Annual Report 2006

Pakistan Cables Limited

In the name of Allah,
Most Gracious, Most Merciful.

This is by the Grace of Allah.

Contents

Pakistan Cables Limited, the country's oldest and most reputable cable manufacturer, was established in 1953. In the subsequent five decades, Pakistan Cables has earned a reputation for itself as a market leader in the industry and as a company that does not compromise on quality. As a result, the company has gained a position as being the premier cable manufacturer in the country.

About Us

Board of Directors

Towfiq H. Chinoy
Chairman

Mustapha A. Chinoy

Haroun Rashid

Syed Naseem Ahmad

Fuad Azim Hashimi
Representing NIT

Company Information

Audit Committee

Haroun Rashid
Mustapha A. Chinoy
Irtiza Hussain

Human Resource and Compensation Committee

Towfiq H. Chinoy
Syed Naseem Ahmad
Mustapha A. Chinoy

Executive Management Committee

Kamal A. Chinoy
Shahpur Channah
Aslam Sadruddin
S.M. Athar Farid
M.A. Muqeet Khan

System and Technology Committee

Kamal A. Chinoy
Aslam Sadruddin
Touseef ul Bari

Company Secretary

Aslam Sadruddin

Legal Advisor

Ghulam Ghous Law Associates

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Bankers

Standard Chartered Bank
Habib Bank Limited
Hongkong and Shanghai Banking Corporation Limited
MCB Bank Limited
NIB Bank Limited
Oman International Bank

Irtiza Hussain
Representing NIT

Ansar Hussain
Representing SLIC

Shahpur Channah

Aslam Sadruddin

Kamal A. Chinoy
Chief Executive

Registered Office, Factory and Marketing Office

B/21, Sindh Industrial Trading Estates,
P. O. Box 5050, Karachi -75700
Telephone Nos. (021) 2561170-75
Fax: (021) 2564614
E-mail: info@pakistancables.com
sales@pakistancables.com
Web site: www.pakistancables.com

Regional Office

Lahore
Co-operative Insurance Building,
Shahrah-e-Quaid-e-Azam, Lahore
Telephone Nos. (042) 7355783, 7353520, 7120790-91
Fax: (042) 7355480
E-mail: lahore@pakistancables.com

Branch Offices

Rawalpindi
455-A, Adamjee Street, Rawalpindi.
Telephone Nos. (051) 5568895, 5512797
Fax: (051) 5567029
E-mail: pindi@pakistancables.com

Multan
1592, Quaid-e-Azam Shopping Centre No.1, Multan Cantt.
Telephone No: (061) 4583332
Fax: (061) 4548336
E-mail: multan@pakistancables.com

Abbottabad
13-14, Sitara Market, Mansehra Road, Abbottabad.
Telephone No. (0992) 383618
Fax: (0992) 385510
E-mail: abbottabad@pakistancables.com

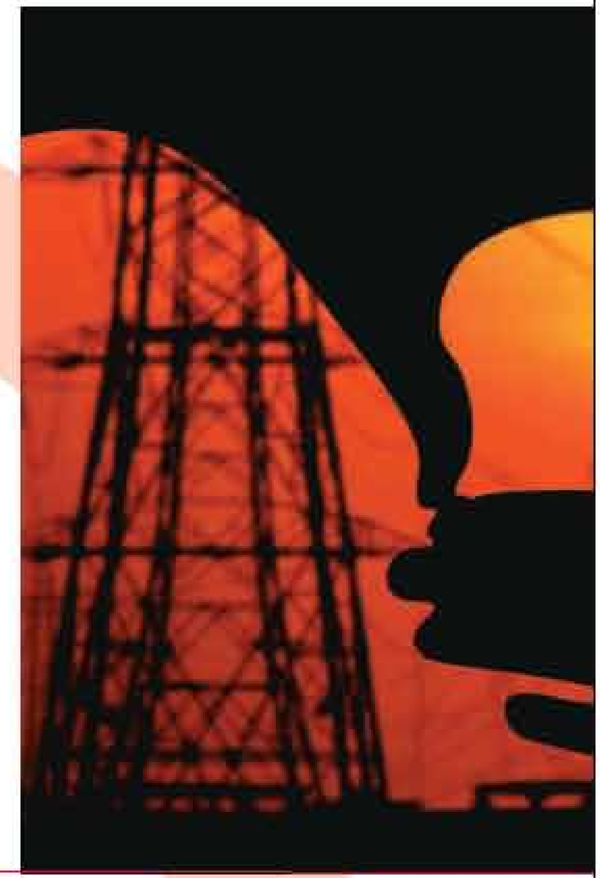
Peshawar
Shop # 1 & 2, 1st Floor, Hurmaz Plaza,
Opp. Airport Runway, University Road, Peshawar
Telephone No. (091) 5845088
Fax: (091) 5846314
E-mail: peshawar@pakistancables.com

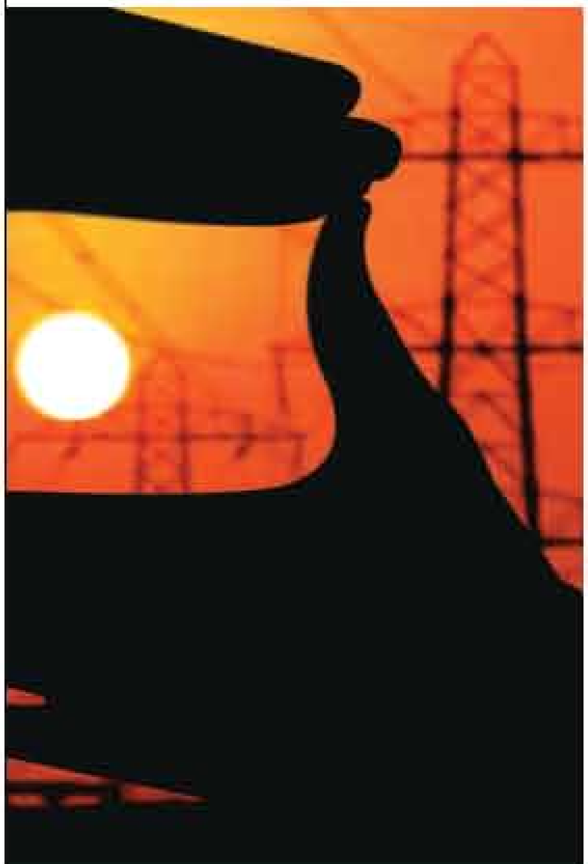
Quetta
Shop # 1-26/36-1312, Haji Fateh Khan Building
Opp. Press Club, Sharah-e-Adalat, Quetta
Telephone No. (081) 2843987
Fax: (081) 2843990
E-mail: quetta@pakistancables.com

Vision

Conductor
Leader
Guide

To be the company of first choice for customers & partners for Wire and Cables and other engineering products.





