cash used in investing activities	(812,566)	(838,958)

For nine month
ended June 30,
2005

For year ended
September 30,
2004

Rs.000s

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from long term loans	700,000	500,000
Repayments of long term loans	(76,461)	(153,881)
Dividend paid	-	(102,220)
Net cash generated from financing activities	623,539	243,899
Exchange difference on translation of foreign subsidiaries	(1,572)	(1,352)
Net increase/(decrease) in cash and cash equivalents	142,335	(2,432,341)
Cash and cash equivalents - at the beginning of the period/year	(3,828,777)	(1,396,436)
Cash and cash equivalents - at the end of the period/year	(3,686,442)	(3,828,777)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

Short term investment	566,659	562,095
Cash and bank balances	123,686	151,090
Short term borrowings	(4,376,787)	(4,541,962)
	(3,686,442)	(3,828,777)

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Consolidated Statement of Changes in Equity
For The Period From October 01, 2004 to June 30, 2005

Rs.000s

	Shares capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Capital reserve	Statutory reserve	Unappropriated profit	Proposed dividend/bonus shares	Total
Balance as at September 30, 2003	340,733	1,495,000	(998)	152,645	399	5,489	102,220	2,095,488
Dividend transferred to current liabilities after approval in Annual General Meeting	-	-	-	-	-	-	(102,220)	(102,220)
Profit for the year	-	-	-	-	-	206,681	-	206,681
Transferred to general reserve	-	200,000	-	-	646	(200,646)	-	-
Bonus shares @ 12.5%	-	-	-	(42,592)	-	-	42,592	-
Exchange adjustments	-	-	(1,352)	-	-	-	-	(1,352)
Balance as at September 30, 2004	340,733	1,695,000	(2,350)	110,053	1,045	11,524	42,592	2,198,597
Bonus shares issued	42,592	-	-	-	-	-	(42,592)	-
Profit for the period	-	-	-	-	-	80,596	-	80,596
Transfer to general reserve	-	75,000	-	-	1,178	(76,178)	-	-
Bonus shares @ 10%	-	-	-	(38,332)	-	-	38,332	-
Exchange adjustments	-	-	(1,572)	-	-	-	-	(1,572)
Balance as at June 30, 2005	383,325	1,770,000	(3,922)	71,721	2,223	15,942	38,332	2,277,621

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director

Gul Ahmed Textile Mills Limited
Consolidated Notes To The Accounts
For The Period From October 01, 2004 to June 30, 2005

1. THE GROUP AND ITS OPERATIONS

- 1.1 Gul Ahmed Group comprises the following:
-Gul Ahmed Textile Mills Limited
-Gul Ahmed International Limited (FZC)- UAE
-GTM (Europe) Limited -UK

Gul Ahmed International Limited (FZC) -UAE is a wholly owned subsidiary of Gul Ahmed Textile Mills Limited and GTM (Europe) Limited is a wholly owned subsidiary of Gul Ahmed International Limited (FZC) - UAE.

Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

Both subsidiaries are engaged in trading of textile related products.

1.2 Basis of presentation

The consolidated financial statements include the accounts of Gul Ahmed Textile Mills Limited, Gul Ahmed International Limited (FZC) - UAE and GTM (Europe) Limited - UK. The financial statements of the subsidiary companies have been consolidated on a line by line basis.

All inter group balances and transactions have been eliminated.

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 Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directive 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.

As per SRO 684 (1) 2004 dated August 10,2004 issued by the Central Board of Revenue, the Group's tax year / financial year is required to end on June 30, instead of September 30 and further clarified by the Securities and Exchange Commission of Pakistan vide circular No.29 of 2004 dated November 05, 2004. In order to make the Group's accounting period consistent with the aforementioned requirement the Group has prepared its financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for the year ended September 30, 2004 the same has been disclosed as comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

Accounts of the Group have been prepared on historical cost convention, modified by adjustments of exchange difference referred in note 3.2.