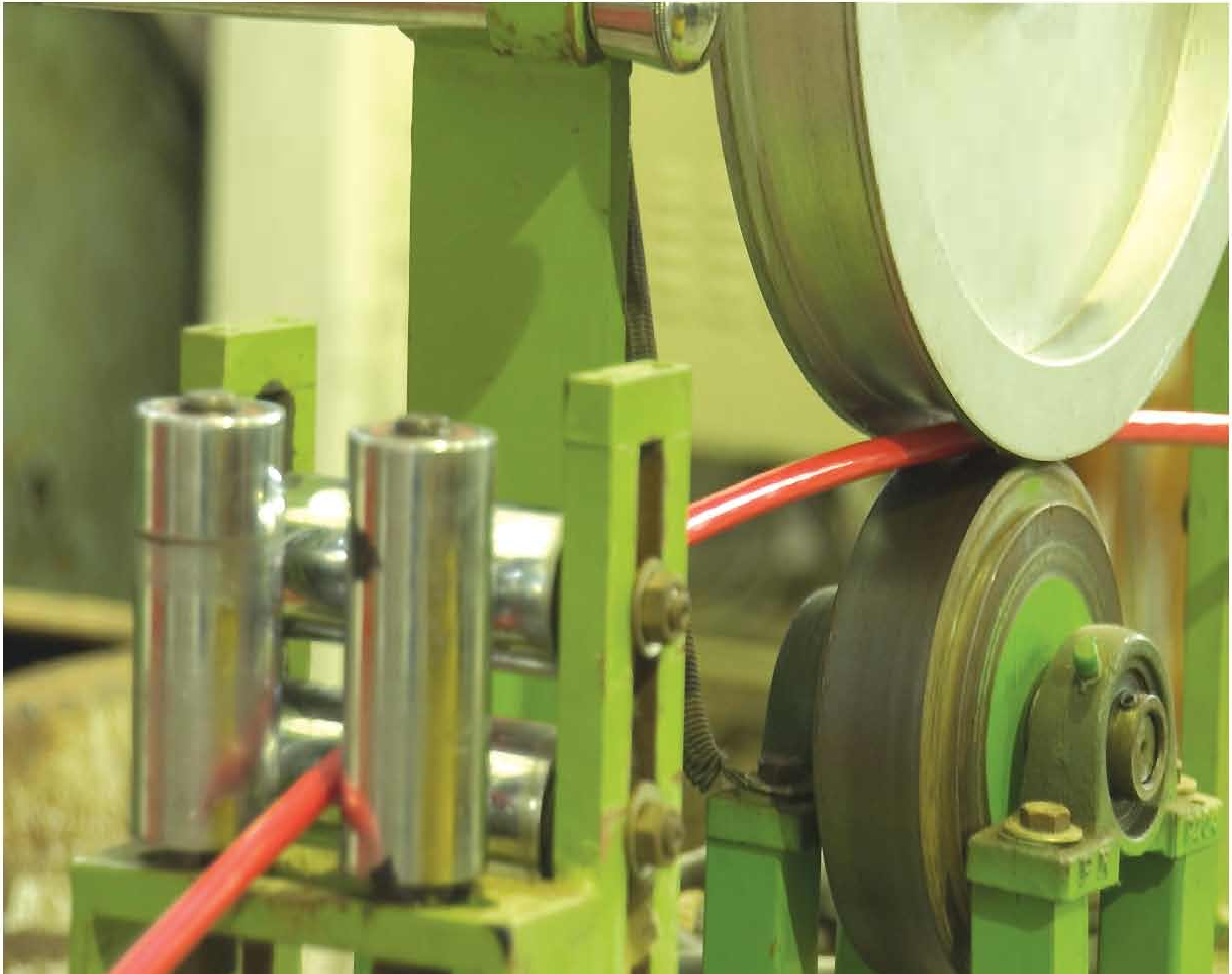
Mission

To strengthen industry leadership in the manufacturing and marketing of wire and cables and to have a strong presence in the engineering products market while retaining the options to participate in other profitable businesses.

To operate ethically while maximizing profits and satisfying customers needs and stakeholders interest.

To assist in the socio-economic development of Pakistan by being good corporate citizens.

Current
Customary
Accepted



Statement of Ethics and Business Practices

- The Company's policy is to conduct its business with honesty and integrity and be ethical in its dealings showing respect for the interest of those with whom it has a relationship.
- The Company is committed to comply with all laws and regulations. The Board and Management are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility and not to transgress them. If in doubt they are expected to seek advice. The company believes in fair competition and supports appropriate competition laws.
- The Company does not support any political party or contributes funds to groups whose activities promote party interests. The Company will promote its legitimate business interests through trade associations.
- The Company is committed to provide products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.
- The Company is committed to run its business in an environmentally sound and sustainable manner and promote preservation of the environment.
- The Company recognizes its social responsibility and will contribute to community activities as a good corporate citizen.
- The Company is committed and fully adheres to the reliability of financial reporting and transparent transactions.
- The Company is committed to recruit and promote employees on merit and provides safe and healthy working conditions for all its employees. It also believes in maintaining good communications with employees.
- Employees must not use company information and assets for their personal advantage. Conflict of interest should be avoided and disclosed where they exist and guidance sought.
- It is the responsibility of the Board to ensure that the above principles are complied with, and Sub-committees constituted by the Board support their compliance.
- It is recognized that enforcement of laws and regulations is the responsibility of the Management.

Journey Over The Years

Addition
Movement
Rise

1953
Started manufacturing of General Wiring Cables with Natural Rubber Insulation.

1960
Introduced General Wiring Cables with PVC insulation for the first time in Pakistan.

1968
Established Factory for L.V. Armoured Cables up to 3.3 KV for the first time in Pakistan.

Installed Aluminium Rod Extrusion plant.

1974
Manufactured Field Communication Cables for use by Pakistan's Armed Forces.

1978
Received the Top 25 Companies Award from Karachi Stock Exchange.

1979
Launched Aluminium extruded sections comprising pipes & curtain railings.

1980
Again received Top 25 Companies Award from Karachi Stock Exchange.

1982, 83 & 84
Received Corporate Excellence Award by Management Association of Pakistan. Awarded to the 6 best-managed companies.

1984
Established Anodizing Plant for manufacturing of Aluminium Doors & Window Section.

Introduced for the first time in Pakistan M.V. 15 KV XLPE Cables for supply to KESC.

1996
Setup a state-of-the-art plant to manufacture High Conductivity Oxygen Free Copper Rod.

1997
Became the first ISO9002 certified cable manufacturer in Pakistan.

1998
Received Achievement Award for outstanding performance in 1996-97 presented by the President of Pakistan.

2000
Became the first and only cable and aluminium manufacturer in Pakistan to be certified for the ISO 9001 : 2000 version.

2001
Introduced LV XLPE cables fully type tested by KEMA, Holland for the first time in Pakistan.

2003
Introduced powder coated Aluminium Profiles.

Commemorated 50^{th} Anniversary

2004
Achieved net sales of over Rs. 1 billion.

Selected for Top 25 Companies Award from Karachi Stock Exchange.

2005
Achieved net sales of over Rs. 2 billion.

2006
Achieved net sales of over Rs. 3 billion.

Pakistan Cables Limited provides a wide variety and range of products according to the needs of the Domestic and Industrial users.

Our Products

Wire & Cables

Reliable
Uncompromising Quality
High Conductivity

Pakistan Cables was established in 1953 in collaboration with BICC Plc UK. It is the country's oldest and the most reputed cable manufacturer. During the initial years the product range was then just, rubber insulated general wiring cables. In the subsequent five decades, PCL has earned a reputation as a market leader in the industry and as a premier company that is trusted not to compromise on product quality.

For lighting and general use, we manufacture General Wiring Cables in the range of 250/750 Volts. These cables are manufactured in conformity with national & international standards that provides safety and savings in electricity consumption because of the use of 99.99% pure copper, cable grade PVC and thorough quality tests, of every meter of cable.

To cater to the requirements of Utilities, Projects and Industries, Low Voltage (LV) and Medium Voltage (MV) cables are manufactured which are subject to rigorous in-house quality checks. LV and MV cables have been fully type tested by KEMA - Holland in accordance with IEC 502.

With the increasing power demand of the country, the use of overhead conductors for power transmission purposes has increased. PCL provides high quality overhead conductors to the utility companies WAPDA and KESC which are manufactured from EC grade Aluminium Rod and Copper Rod.

PCL also manufactures telephone, intercom, coaxial cables and numerous types of special cables which includes airfield lighting, control cables etc. as per the requirements of the customers.

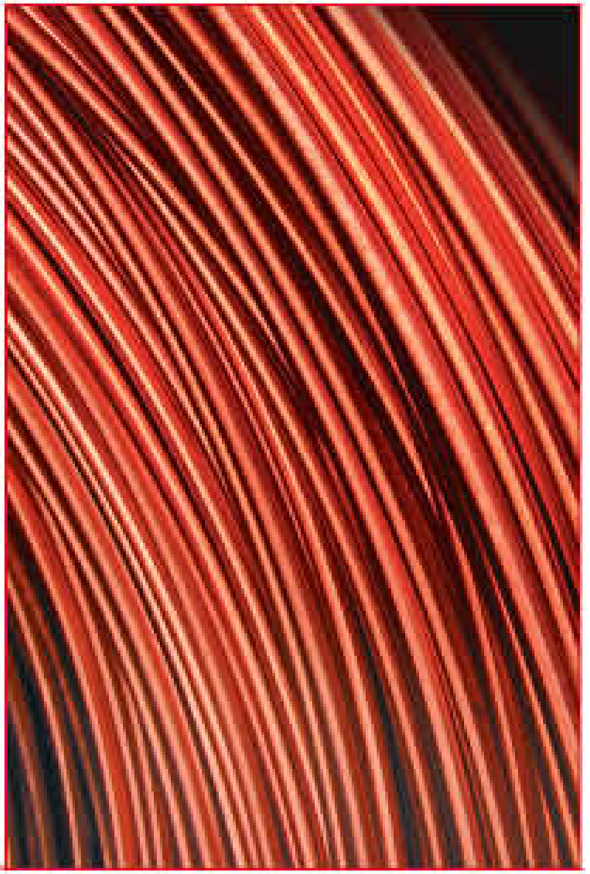
Copper Rod

In 1996, PCL set up a plant to manufacture High Conductivity Oxygen Free 8mm COPPER ROD. This plant was supplied by Outokumpu Castform Oy, Finland and uses the upcast system of manufacturing rod. 8mm diameter rod is cast directly from the furnace. Oxygen Free Copper is particularly suited for drawing into wires.

Conductance
Ductile
Malleable

During the year 2005-06, the company expanded its facility of manufacturing of copper rods with the installation of plant procured from the original supplier M/s. Outokumpu Castform, Finland. The plant was successfully commissioned in the month of February.

Numerous satisfied customers, particularly Enamel Wire Manufacturers will attest to the quality of our Rod. The raw material used is only LME registered "A" grade copper cathodes.



Alum-Ex

Alum-Ex is the brand name under which Pakistan Cables Ltd. manufactures aluminium sections for the construction and architectural industry.

We have the capability to offer six different colours of anodized sections.

Pakistan Cables Limited has commissioned 'Powder Coating' facilities in their Aluminium Profile Business segment, and can now offer aluminium profiles in any imaginable colour to match the taste of the customer.

We use only polyester based powders, manufactured & supplied by reputable companies. These are thermosetting types, specially designed for 'façade' use. These coatings can withstand the rigours of ultra violet rays in the atmosphere.

Uniform Colour
Pleasing Aesthetics
Strength & Durability

The advantages of powder coated aluminium sections are: durability of finish in terms of gloss, colour retention, chalking, checking, cracking, flaking, blistering or substrate corrosion.

PCL continuously reviews and improves the effectiveness of its Quality Management System in line with objectives of achieving higher productivity, uncompromising quality and maximum customer satisfaction.

The directors are pleased to present the 53rd annual report along with the audited accounts of the company for the year ended 30 June 2006.

Financials

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE 53rd Annual General Meeting of the shareholders of Pakistan Cables Limited will be held on Thursday, the 28th September 2006 at 11:00 a.m. at Council Hall of the Overseas Investors Chamber of Commerce and Industry, Chamber of Commerce Building, Talpur Road, Karachi, to transact the following business:

Ordinary Business

1. To receive and consider the Statement of Accounts for the year ended June 30, 2006 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of dividend as recommended by the Directors. The Directors have recommended a final cash dividend of 25% for the year ended June 30, 2006.

3. To appoint Auditors for the ensuing year and to fix their remuneration (Messrs. KPMG Taseer Hadi & Co. Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment). As required by paragraph xxxix of the Code of Corporate Governance, the Board of Directors recommends, based on the recommendation of the Audit Committee the appointment of M/s KPMG Taseer Hadi & Co.

Special Business

4. To consider and if thought fit, approve increase in authorized capital of the company from Rs. 100 million to Rs. 250 million and pass the following ordinary resolution, with or without any amendments:

   "Resolved that the authorized capital of the company be and is hereby increased from rupees one hundred million divided into 10,000,000 shares of Rs. 10 each to rupees two hundred and fifty million divided into 25,000,000 shares of Rs. 10 each, and in that connection, clause 5 of the Memorandum of Association of the Company be and is hereby substituted by the following new clause:

   5. The capital of the company is Rs. 250,000,000 (two hundred and fifty million) divided into 25,000,000 shares of Rs. 10 each but is capable of being increased or reduced in accordance with Company's regulations and legislative provisions for the time being in force in that behalf."

5. To consider and if thought fit, pass the following resolution as ordinary resolution:

   "Resolved that a sum of Rs. 48,778,130/- out of the free reserves of the company be capitalized and applied to issue of 4,877,813 Ordinary Shares of Rs. 10/- each and allotted as fully paid up Bonus Shares to the members who are registered in the books of the company on September 28th, 2006 in the proportion of ONE new share for every TWO existing Ordinary Shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the company but shall not be eligible for final dividend in respect of the year ended June 30, 2006.

   Further resolved that members entitled to a fraction of a share shall be given the sale proceeds of their fractional entitlement, for which purpose the Directors be and are hereby authorized to consolidate the fractions into whole shares and sell such shares in the stock market.

   Further resolved that for the purpose of giving effect to the foregoing the directors be and are hereby authorized to give such directions as may be necessary and as they deemed fit to settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractions."

6. To consider and, if thought fit, pass the following resolution as ordinary resolution:
   "Resolved that the capitalization of Rs.19,511,250 out of the free reserves of the company and issuance of bonus shares to the members of the company in the month of January 2006 in proportion of one new share, for every four then existing shares be and are hereby ratified and confirmed by the members."

7. To transact any other business which may legally be transacted at an Annual General Meeting.

By Order of the Board
Aslam Sadruddin
Finance Director and
Company Secretary

KARACHI: September 05, 2006

NOTES:

1. The Shares Transfer Books of the Company will remain closed from September 15, 2006 to September 28, 2006 (both days inclusive). No transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy must be a member of the Company.
3. The instrument appointing the proxy and the Power of Attorney or other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office i.e. B/21, S.I.T.E., Karachi, not later than 48 hours before the time of the Meeting.
4. CDC Account Holders will have to follow the guidelines below as laid down in Circular 1 dated January 26, 2000 issued by Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting

(i) In case of individual, the account holder or sub-account holder whose securities and their registration details are up-loaded as per the Regulations, shall authenticate his/her identity by showing their original National Identity Card (NIC) or original passport at the time of attending the Meeting.
(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

(i) In case of individual, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.
(ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
(iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
(iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.
(v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted alongwith proxy form to the Company.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984 PERTAINING TO SPECIAL BUSINESS

This statement sets out the material facts concerning the special Business to be transacted at the Annual General Meeting of the Company to be held on September 28th, 2006.

Agenda item 4
The present authorized capital of the company is Rs. 100 million divided into 10,000,000 ordinary shares of Rs. 10 each of which 9,755,625 ordinary shares are fully subscribed, issued and paid up.
In order to facilitate future increase in the paid up capital, as and when deemed necessary, the Board of Directors of the company has recommended that the authorized capital of the company should be raised to Rs. 250 million divided into 25,000,000 ordinary shares of Rs. 10 each

The Directors of the company have no interest in the above resolution that would need a further disclosure.

Agenda item 5
The Directors consider it justified to capitalize a sum of Rs.48,778,130/- which they have set aside in reserve for issue of bonus shares in the proportion of ONE ordinary share for every TWO ordinary shares held.
The Directors are not interested in this business except to the extent of their entitlement to bonus shares as shareholders.

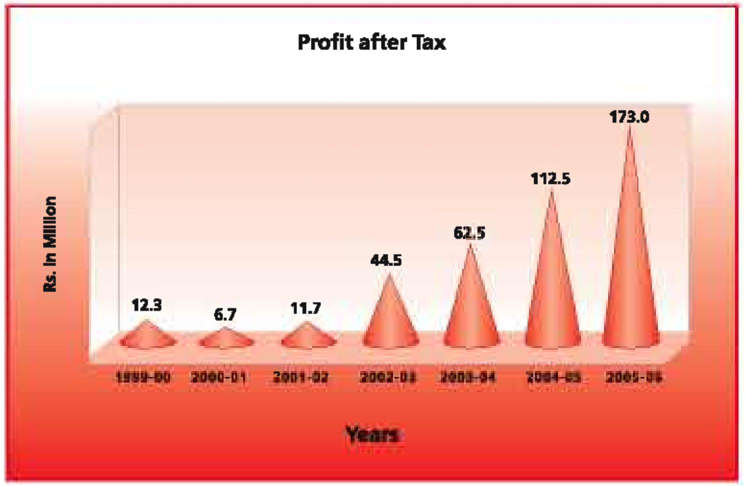
Agenda item 6
The directors issued 1,951,125 bonus shares in the month of January 2006 by capitalizing Rs.19,511,250 out of the then free reserves. This capitalization is required to be authorized/confirmed by the shareholders under Article 125 of the Articles of Association. The resolution set out at No. 6 of the Agenda of the Notice seeks such authorization/confirmation.
The Directors are not interested in this business except to the extent of the bonus shares which were allotted to them.