3.2 Foreign currency translation

Assets and liabilities in foreign currencies are translated in Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual agreements.

For the purposes of consolidation, income and expense items of the foreign subsidiaries are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiaries are classified as equity reserve until the disposal of interest in such subsidiaries.

Foreign currency transactions are translated in Pak Rupees at the rates ruling on the transaction date or as fixed under contractual agreements.

Exchange differences on loans and deposits created to hedge these loans are capitalized upto the date of commissioning of the assets. Other exchange differences are included in current year's income.

3.3 Borrowing Cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. All other mark-up, interest, profit and other charges are charged to income.

3.4 Retirement gratuity

The Group operates an unfunded gratuity scheme payable to its employees under the law. Consequent to the adoption of IAS 19, the Group now accounts for gratuity provision on the basis of actuarial valuation on Projected Unit Credit method.

Effective July 01, 2005 the Parent Company has introduced approved funded contributory provident fund for its employees and is in the process of gradually phasing out its unfunded gratuity scheme.

3.5 Employee compensated absences

The Group provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Group.

3.6 Provisions

Provisions are recognized in the balance sheet when the Group has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.7 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any. Deferred taxation is accounted for on all material temporary differences using the liability method.

3.8 Property, Plant & Equipment

Tangible operating assets

Tangible operating assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost. No amortization is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. However, during the current period the Group has charged nine month's depreciation on its property, plant and equipment due to change in the year of textile companies from September 30 to June 30. Gains and losses on disposal of fixed assets are included in current period's income.

Intangible operating assets

Intangible assets are stated at cost less accumulated amortization. Amortization is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

Capital work-in-progress

Capital work-in-progress is stated at cost.

3.9 Investments

Investments held for trading

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

Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

3.10 Stores, spares and loose tools

These are valued at average cost and goods-in-transit are stated at actual cost.

3.11 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

3.12 Trade debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.13 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or cost, as the case may be.

3.14 Offsetting of financial assets and liabilities

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

3.15 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.16 Revenue recognition

Sales are recorded on despatch of goods to buyers.
Return on investment is recognized on accrual basis.

3.17 Transfer pricing

Transactions with related parties for sale / purchase of goods, assets and services are priced on an arms length basis determined in accordance with comparable uncontrolled price method.

	June 30, 2005	September 30, 2004
	Rs.000s	
4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
17,484,722 ordinary shares of Rs.10 each fully paid in cash	174,847	174,847
5,447,326 ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
15,400,411 ordinary shares of Rs.10 each issued as fully paid bonus shares	154,005	111,413
	<u>383,325</u>	<u>340,733</u>
5. RESERVES		
Revenue reserve		
General reserve	1,695,000	1,495,000
Add: Transfer from profit and loss account	75,000	200,000
	<u>1,770,000</u>	<u>1,695,000</u>
Exchange difference on translation of foreign subsidiaries	(3,922)	(2,350)
Capital reserve		
Share premium	88,494	131,086
Less: Reserve for bonus shares	(38,332)	(42,592)
	<u>50,162</u>	<u>88,494</u>
Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
	71,721	110,053
Statutory reserve	2,223	1,045
	<u>1,840,022</u>	<u>1,803,748</u>

**June 30,
2005**

**September 30,
2004**

Rs.000s

6. LONG TERM LOANS - SECURED

6.1 Suppliers Credit 7	-	13,008
6.2 Suppliers Credit 9	13,993	42,585
6.3 Habib Bank Limited Loan 1	-	11,111
6.4 Habib Bank Limited Loan 3	700,000	700,000
6.5 Standard Chartered Bank	12,500	25,000
6.6 United Bank Limited Loan 1	150,000	150,000
6.7 United Bank Limited Loan 2	500,000	500,000
6.8 NDLC-IFIC Bank	33,750	45,000
6.9 National Bank of Pakistan	700,000	-
	2,110,243	1,486,704
Less: Current maturity shown under current liabilities	73,993	99,798
	2,036,250	1,386,906

6.1 Suppliers Credit 7 was repaid during the period.

6.2 Suppliers Credit 9 is repayable in 12 half yearly equal installments commencing from May, 2000. Interest is payable half yearly @1.50% above six months EURO LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by pari passu charge over the fixed assets of the Company.