Key Financial Data

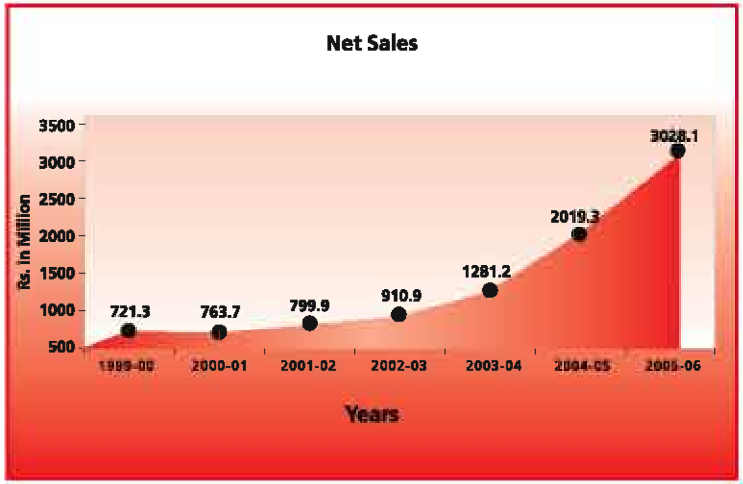
	2005-2006 Rs. Million	2004-2005 Rs. Million	2003-2004 Rs. Million	2002-2003 Rs. Million	2001-2002 Rs. Million	2000-2001 Rs. Million	1999-2000 Rs. Million
Sales	**3,028.1**	2,019.3	1,279.9	910.9	799.9	763.7	721.3
Gross profit	**495.1**	319.5	184.3	141.7	98.0	86.7	86.4
Operating profit	**329.5**	207.1	104.6	73.2	39.6	34.8	40.4
Profit before tax	**261.2**	170.3	91.3	63.1	18.3	9.3	11.7
Profit after tax	**173.0**	112.5	62.5	44.5	11.7	6.7	12.3
Dividend	**24.4**	38.0	19.5	21.9	9.4	6.2	9.4
Bonus issue	**68.3**	19.5	19.5	7.8	-	-	-
Capital expenditure	**272.0**	124.5	29.3	11.2	6.0	4.8	13.8
Fixed assets at cost/revaluation	**1,274.9**	1,007.9	313.1	293.2	284.3	279.7	275.8
Current assets less current liabilities	**145.7**	112.1	105.8	77.1	62.7	55.8	44.4
Current assets : Current liabilities	**1.1:1**	1.1:1	1.2:1	1.2:1	1.2:1	1.1:1	1.1:1
Shareholders' funds							
Issued capital	**97.5**	58.5	39.0	31.2	31.2	31.2	31.2
Reserve & retained earnings	**358.6**	227.7	149.4	114.2	91.5	89.2	88.7
Total Shareholders' fund	**456.1**	286.2	188.4	145.4	122.7	120.4	119.9
Surplus on revaluation of fixed assets	**551.3**	549.4	-	-	-	-	-
Long term Loans & Liabilities	**174.4**	46.3	21.2	20.4	19.9	14.2	15.4
Net Assets employed	**1,181.8**	881.9	209.6	165.8	142.6	134.6	135.3
Debt equity ratio	**63:37**	54:46	77:23	75:25	76:24	76:24	77:23

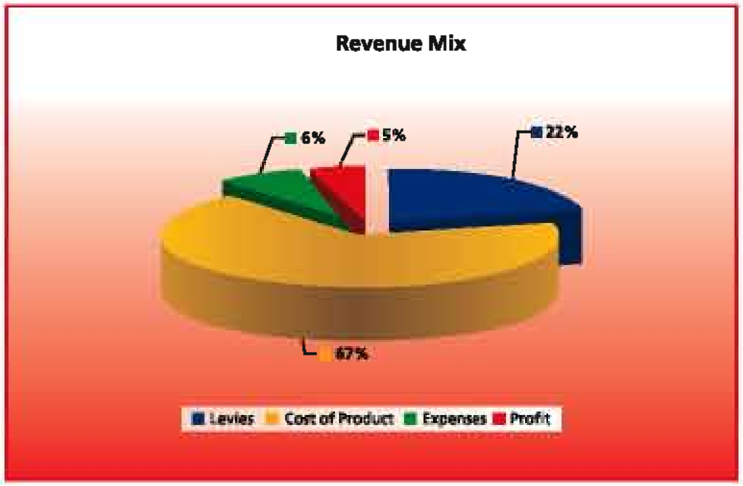
		2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Debtors turnover	(Times)	**7.7**	8.2	7.5	6.0	5.3	6.4	6.5
Inventory turnover	(Times)	**2.6**	2.4	2.2	2.8	3.5	3.2	3.0
Total assets turnover	(Times)	**1.1**	1.1	1.5	1.6	1.5	1.5	1.4
Interest coverage	(Times)	**4.4**	5.6	8.1	4.4	1.7	1.3	1.4
Fixed assets turnover	(Times)	**3.0**	2.7	17.1	15.3	13.4	11.6	9.4
Capital employed turnover	(Times)	**2.6**	2.3	6.1	5.5	5.6	5.7	5.3
Gross profit	%	**16.3**	15.8	14.4	15.6	12.3	11.4	11.9
Net profit	%	**5.7**	5.6	4.9	4.9	1.5	1.0	1.7
Return on capital employed	%	**28.6**	23.5	49.7	49.2	30.6	29.8	31.9
Return on total assets	%	**6.4**	6.2	7.5	7.7	2.3	1.4	2.4
Price earning ratio		**10.2**	10.1	8.6	4.8	4.8	10.1	5.1
Earning per rupee of sales	Rs.	**0.06**	0.06	0.05	0.05	0.01	0.01	0.02
Earning per share	Rs.	**17.73**	19.20	16.02	11.41	3.74	2.16	3.95
Cash dividend per share	Rs.	**2.50**	6.50	5.00	7.00	3.00	2.00	3.00
Bonus issue per share	Rs.	**7.50**	3.30	5.00	2.50	-	-	-
Dividend yield	%	**5.60**	5.1	7.3	14.0	16.7	9.2	15.0
Dividend payout	%	**54.0**	51.1	62.4	66.7	80.3	92.5	76.4
Market value per share	Rs.	**180.0**	195.0	137.0	68.0	18.0	21.8	20.0
Market value per share high during the year	Rs.	**263.0**	261.0	155.0	68.0	21.7	25.0	25.0
Market value per share low during the year	Rs.	**169.0**	135.0	68.0	18.0	15.1	18.3	17.0
Break-up value per share including surplus on revaluation	Rs.	**103.3**	142.8	-	-	-	-	-
Break-up value per share excluding surplus on revaluation	Rs.	**46.8**	51.9	48.3	46.6	39.3	38.6	38.4

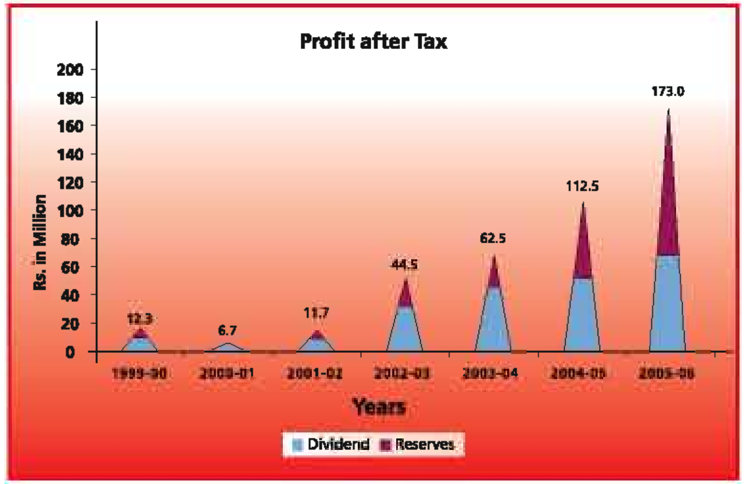
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Value addition and its distribution							
Employees as remuneration	**167.2**	136.1	105.9	92.4	75.6	71.2	68.4
Government as taxes	**755.2**	484.4	305.6	289.3	240.9	239.7	227.7
Shareholders as dividends	**92.7**	57.6	39.0	29.7	9.4	6.2	9.4
Retained within the business	**100.9**	55.3	23.5	14.9	2.3	0.5	3.0

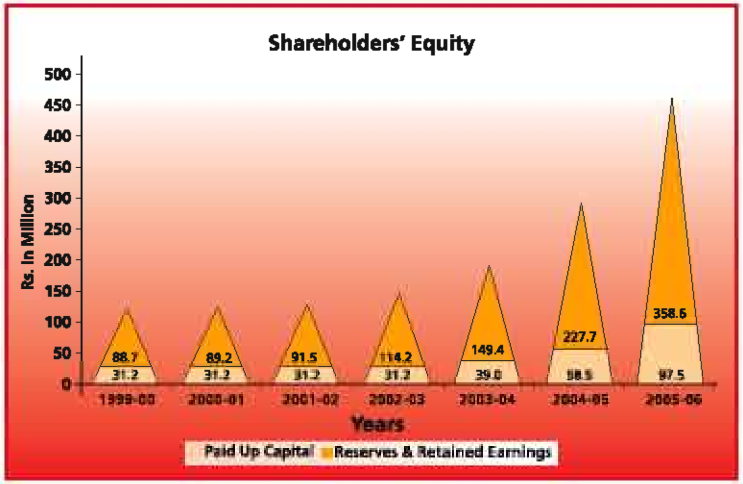

Profit after Tax
Rs. in Million
12.3
6.7
11.7
44.5
62.5
112.5
173.0
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
Years


Earning per Share
Rs.
30
25
20
15
10
5
0
3.95
2.16
3.74
11.41
16.02
19.21
17.73
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
Years


Net Sales
Rs. in Million
3500
3000
2500
2000
1500
1000
500
721.3
763.7
799.9
910.9
1281.2
2019.3
3028.1
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
Years


Revenue Mix
6%
5%
22%
67%
Levies
Cost of Product
Expenses
Profit


Profit after Tax
Rs. in Million
200
180
160
140
120
100
80
60
40
20
0
12.3
6.7
11.7
44.5
62.5
112.5
173.0
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
Years
Dividend
Reserves


Shareholders' Equity
Rs. in Million
500
450
400
350
300
250
200
150
100
50
0
88.7
31.2
89.2
31.2
91.5
31.2
114.2
31.2
149.4
39.0
227.7
58.5
358.6
97.5
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
Years
Paid Up Capital
Reserves & Retained Earnings

Directors' Report

The Directors are pleased to present the 53rd Annual Report along with the audited accounts of the company for the year ended June 30, 2006.

General Review

By the grace of Allah, the performance of the Company during the current financial year showed remarkable improvement over the achievements of last year. Net sales crossed the three billion rupee mark for the first time in the history of the company. Moreover, the profit after tax of Rs. 173.0 million is the highest ever achieved by the company.

The Company is engaged in the manufacture of Conductors and Wire & Cables for transmission of electricity since 1953. In 1979, the Company started extrusion of Aluminium Profile sections, which was upgraded in 1984 to manufacture Anodized Aluminium Profile sections for architectural uses. In 1996, the Company set up a state of the art plant to manufacture high conductivity oxygen free Copper Rod.

Pakistan Cables is the premier cable manufacturing company of the country. During the year your Company maintained its leadership in sales of wire & cables to Trade and Project segments of the industry. The main focus during the year has been the textile and cement industries, which are presently undergoing modernization and expansion.

Operating Performance

The Company's growth momentum has continued with the emerging economic stability and the financial results have shown a remarkable improvement during the year which can be assessed from the following information:

	2005-06	2004-05	Change
	Rs. in million		
Sales	3,028	2,019	+ 50%
Gross Profit	495	319	+ 55%
Gross Profit Percentage	16.4%	15.8%	
Net Profit	173	118	+ 47%
Net Profit Percentage	5.7%	5.8%	

The Company continued to show a robust growth with net sales revenue of Rs. 3,028 million, which is 50 percent higher than last year. The increase in sales is mainly due to volume although price did play a factor due to rising raw material prices. The company continued its aggressive marketing stance leading to a growth in market share.

The main growth was in all segments of the wire and cable business, however, the greater growth was in sales to Projects as the company capitalized on increasing demand from the industrial sector particularly from the expansion in the textile and cement industry.

During the year the company incurred a capital expenditure of Rs. 272 million to upgrade and modernize the company's production units, particularly wire & cable making machinery, with a view to increasing production capacity and minimizing costs. These investments are part of our long-term plan needed to support our continued accelerated growth.

Gross Profit for the year amounting to Rs. 495 million is 16.4% of sales compared to last year's gross profit of Rs. 319 million, which is 15.8% of sales. The higher gross profit is attributed mainly due to volume growth, better sales mix, productivity improvement and operational efficiencies. Operating profit for the year is Rs. 329.5 million against Rs. 205.0 million last year.

The financial charges have increased substantially mainly due to higher interest rates and increased borrowings. The impact of continued rising raw material cost, particularly of copper in the international market, has increased the Company's working capital requirements, which has in turn increased the Company's debt level and its interest expense. The copper prices continued to rise during the year due to steady demand growth, dwindling stockpiles and relentless fund buying. Copper hit an all time high of US$ 8,800 per ton in the month of May and closed at US$ 7,501 per ton on June 30, 2006 about double the 1st July 2005 price of US$ 3,510.

As a result of the factors outlined above, your company earned a record profit after tax of Rs.173.0 million compared to Rs. 117.8 million last year, showing an increase of 47%. Earnings per share also increased from Rs. 12.07 to Rs.17.73 in the current year.

Dividends and Appropriation

For the current year, your Directors recommend payment of Rs. 2.5 per share (25%) as final cash dividend (2005: 40%). Further more, the directors have also recommended issue of bonus shares in the proportion of one share for every two shares held (50%) (2005: 33.33%), in addition to the interim bonus shares in proportion of one share for every four shares held (25%) already issued (2005: Nil). The appropriation of profit will be as under:

	2005-06 Rs. '000
The net profit after tax amounted to	173,014
To this is added unappropriated profit brought forward from last year	116,200
Transfer from surplus on revaluation - Own	2,227
- Associate	83
	291,524
APPROPRIATIONS:	
Payment of final cash dividend at the rate of Rs. 4.0 per share (40%) for the year ended June 30, 2005	23,414
Issuance of fully paid bonus shares for the year ended June 30, 2005	19,511
Transfer to General Reserve for the year ended June 30, 2005	55,000
Issuance of fully paid interim bonus shares for the year ended June 30, 2006	19,511
Leaving unappropriated profit to be carried forward	174,088
	291,524
Earning per share	Rs. 17.73
Subsequent Effects	
Proposed final cash dividend of Rs.2.5 per share for the year 2005-06	24,389
Proposed issue of bonus shares in the ratio of one share for every two shares held for the year 2005-06.	48,778

Business Risks and Challenges

The rupee remained stable against the US Dollar during the year as a result of which the Company did not obtain any forward cover against its imports thereby saving on the forward cover premium but is therefore exposed to foreign currency risk. However, the Company is continuously monitoring the exchange rate and in case a major change is expected in the exchange rate, forward cover will be obtained.

In the Federal Budget 2006-07, the import of copper scrap has been allowed at zero percent duty while the duty on copper cathode remained unchanged at 5%. This will not only give an edge to the unscrupulous manufacturers in the un-organized sector who manufacture low quality of cables from scrap but it will also affect the sales of the genuine manufacturers. In order to counter this threat, the company has approached the CBR through the forum of all Pakistan Cables & Conductors Manufacturers Association to allow duty free import of copper cathode and the company is very hopeful that this will be accepted by the CBR.

Technology

On a continuing basis, the Company strives to fulfill and surpass the expectations of its customers with regard to performance and reliability of its products. The company has a highly advanced Quality Assurance Laboratory which is equipped with the latest state of the art equipment to conduct tests on raw materials, process components and finished products. All the equipments used for testing are regularly checked & calibrated and manned by professional and skilled personnel.

The Company has the requisite facilities to inspect and perform relevant tests on its products to ensure that they comply with local and international standards. The company attaches the greatest importance to its stringent quality assurance principles by which every product is assured of reliability, superiority and customer satisfaction.

Business Process Re-engineering and Development

The Company is continuously engaged in development of new products thus enhancing customers' satisfaction. The Company allocates budget for carrying out such developments to produce value added and quality products. As a result of business process re-engineering, new materials and processes are also tried out in order to bring about quality and productivity improvements keeping economy into consideration.

Safety, Health and Environment

Operational safety continues to receive the highest priority to keep it in compliance with internationally recognized safety management system. Up-gradation of firefighting, safety and personal protective equipment is done regularly to meet the international safety standards. The company ensures that all new machinery and equipment incorporate the latest technology in safety standards and are operated by a skilled and experienced team of professionals dedicated to the cause of safety.

Pakistan Cables' health and safety goal is zero injuries and illness. We strive for an incident free workplace and an environment that complies to our clear objective. The company aims at providing a safe, reliable and healthy environment to the employees, customers, the surrounding community, and stakeholders. The company has also initiated a Green Plan to improve plantation at its premises as well as in its surroundings for a healthy environment.

Community Welfare

Pakistan Cables has always remained acutely conscious of its responsibility towards the society in which it operates. Our emphasis remains primarily on education and health and our funding towards philanthropy has doubled during the year. Financial support was provided to several reputable and well-established institutions like Aga Khan University Foundation, Aga Khan Education Services, The Kidney Centre, Patients Welfare Project etc. to carryout social welfare work.