6.3 Habib Bank Limited Loan 1 was repaid during the period.

6.4 Habib Bank Limited Loan 3 is repayable in six half yearly equal installments commencing from September, 2006. Mark-up is payable on six month KIBOR Ask Side plus 60 basis points, immediately pre the mark-up payment period with no floor and no cap. The loan is secured by equitable mortgage charge over land, building, plant and machinery of the Company.

6.5 Standard Chartered Bank Loan is repayable in eight half yearly equal installments commencing from January, 2002. Mark-up is payable quarterly @ 1.50% above SBP's discount rate immediately preceding the previous mark-up payment date with a minimum rate of 13% per annum revised to 11.50% effective April, 2002. Effective January, 2004 mark-up rate revised to six months T-Bills cut-off yield plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.

6.6 United Bank Limited Loan 1 is repayable in eight half yearly equal installments commencing from September, 2002. Mark-up is payable half yearly @ 2.50% above prevailing SBP's discount rate at the time of due date of the relevant installment or six months T-Bill+1.50%, whichever is higher. This amount is now repayable in six half yearly equal installments commencing from March, 2006. Mark-up payable half yearly at six months T-Bill cut-off yield immediately preceding the mark-up payment date plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.

- 6.7 United Bank Limited Loan 2 is repayable at the time of maturity in September, 2008. Mark-up is payable half yearly @ 0.85% above six months T-Bill cut-off yield immediately preceding the mark-up payment date upto March 27, 2005. Effective from March 28, 2005 mark-up rate converted into Interest rate swap @ 8.30% fixed plus 0.85%. The loan is secured by way of hypothecation of stock, book debts and receivables.
- 6.8 NDLC-IFIC Bank Loan is repayable in eight half yearly equal installments commencing from March, 2003. Mark-up is payable half yearly @ 1.50% above SBP's discount rate prevailing before the beginning of each six months payment period. Effective from September, 2003 mark-up rate has been revised at six month T-Bill cut-off yield plus 2% with a minimum rate of 4% per annum. The loan is secured by hypothecation charge over specified machinery.
- 6.9 National Bank of Pakistan Loan is repayable in six half yearly equal installments commencing from December, 2007. Mark-up is payable half yearly on average six months KIBOR Ask Rate+1.25% prevailing on the disbursement date and then on the immediately preceding day before the start of each semi-annual period. The loan is secured by first pari passu charge over moveable fixed assets of the Company.

	June 30, 2005	September 30, 2004
	Rs.000s	
7. DEFERRED LIABILITIES		
Taxation - 7.1	68,273	61,273
Gratuity - 7.2	104	49,440
	68,377	110,713

7.1. Deferred taxation

Opening balance	61,273	85,670
Provision/(reversal) during the period/year	7,000	(24,397)
	68,273	61,273

This represents the net deferred tax liability arising mainly due to temporary differences in respect of accelerated tax depreciation allowance and deductible temporary differences in respect of provision against gratuity, doubtful debts and slow moving items.

7.2. Gratuity

Opening balance as at October 1	49,440	45,050
Provision during the period/year	21,484	12,117
	70,924	57,167
Paid during the period/year	(8,174)	(7,727)
	62,750	49,440
Transferred to current liabilities	(62,646)	-
Closing balance as at June 30 (September 30)	104	49,440

As the gratuity scheme of the Parent Company is being discontinued with effect from July 01, 2005 and amount due will be paid to the employees in FY2005-2006, gratuity has been calculated on the basis of actual amount payable to the employees and has been accordingly reclassified from deferred liabilities to current liabilities.

Subsidiary companies have only four employees therefore gratuity provision is calculated on the basis of actual amount payable to the employees.