Pakistan saw its worst natural disaster in October 2005 when a massive earthquake hit the northern area of Pakistan. The company, in order to support the people affected by this terrible tragedy, contributed an amount of Rs. 1.5 million towards the Earthquake Relief Fund. Moreover, in order to encourage its employees to contribute towards this relief fund, the company introduced a scheme whereby it would contribute twice the amount contributed by the employees. This resulted in a hefty contribution from management staff and workers of the company to help the affected persons.

Contribution to National Economy

During the year under review, your company's contribution to the Exchequer amounted to Rs. 755 million (2004-05: Rs. 484 million) as duties and taxes.

Cash Flow Management

The Company's improved profitability has helped increase cash flows from operations. Net cash provided by operations increased by 267% to Rs. 212.0 million compared to Rs.57.7 million. The increase reflects the Company's improved profitability and efficient management of working capital.

Future Prospects

During the fiscal year 2005-06 Pakistan's economy continued to perform strongly and maintain its momentum of growth and stability with all the macro economic indicators showing a positive trend. The GDP registered an encouraging growth of 8.4%. In these improved economic conditions your company was able to pursue growth opportunities with considerable success.

In the coming year Pakistan's economy is also expected to grow at a reasonable rate of 6.5%, which is encouraging. However, challenges to the economy could stem from high oil prices, increasing inflation, rising interest rates and the looming current account deficit.

Any prediction of the future has to be viewed in the context of the country's economy. However, we are fortunate to be carrying forward a healthy order book into the next financial year and will make every effort to capitalize on all market opportunities by diversifying our customer base, controlling expenses and continuing to earn a premium price for our products.

The capacity expansion and de-bottle necking that we invested in during the current year would further consolidate our market presence and allow improved returns to the Company. However, we need to bear in mind that the tremendous increase in prices of raw materials, mainly copper and aluminium, coupled with high interest rates is a cause of concern to the company.

Corporate Governance

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance we are pleased to state that:

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

b. Proper books of accounts have been maintained by the company.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements except otherwise mentioned in this report and accounting estimates are based on reasonable and prudent judgments.

d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

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

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

The key operating and financial data of last seven years is given on page 24, while the pattern of shareholding is provided on page 74.

The following is the value of investments based on respective audited accounts for the year ended December 31, 2005:

Provident Fund	Rs. 39.60 Million
Pension Fund	Rs. 28.27 Million

During the year five (05) meetings of Board of Directors were held.
Attendance by each Director is as follows:

Director	No. of Meetings Attended
Mr. Towfiq H. Chinoy	05
Mr. Mustapha A. Chinoy	05
Mr. Haroun Rashid	03
Syed Naseem Ahmad	04
Mr. Fuad Azim Hashimi (Representing NIT)	05
Mr. Irtiza Hussain (Representing NIT)	05
(Representing SLIC)	05
Mr. Shahpur Channah	04
Mr. Aslam Sadruddin	05
Mr. Kamal A. Chinoy	05

Particulars of trading in the shares of the company by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children including shares gifted to/by them are given below:

	Transferor or Transferee	Office held/ Relationship	Number of Shares	Whether by Sale/ Purchase or Gift
Mr. Kamal A. Chinoy	Transferor	Chief Executive	(15,000)	Gift

Auditors

The present auditors, M/s. KPMG Taseer, Hadi & Co., have retired and being eligible, have offered themselves for re-appointment. The Audit Committee and the Board of Directors have recommended their re-appointment as auditors of the company for the year ending June 30, 2007.

Staff Relations

The total number of employees as on June 30th 2006 was 418. The relationship with the employees at all levels remained cordial and conducive throughout the year. The Company maintained its focus on training & development to improve the technical and professional skills of its human resources. Several well structured workshops were organized to improve the morale and motivation of the employees.

The two-year agreement with the workers union expired on 31st December 2005 and a new agreement has been negotiated with the CBA, which is valid till December 31st, 2007.

Acknowledgement

The Directors would like to place on record their sincere appreciation for the hard work and dedication shown by the management and employees of the company throughout the year in achieving good results. On behalf of the Board of Directors and employees of the company, we express our gratitude to all our valued customers, distributors and bankers for their confidence and support.

On behalf of the Board

Towfiq H. Chinoy
Chairman

Kamal A. Chinoy
Chief Executive

KARACHI: August 24, 2006.

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2006

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Karachi Stock Exchange (Guarantee) Limited 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 minority interests on its Board of Directors. At present the Board includes two directors representing National Investment Trust Limited (NIT) and one representing State Life Insurance Corporation.

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 have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution 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 year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and management employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with 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 Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.

8. All the meetings of the Board were presided over by the Chairman. 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 directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversent with their duties and responsibilities. As part of orientation course for its Directors to apprise them of their duties and reponsiblities, a Directors' Manual has been prepared and provided to the Directors.

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 this year 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 all are Non-Executive Directors including the chairman of the committee.

16. The meetings of the Board Audit Committee were held at least once in 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.

Towfiq H. Chinoy
Chairman

Kamal A. Chinoy
Chief Executive

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 **Pakistan Cables Limited** to comply with the Listing Regulation of the Karachi Stock Exchange, 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.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: 24 August 2006

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pakistan Cables Limited** as at 30 June 2006 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 year 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 account 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 except for the changes as stated in notes 2.4 and 2.19 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit 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 30 June 2006 and of the profit, its cash flows and changes in equity for the year then ended; 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.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: 24 August 2006

Balance Sheet

As at 30 June 2006

	Note	2006	2005
			(Restated)
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	3	97,556	58,534
General reserves		184,500	129,500
Unappropriated profit		174,088	116,200
		456,144	304,234
Surplus on revaluation of fixed assets - net of tax	4	551,339	553,649
Non-current liabilities			
Long-term loans	5	84,999	-
Deferred liability for staff gratuity	6	14,238	13,496
Other long-term employee benefits	7	10,103	7,852
Deferred tax liability - net	8	65,030	25,472
Current liabilities			
Current portion of long-term loans		56,668	-
Trade and other payables	9	865,989	463,101
Short term borrowings	10	596,442	442,519
Mark-up accrued on bank borrowings		8,581	6,549
Taxation		8,729	21,372
		1,536,409	933,541
Contingencies and commitments	11		
		2,718,262	1,838,244

The annexed notes from 1 to 41 form an integral part of these financial statements.

	Note	2006	2005
			(Restated)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	12	**995,226**	756,619
Long-term investments	13	**37,401**	31,778
Long-term loans	14	**1,208**	1,973
Long-term security deposits		**2,314**	2,207
Current assets			
Stores and spares	15	**20,138**	19,000
Stock-in-trade	16	**984,364**	723,868
Trade debts	17	**392,953**	246,216
Short-term loans and advances	18	**11,818**	4,907
Short-term deposits and prepayments	19	**2,936**	5,464
Other receivables	20	**21,883**	16,791
Cash and bank balances	21	**248,021**	29,421
		1,682,113	1,045,667
		2,718,262	1,838,244

Kamal A. Chinoy
Chief Executive

Haroun Rashid
Director

Aslam Sadruddin
Finance Director

Profit and Loss Account

For the year ended 30 June 2006

	Note	2006	2005 (Restated)
		(Rupees in '000)	
Net sales	22	**3,028,057**	2,019,306
Cost of goods sold	23	**2,532,936**	1,699,828
Gross profit		**495,121**	319,478
Selling costs	24	**104,151**	70,010
Administrative expenses	25	**50,343**	37,992
Other operating expenses	26	**20,053**	12,889
		174,547	120,891
Other operating income	27	**8,932**	6,429
Operating profit		**329,506**	205,016
Finance cost	28	**77,203**	36,887
Share of profit from associates		**8,911**	7,422
Profit before taxation		**261,214**	175,551
Taxation	29	**88,200**	57,800
Profit after taxation		**173,014**	117,751
		(Rupees)	
Earnings per share - basic and diluted	30	**17.73**	12.07

The annexed notes from 1 to 41 form an integral part of these financial statements.