8. SHORT TERM BORROWINGS

Short term bank borrowings	3,624,516	4,253,200
Short term running finance	552,271	143,762
Murabaha	200,000	145,000
	4,376,787	4,541,962

Short term borrowing includes Rs. 3,364 million (2004: Rs.3,530 million) which is secured by pari passu hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables and Rs. 500 million (2004:Rs. 500) which is secured against charge over the fixed assets. Unavailed facility at the period end was Rs. 2,861 million (2004: Rs.2,495 million).

The balance amount of short term borrowing Rs. 512 million (2004: Rs.512 million) is secured against US Dollar bonds, referred to in note 20. Unavailed facility at the period end was Rs. Nil (2004: Rs.NIL)

Mark-up rates range from 2.40% to 9.86% (2004: 1.61% to 6.25%) per annum.

June 30,
2005

September 30,
2004

Rs000s

9. TRADE AND OTHER PAYABLES

Creditors	582,949	457,967
Due to associated undertakings	3,666	2,208
Accrued expenses	212,191	193,656
Workers' profit participation fund (note 9.1)	7,680	15,137
Interest/mark-up accrued on loans (secured)	30,610	3,325
Mark-up on short term borrowings (secured)	55,734	13,252
Gratuity payable (note 7.2)	62,646	-
Unclaimed dividend	387	436
Others	10,626	9,923
	<u>966,489</u>	<u>695,904</u>

9.1 Workers' profit participation fund

Opening balance as at October 1	15,137	23,261
Provision for the period/year	6,448	13,240
Interest for the period/year	1,232	1,897
	<u>22,817</u>	<u>38,398</u>
Less: Payments made during the period/year	15,137	23,261
Closing balance as at June 30 (September 30)	<u>7,680</u>	<u>15,137</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 The Group is contingently liable for:

(a) Rs.87 million (2004: Rs. 75 million) against guarantees issued by Banks which are secured by pari passu hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques Rs.17 million (2004: Rs.22 million) issued to various Government Agencies.

(c) Bills discounted Rs. 341 million (2004: Rs.NIL)

10.2 The Group is committed for capital expenditure as at June 30, 2005 of Rs.282 million (2004:Rs.389 million).

10.3 The Group is committed for non capital expenditure items under letters of credit as at June 30, 2005 of Rs.149 million (2004: Rs. 171 million).

11. OPERATING ASSETS

Rs. 000s								
	Cost at Oct. 01, 2004	Additions/ (deletions)	Cost at June 30, 2005	Accumulated depreciation/ amortization at Oct. 01, 2004	Depreciation/ amortization charge/(deletion) for the period	Accumulated depreciation/ amortization at June 30, 2005	Written down value at June 30, 2005	Annual rate %
Tangible								
Leasehold land	115,238	118,417	233,655	-	-	-	233,655	-
Buildings on leasehold land	505,770	214,244 (300)	719,714	249,218	35,289 (30)	284,477	435,237	10
Plant and machinery	4,372,379	375,908 (779)	4,747,508	1,982,883	195,302 (375)	2,177,810	2,569,698	10
Office equipment, furniture and fixtures	236,344	20,134 (2,571)	253,907	106,887	20,922 (1,975)	125,834	128,073	10 to 30
Transport equipment	182,336	30,765 (15,627)	197,474	83,998	18,519 (9,982)	92,535	104,939	20
	5,412,067	759,468 (19,277)	6,152,258	2,422,986	270,032 (12,362)	2,680,656	3,471,601	
Intangible								
Computer Software	36,903	529	37,432	16,467	4,930	21,397	16,035	20
June 30, 2005	5,448,970	759,997 (19,277)	6,189,690	2,439,453	274,962 (12,362)	2,702,053	3,487,636	
September 30, 2004	4,762,827	773,253 (87,110)	5,448,970	2,172,033	328,275 (60,855)	2,439,453	3,009,517	

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

	For nine month ended June 30, 2005	For year ended September 30, 2004
Cost of goods manufactured (note 23.1)	231,461	266,666
Administrative expenses (note 24)	43,501	61,608
	<u>274,962</u>	<u>328,274</u>

11.2 Details of operating assets sold (by negotiation except where stated)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Shop	300	270	300	Mr.Intikhab Alam S/o Zaheer Alam H.#. 281, Korangi No.1-1/2, Sector 32-B Karachi
Plant and Machinery	113	60	113	Y.B. Machinery Merchant Shershah S.I.T.E. Karachi
	293	155	358	Naseem Brothers Baldia, S.I.T.E. Karachi
	374	189	252	Amfield Limited K.E.P.Z.
Office equipment, furniture and fixture	2,571	596	-	Scrapped
Transport Equipment	265	57	160	Mr. Rahil Feroze H.No.402 Bahadurabad Centre Plot No. 164 B.M.C.H.S. Karachi
	677	177	271	Mrs. Shehnaz Ghaffar H.No.B-7/2, Sidco Avenue Apartments Strechen Road Saddar Karachi
	643	108	166	Syed Jawaid Ali Hashim H.No. 332, Block 7/8 Azizabad Federal B. Area Karachi
	659	173	264	Mr. Imran Hanif Flat No. B-5, Al- Hayyat Apartments Al- Hilal Society Near Old Sabzi Mandi Karachi
	497	104	240	Mr. Hakim Khan House No. B-49 Sector 11-B North Karachi
	475	156	280	Mr. Kaleem Akhter House No. B-92 -93 Memon Nagar, Hyderabad Cantt Qasimabad Hyderabad
	772	130	290	Mr. Mohammed Zakaria House No. 20/202, 2nd Floor Jaleel Arcade Jamshed Road No. 3 Karachi
	374	63	120	Mr. Javaid Pervez House No. 1129/8 Azizabad Federal B. Area Karachi
	889	291	605	Mr. Adam Khan Afridi House No. 1231, Ghousia Colony P.I.B. Karachi

	540	221	438	Mr. Khurshid Ali House No. 21 Al-Wajid Town Sector 4/F Orangi Town Karachi
	466	153	295	Mr. Qaiser Rasheed House # 2 E, Mularam Compound Malir City Karachi
	619	130	248	Mr. Anwer Hasan Khan (Employee) E/32/2 , Block No 4, Gulshan-e-Iqbal Karachi
	879	288	288	Mrs. Marrium Abdul Karim House # C/7, Achan Square ,Block No. 13/C Gulshan-e- Iqbal karachi
	1,099	288	590	Mr. Mohammed Rafiq Flat # 4/4 Jetpur Square F.B. Area Block # 14 Karachi
	1,105	362	455	Mr. Mehmood Hussain (Employee) House No. 5, Siddiq Street, Kot Radha Kishan Tehsil & District Kasoor
	3,295	2,672	3,320	Insurance claim
Written down value below Rs. 50,000 each	2,374	274	869	Various
June, 2005	19,277	6,915	9,921	
September, 2004	87,110	26,255	33,571	

	June 30, 2005	September 30, 2004
	Rs.000s	
12. CAPITAL WORK-IN-PROGRESS		
Machinery under installation	179,009	72,775
Building construction	359,574	375,840
Store items held for capitalization	3,546	11,686
	<u>542,129</u>	<u>460,301</u>

13. LONG TERM LOANS AND ADVANCES

Considered good, due from

Executives

Opening balance as at October 1	5,028	3,278
Add: Disbursement during the period/year	6,160	4,250
	<u>11,188</u>	<u>7,528</u>
Less: Repayment made during the period/year	(2,878)	(2,500)
Closing Balance as at June 30 (September 30)	8,310	5,028
Less: Receivable within one year	(3,790)	(2,148)
	<u>4,520</u>	<u>2,880</u>

Other employees

Less: Receivable within one year	12,256	11,681
	(9,755)	(6,196)
	<u>2,501</u>	<u>5,485</u>
	<u>7,021</u>	<u>8,365</u>

- 13.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against retirement benefits and other dues of the employees.