Kamal A. Chinoy	Haroun Rashid	Aslam Sadruddin
Chief Executive	**Director**	**Finance Director**

Cash Flow Statement

For the year ended 30 June 2006

	Note	2006	2005
			(Restated)
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	31	352,431	116,978
Staff retirement benefits paid	6.1	(4,667)	(2,103)
Finance cost paid		(75,171)	(32,053)
Taxes paid		(61,275)	(23,799)
Long term loans		765	(705)
Long term security deposits (net)		(107)	(644)
Net cash inflow from operating activities		211,976	57,674
Cash flows from investing activities			
Fixed capital expenditure	12	(271,981)	(124,487)
Sale proceeds on disposal of fixed assets	12.2	2,669	1,433
Interest received		50	-
Dividends received		3,277	2,138
Net cash outflow from investing activities		(265,985)	(120,916)
Cash flows from financing activities			
Long term loan obtained		150,000	-
Repayment of principal amount		(8,333)	-
Short-term finance increased / (decreased)		325,755	(26,149)
Dividends paid		(22,981)	(25,806)
Net cash outflow from financing activities		444,441	(51,955)
Net decrease in cash and cash equivalents		390,432	(115,197)
Cash and cash equivalents at beginning of the year		(178,790)	(63,593)
Cash and cash equivalents at end of the year	32	211,642	(178,790)

The annexed notes from 1 to 41 form an integral part of these financial statements.

Kamal A. Chinoy	Haroun Rashid	Aslam Sadruddin
Chief Executive	Director	Finance Director

Statement of Changes in Equity

For the year ended 30 June 2006

	Note	Share capital	General reserve (Restated)	Reserve for proposed issue of bonus shares (Restated)	Unappropriated profit (Restated)	Total
				(Rupees in '000)		
Balance as at 1 July 2004 as previously stated		39,023	129,500	19,511	12,099	200,133
Change in accounting policy with respect to investment in associates	2.4	-	-	-	12,568	12,568
Effect of change in accounting policy relating to appropriation for issue of bonus shares for the year ended 30 June 2004	2.19	-	-	(19,511)	19,511	-
Effect of change in accounting policy relating to appropriation for transfer to general reserve	2.19	-	(23,500)	-	23,500	-
Balance at 1 July 2004 as restated		39,023	106,000	-	67,678	212,701
Transfer to general reserve for the year ended 30 June 2004		-	23,500	-	(23,500)	-
Final cash dividend for the year ended 30 June 2004		-	-	-	(11,707)	(11,707)
Bonus shares issued for the year ended 30 June 2004	2.19	19,511	-	-	(19,511)	-
Interim dividend for the year ended 30 June 2005		-	-	-	(14,633)	(14,633)
Net profit for the year (restated)		-	-	-	117,751	117,751
Share of transfer from surplus on revaluation of building by an associate		-	-	-	122	122
Balance as at 30 June 2005 as restated		58,534	129,500	-	116,200	304,234
Transfer to general reserve for the year ended 30 June 2005	2.19	-	55,000	-	(55,000)	-
Final cash dividend for the year ended 30 June 2005		-	-	-	(23,414)	(23,414)
Bonus shares issued for the year ended 30 June 2005	2.19	19,511	-	-	(19,511)	-
Interim bonus shares issued during the year ending 30 June 2006		19,511	-	-	(19,511)	-
Transfer from surplus on revaluation of building - net of deferred tax		-	-	-	2,227	2,227
Share of transfer from surplus on revaluation of building by an associate		-	-	-	83	83
Net profit for the year		-	-	-	173,014	173,014
Balance as at 30 June 2006		**97,556**	**184,500**	**-**	**174,088**	**456,144**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Kamal A. Chinoy	Haroun Rashid	Aslam Sadruddin
Chief Executive	**Director**	**Finance Director**

1. LEGAL STATUS AND OPERATIONS

The company was incorporated in Pakistan as a private limited company on 22 April 1953 and in 1955 it was converted into a public limited company in which year it also obtained a listing on the Karachi Stock Exchange. The company is engaged in the manufacturing of copper rods, wires, cables and conductors, and aluminium extrusion profiles.

The registered office of the company is situated at B/21, S.I.T.E., Karachi, Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

The effect , if any, of the standards and interpretations which are not yet effective / applicable to the Company are discussed below:

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. The management considers that this amendment will not have a significant impact on the Company.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). This amendment is not relevant to the Company's operations, as the Company does not have any intragroup transactions that would qualify as a hedged item in the financial statements.

IAS 39 (Amendment), The Fair Value Option (effective 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment would not have a significant impact on the classification of financial instruments, as the Company should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (IFRS 4 not yet adopted by local regulatory authorities). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts. Management considers that this amendment is not relevant to the Company.

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from1 July 2006). These amendments are not relevant to the Company's operations.

IFRS 6, Exploration for an Evaluation of Mineral Resources (expected to be locally effective from 1 July 2006). IFRS 6 is not relevant to the Company.

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (adoption status has not yet been confirmed by the local regulatory authorities). IFRS 7 introduces new disclosures to improve information about financial instruments. It requires the disclosure for qualitative and quantitative information about exposures to risks arising from financial instrument, including specified minimum disclosures about credit risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. This IFRIC is not relevant to the Company's operations.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006). IFRIC 5 is not relevant to the Company's operations.

IFRIC 6, Liabilities arising from Participating in a Specific market - Waste Electrical and Electronic Equipment (effective for financial periods beginning 1 December 2005). IFRIC 6 is not relevant to the Company's operations.

IFRIC 7, Applying the Restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies (1March 2006) IFRIC 7 is not relevant to the Company's operations.

IFRIC 8, Scope of IFRS 2 share-based payment (1 May 2006) Management considers that IFRIC 8 will have no effect to the Company.

IFRIC 9, Reassessment of Embedded Derivatives (1 June 2006) Management considers that IFRIC 9 will have no effect to the Company.

2.3 Accounting convention

2.3.1 These financial statements have been prepared under the historical cost convention except that the obligation under defined benefit scheme is stated at present value, and land and buildings are stated at revalued amounts.

2.3.2 The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in note 39 to these financial statements.

2.4 Long-term investments - Associates

International Accounting Standard (IAS) 28, dealing with Investments in Associates has been revised and is applicable for annual periods beginning on or after 1 January 2005. This IAS requires the measurement of the value of investments in associated companies on equity basis of accounting, under which the carrying amount of such investments are adjusted (increased or decreased) for the company's share of gains and losses of associates (including the changes in items recognized directly in the associate's equity) and dividend distributions. Up to the previous year, these investments were carried at cost, while dividend income was recognized in the profit and loss account of the period in which right to receive the same was established. This change in accounting policy has been accounted for retrospectively in accordance with the International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly the comparative statements have been restated.

Had there been no change in accounting policy, the profit after tax for the year would have been lower by Rs. 5.634 million (30 June 2005: Rs. 5.284 million), while retained earnings would have been lower by Rs. 23.691 million (30 June 2005: Rs. 17.974 million). Similarly, had there been no change in accounting policy, the balances of surplus on revaluation of property, plant and equipment (net of tax) and long-term investments would have been lower by Rs. 4.152 million (30 June 2005: Rs. 4.235 million) and Rs. 28.291 million (30 June 2005: Rs. 22.668 million) respectively. Further, had there been no change in accounting policy the company's basic and diluted earnings per share would have been lower by Rs. 0.57 (30 June 2005: Rs. 0.54).

The effect of the change on comparative statements is tabulated below:

	(Rupees in '000)
Effect on retained earnings for year ended 2005	
Share of profit of associates (net of dividend received)	5,284
Share of transfer from surplus on revaluation of building to retained earning by an associate	122
	5,406
Effect on retained earnings of periods prior to 1 July 2004	
Increase in profit (Rs. 22.269 million share of profits less dividend of Rs. 9.701 million)	12,568
Increase in retained earnings at 30 June 2005	17,974
Effect on surplus on revaluation of property, plant and equipment for periods prior to 1 July 2004	
Restated balance of revaluation surplus at 1 July 2004 (including tax of Rs. 0.507 million)	4,864
Share of transfer from surplus on revaluation of building to retained earning by an associate (including tax of Rs 0.048 million)	(170)
Increase in balance of investments in associates at 30 June 2005	22,668

Opening retained earnings for year ended 30 June 2005 have been increased by Rs. 12.568 million, which is the amount of the adjustment relating to periods prior to 1 July 2004. Further, the balance of surplus on revaluation of fixed assets as of 1 July 2004 has been increased by Rs. 4.357 million (net of deferred tax), which is the amount of adjustment relating to periods prior to the above date. Deferred tax liability of Rs.1.174 million on cumulative share of profit of associates recognized upto 30 June 2006 has not been recorded since the amount is not considered to be material.

2.5 Staff retirement benefits

Defined benefit plans

The company operates a defined benefit pension fund scheme for all permanent employees who are in the management cadre and the executive directors.

In addition, the company operates an unfunded gratuity scheme, for all permanent employees other than those covered by the pension fund scheme.