14. STORES, SPARES AND LOOSE TOOLS

Stores	185,400	195,257
including in transit Rs. 7 million (2004: Rs.24 million)		
Spares	174,994	181,513
including in transit Rs. 8 million (2004: Rs.6 million)		
Loose tools	1,509	1,297
	<u>361,903</u>	<u>378,067</u>
Less: Provision for slow moving/obsolete items	23,528	21,514
	<u>338,375</u>	<u>356,553</u>

	June 30, 2005	September 30, 2004
	Rs.000s	
15. STOCK-IN-TRADE		
Raw materials	806,677	640,374
including in transit Rs.55 million (2004: Rs.61 million)	-	-
Work-in-process	54,296	68,026
Finished goods	1,616,831	1,378,416
	<u>2,477,804</u>	<u>2,086,816</u>
16. TRADE DEBTS - UNSECURED		
Considered good	1,917,578	2,023,612
Considered doubtful	21,542	19,028
	<u>1,939,120</u>	<u>2,042,640</u>
Less: Provision for doubtful trade debts	21,542	19,028
	<u>1,917,578</u>	<u>2,023,612</u>
17. LOANS AND ADVANCES		
Considered good		
Current portion of loans and advance to employees (note 13)	13,545	8,344
Suppliers	55,594	127,238
Advance income tax	80,180	97,664
Income tax refundable	16,640	24,497
Letter of credit	102	805
	<u>166,061</u>	<u>258,548</u>
18. DEPOSITS & PREPAYMENTS		
Prepayments	<u>24,447</u>	<u>2,870</u>
19. OTHER RECEIVABLES		
Accrued interest	16,438	8,501
Sales tax refundable	61,646	65,281
Duty drawback receivable	72,068	63,482
Others	33,409	33,409
	<u>183,561</u>	<u>170,673</u>
20. SHORT TERM INVESTMENT		
US Dollar bonds - Available for sale (note 20.1) (USD 9.241 million (2004: USD 9.241 million))	551,497	546,785
Euro bonds - Held for trading (note 20.2) (USD 0.25 million (2004: USD 0.25 million))	15,162	15,310
	<u>566,659</u>	<u>562,095</u>
20.1 These are under lien for borrowings referred to in note 8. These bonds carry mark-up between 2% to 4% (2004: 2% to 4%) above six months USD LIBOR.		
20.2 Interest is accrued bi-annually @ 6.75% p.a. (2004: 6.75%) on these bonds.		
21. CASH AND BANK BALANCES		
Cash in hand	1,867	1,776
In hand - current accounts	5,011	3,435
With banks in - short term deposits	116,808	145,879
	<u>123,686</u>	<u>151,090</u>

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
22. SALES		
Local	1,741,865	1,791,113
Export		
Direct Export	3,487,379	3,756,888
Indirect Export	717,822	1,132,944
	4,205,201	4,889,832
	5,947,066	6,680,945
Less: Brokerage and Commission	16,906	18,639
	5,930,160	6,662,306

22.1 Sales are exclusive of sales tax amounting Rs.328.893 million (2004: Rs.434.927 million).

23. COST OF SALES

Opening stock of finished goods	1,378,416	659,586
Add: Cost of goods manufactured (note 23.1)	4,248,124	5,583,314
Purchases and processing charges	924,454	742,136
	6,550,994	6,985,034
Less: Closing stock of finished goods	1,616,831	1,378,416
	4,934,163	5,606,618

23.1 Cost of goods manufactured

Raw materials consumed (note 23.2)	1,993,242	3,156,227
Stores consumed	779,035	754,156
Salaries, wages and benefits	632,821	711,602
Fuel, power and water	455,435	498,996
Insurance	25,653	34,234
Repairs and maintenance	124,672	178,208
Depreciation	231,461	266,666
Other expenses	21,848	18,567
Cost of samples shown under distribution cost	(29,773)	(25,271)
	4,234,394	5,593,385
Work-in-process		
Opening	68,026	57,955
Closing	(54,296)	(68,026)
	13,730	(10,071)
	4,248,124	5,583,314

Salaries, wages and benefits include gratuity of Rs.13 million (2004: Rs.7 million).

23.2 Raw materials consumed

Opening stock	578,954	234,669
Purchases during the period/year	2,165,834	3,500,512
Closing stock	(751,546)	(578,954)
	1,993,242	3,156,227

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
24. ADMINISTRATIVE EXPENSES		
Salaries and benefits	148,160	170,123
Rent, rates and taxes	16,760	18,774
Repairs and maintenance	16,540	10,286
Vehicle up keep	21,651	27,010
Conveyance and traveling	26,877	43,000
Printing and stationery	22,488	31,038
Postage and telecommunication	18,062	18,881
Legal and consultancy fees	18,775	11,710
Depreciation/amortization	43,501	61,608
Auditors' remuneration (note 24.1)	398	355
Donations (note 24.2)	3,252	4,253
Insurance	6,240	6,186
Bad/doubtful debts	2,510	500
Provision for slow moving/obsolete items	2,014	2,505
Other expenses	10,101	8,614
	<u>357,329</u>	<u>414,843</u>

Salaries and benefits include staff gratuity of Rs. 3 million (2004: Rs.5 million).

24.1 Auditors' remuneration

Audit fee	333	291
Half yearly review	30	30
Audit of workers' profit participation fund and other services	2	2
Out of pocket expenses	33	32
	<u>398</u>	<u>355</u>

24.2 None of the Directors or their spouses have any interest in the donees.

25. DISTRIBUTION COST

Freight and shipment expenses	153,495	179,242
Insurance and bank charges	1,313	1,230
Advertisement and publicity	59,216	51,315
Cost of samples transferred from cost of goods manufactured	29,773	25,271
Other expenses	24,299	17,902
	<u>268,096</u>	<u>274,960</u>

26. OTHER OPERATING INCOME

Profit on sale of operating assets	3,006	7,316
Scrap sales	3,648	4,138
Others	65	-
	<u>6,719</u>	<u>11,454</u>

	For nine month ended June 30, <u>2005</u>	For year ended September 30, <u>2004</u>
	Rs.000s	
27. FINANCE COST		
Interest/mark-up on long term loans	59,638	34,627
Mark-up on short term borrowings	195,205	87,758
Interest on workers' profit participation fund	1,232	1,897
Bank charges	14,847	11,962
	<u>270,922</u>	<u>136,244</u>
Interest income/exchange differences	(27,275)	(27,763)
	<u><u>243,647</u></u>	<u><u>108,481</u></u>
28. PROVISION FOR TAXATION		
Current	39,000	60,120
Deferred	7,000	(24,397)
Prior	-	12,314
	<u>46,000</u>	<u>48,037</u>
28.1 Reconciliation between accounting profit and tax expense		
Net profit for the period/year before taxation	<u>126,596</u>	<u>254,718</u>
Tax at the applicable tax rate of 35%	44,309	89,151
Income not chargeable to tax	(1,641)	(1,298)
Effect of income assessed under presumptive tax regime	22,873	(3,040)
Effect of expenses deductible for tax purposes less inadmissible expenses	(26,541)	(24,693)
	<u>39,000</u>	<u>60,120</u>
29. EARNINGS PER SHARE		
Profit for the period/year	<u>80,596</u>	<u>206,681</u>
Number of shares	<u>38,332,459</u>	<u>38,332,459</u>
Earnings per share (Rs.)	2.10	5.39

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	June-2005				September-2004			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	1,800	3,900	40,355	46,055	2,400	5,200	42,219	49,819
House rent allowance	720	1,560	16,142	18,422	960	2,080	16,858	19,898
Utility allowance	180	390	4,036	4,606	240	520	4,215	4,975
Other allowances	-	499	7,819	8,318	-	502	7,165	7,667
	2,700	6,349	68,352	77,401	3,600	8,302	70,457	82,359
Number of persons	1	3	56	60	1	3	47	51

30.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

The Chief Executive and some Directors are also provided with free residential telephones.

30.2 Aggregate amount charged in the accounts for the period for meeting fee to three Directors was Rs.4(000) (2004: three Directors Rs.4(000)).

30.3 Total number of employees at the end of the period/year were 6,697(2004: 6,683).

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND RELATED PARTIES

Transaction with related parties carried out at an arm's length basis using comparable uncontrolled price method are as follows:

	June 30, 2005	September 30, 2004
	Rs.(000s)	
Purchase of goods	11,283	23,754
Rent paid	513	713
Deposit with bank	1,316	1,702

32. CAPACITY AND PRODUCTION

		June 30, 2005			September 30, 2004	
		(000s)			(000s)	
Unit		Capacity	Production	Working	Capacity	Production
Cloth	Sq. metres (50 Picks converted)	83,561	53,109	3 shifts	83,561	80,241
Yarn	Kgs. (20 Counts converted)	36,035	24,773	3 shifts	36,035	32,161

i) Production reported above is for nine months period from October 04 to June 05 whereas the production capacity is for the full year.

ii) Production is lower due to variation in production mix and various technical factors.

33. FINANCIAL ASSETS AND LIABILITIES

Rs.000s

	Interest/mark-up bearing			Non interest/mark-up bearing			June 30, 2005 Total	September 30, 2004 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial assets								
Long term loans	-	-	-	-	7,021	7,021	7,021	8,365
Long term deposits	-	-	-	-	3,560	3,560	3,560	3,560
Trade debts	-	-	-	1,917,578	-	1,917,578	1,917,578	2,024,862
Loans and advances	-	-	-	13,545	-	13,545	13,545	8,344
Deposits and prepayments	-	-	-	40	-	40	40	40
Other receivables	-	-	-	49,847	-	49,847	49,847	41,910
Short term investment	566,659	-	566,659	-	-	-	566,659	562,095
Cash and bank balances	116,807	-	116,807	6,877	-	6,877	123,684	151,090
	683,466	-	683,466	1,987,887	10,581	1,998,468	2,681,934	2,800,266
Financial liabilities								
Long term loans	73,993	2,036,250	2,110,243	-	-	-	2,110,243	1,486,704
Short term borrowings	4,376,787	-	4,376,787	-	-	-	4,376,787	4,541,962
Trade and other payables	7,680	-	7,680	876,917	-	876,917	884,597	678,152
Proposed bonus shares	-	-	-	-	-	-	-	42,592
	4,458,460	2,036,250	6,494,710	876,917	-	876,917	7,371,627	6,749,410
Off balance sheet items								
Financial commitments								
Guarantees	-	-	-	87,434	-	87,434	87,434	75,390
Bills discounted	-	-	-	340,620	-	340,620	340,620	-
Commitments	-	-	-	424,347	-	424,347	424,347	389,432
	-	-	-	852,401	-	852,401	852,401	464,822
	4,458,460	2,036,250	6,494,710	1,729,318	-	1,729,318	8,224,028	7,214,232

The effective interest/mark-up rates for the monetary financial assets/liabilities are mentioned in the respective notes to the financial statements.

33.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Group believes that it is not exposed to major concentration of credit risk.

33.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts and partially through hedging by purchase of US Dollar bonds.

33.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

33.4 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

34. DETAIL OF SUBSIDIARIES

	<u>Accounting year end</u>	<u>Percentage of holding</u>	<u>Country of incorporation</u>
Gul Ahmed International Limited (FZC)	June 30, 2005	100%	U.A.E.
GTM (Europe) Limited	June 30, 2005	100%	U.K.

35. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 01,2005 by the Board of Directors of the Group.

36. GENERAL

Figures have been rounded off to the nearest thousand rupees.

BASHIR H. ALIMOHAMMED
Chairman and Chief Executive

ZAIN BASHIR
Director