The company's obligation under the pension and gratuity schemes is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date (30 June 2006). Actuarial gains and losses arising during the year are included in income currently. Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognised immediately and remaining unrecognised past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested.

Defined contribution plan

The company also operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic pay and dearness allowance.

2.6 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Deferred tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current

Provision for current taxation in the accounts is based on taxable income at the current rates oftaxation after taking into account the available tax credits and tax rebates.

Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

2.7 Property, plant and equipment

- Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except that buildings are stated at revalued amount less accumulated depreciation and impairment losses, if any, while land is stated at revalued amount. Capital work-in- progress is stated at cost accumulated to the balance sheet date less impairment losses, if any. Cost of leasehold land is not amortised since the lease is renewable at nominal price at the option of the lessee.

- Depreciation is charged to income applying the straight line method where by the cost of an asset is written off over its estimated useful life. Depreciation on addition is charged from the month the asset is available for use, while in case of disposal it is charged upto the month of disposal.

- Surplus on revaluation of building to the extent of incremental depreciation charged there on is transferred from surplus on revaluation of building to retained earnings (unappropriated profit), net of deferred tax.

- Expenditure incurred subsequent to the initial acquisition of asset is capitalised only when it increases the future economic lives embodied in the items of above assets. All other expenditure is recognised in the profit and loss account as an expense is incurred.

- Gains and losses on disposal are included in income currently.

2.8 Borrowing costs

The borrowing costs incurred during the installation period of qualifying assets, on loans obtained for a specific project, are capitalized as part of additions to property, plant and equipment (up to the date the respective assets are available for intended use). All other borrowing costs are taken to the profit and loss account currently.

2.9 Stores and spares

Stores and spares are valued at weighted average cost. Items in-transit are valued at cost comprising invoice value and other charges paid thereon.

2.10 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined under the weighted average basis. Cost of work-in-process and finished goods consists of direct materials, labour and applicable production overheads. Net realizable value signifies the estimated selling price in the ordinary course of the business less estimated cost of completion and selling expenses.

Items in-transit are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

Scrap stocks are valued at estimated realizable value.

2.11 Trade debts and other receivables

These are stated at cost less impairment, if any. Full provision is made against the impaired debts.

2.12 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and with banks, short-term running finances under mark-up arrangements and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.13 Foreign currency translation

Transactions in foreign currencies are recorded in Pakistan rupees at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses on translation are included in income currently.

2.14 Revenue recognition

Sales of products are recorded on delivery of products or when goods sold are identified, segregated and awaiting delivery.

Interest on bank deposits are recognised on time proportion basis under the effective yield method.

2.15 Financial instruments

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial asset and financial liabilities is taken to income directly.

2.16 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the profit and loss account.

2.17 Provisions

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

2.18 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.19 Change in accounting policy in respect of appropriation for issue of bonus shares and transfer to general reserve

The Company during the year changed its accounting policy whereby appropriation for the issue of bonus shares and reserves are now recognised in the year in which it is declared / approved. Previously, the financial statements were adjusted for the issue of bonus shares and appropriations to reserves, approved subsequent to the year-end. The change was considered necessary in light of a circular issued by the Institute of Chartered Accountants of Pakistan. The comparative figures have been restated to conform to the changed policy under the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in accounting policy, reserve for the proposed issue of bonus shares approved for the year ended 30 June 2006 would have been higher by Rs. 48.778 million (2005: Rs. 19.511 million) and general reserves would have been higher by Rs.100.500 million (2005 : Rs. 55 million), while the balance of unappropriated profit as of that date would have been lower by Rs. 149.278 million (2005: Rs. 74.511 million).

3. SHARE CAPITAL

2006	2005		2006	2005
(Number of shares)			(Rupees in '000)	
Authorized				
10,000,000	10,000,000	Ordinary shares of Rs.10 each	**100,000**	100,000
Issued, subscribed and paid up				
1,475,225	1,475,225	Ordinary shares of Rs. 10 each fully paid in cash	**14,752**	14,752
174,775	174,775	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**1,748**	1,748
8,105,625	4,203,375	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**81,056**	42,034
9,755,625	5,853,375		**97,556**	58,534

3.1 At 30 June 2006, none of the associated companies of the company had any shareholding in the company.

4. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax

	2006	2005 (Restated)
	(Rupees in '000)	
- Own assets		
Leasehold land		
Revaluation surplus over carrying value of Rs. Nil on 30 June	**501,750**	501,750
Buildings		
Balance as on 1 July	**73,329**	-
Surplus on revaluation during the year	**-**	73,329
Transferred to retained earning in respect of incremental depreciation charged during the year	**(3,426)**	-
	69,903	73,329
Related deferred tax		
Balance as on 1 July	**(25,665)**	-
On revaluation during the year	**-**	(25,665)
Reversal of deferred tax liability on account of incremental depreciation charged during the year	**1,199**	-
	(24,466)	(25,665)
	547,187	549,414
- Associate's assets		
Company's share of revaluation surplus	**4,152**	4,235
	551,339	553,649

	2006	2005
	(Rupees in '000)	

5. LONG TERM LOANS

	2006	2005
Loans from banking companies	141,667	-
Current portion shown under current liabilities	(56,668)	-
	84,999	-

This represents the outstanding balance of long term loans of Rs. 100 million and Rs. 50 million from two different banks.

The first loan is repayable in five equal semi annual principal payments of Rs. 20 million commencing from 19 November 2006 and is secured against hypothecation of specific plant and machinery. The loan carries mark-up at six months KIBOR plus 1.25 % per annum.

The second loan represents outstanding amount of three years local currency term loan which is repayable in 12 quarterly principal payments of Rs 4.167 million commencing 15 February 2006. The loan is secured against hypothecation of specific plant and machinery. The loan carries mark-up at three months KIBOR plus 1.25 % per annum.

6. STAFF RETIREMENT BENEFITS - defined benefit plans

The details of the actuarial valuation under the projected unit credit method as at 30 June 2006 for funded pension and unfunded gratuity schemes are as follows:

6.1 Movement in liability/ (asset) balance

		2006		2005	
		Pension	Gratuity	Pension	Gratuity
		(Rupees in '000)		(Rupees in '000)	
Balance as on 1 July		1,370	13,496	(4,344)	13,667
Expense recognized	23.2	5,034	1,627	5,714	1,932
Payments during the year		(3,782)	(885)	-	(2,103)
Company's liability at 30 June		2,622	14,238	1,370	13,496

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)		(Rupees in '000)	
6.2 Balance sheet reconciliation				
Fair value of plan assets	(123,849)	-	(103,321)	-
Present value of defined benefit obligations	126,471	14,238	104,691	13,496
Company's liability at 30 June	2,622	14,238	1,370	13,496

6.3 The actual return on pension plan assets was Rs. 19.638 million (2005: loss of Rs. 1.437 million).

6.4 Principal actuarial assumptions are as follows:

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	%		%	
Expected rate of return on plan assets	11.00	-	11.65	-
Discount rate	11.00	11.00	11.65	11.65
Expected rate of salary increase	8.90	8.90	9.50	9.50
Pension increase	2.80	-	3.40	-

7. OTHER LONG-TERM EMPLOYEE BENEFITS

This represents accrual for staff compensated absences.

8. DEFERRED TAX LIABILITY - net

The net deferred tax liability at 30 June 2006 arising due to net taxable temporary differences under the balance sheet liability method and on share of an associate's deferred tax liability in respect of surplus on revaluation of building is estimated at Rs. 65.03 million (2005: Rs. 25.472 million), details of which are as follows:

Taxable temporary differences		2006	2005 (Restated)
		(Rupees in '000)	
Accelerated tax depreciation allowances		**69,609**	22,097
Surplus on revaluation of buildings	4	**24,466**	25,665
Deductible temporary differences			
Provision for staff retirement and other benefits		**(7,274)**	(7,014)
Provision for doubtful debts		**(1,041)**	(863)
Provision for slow-moving stores and spares		**(2,358)**	(702)
Provision for import levies		**(14,991)**	(10,341)
Others		**(3,829)**	(3,829)
		64,582	25,013
Share of an associate's deferred tax liability on surplus on revaluation of fixed assets		**448**	459
		65,030	25,472

9. TRADE AND OTHER PAYABLES

		2006	2005
Creditors	9.1	**500,372**	353,837
Accrued expenses	9.2	**30,997**	15,572
Advances from customers		**244,389**	28,876
Payable to staff pension fund	6.1	**2,622**	1,370
Provision for import levies	9.3	**42,832**	29,546
Workers' profit participation fund	9.4	**14,685**	9,308
Workers' welfare fund		**2,849**	2,992
Income tax deducted at source		**2,657**	1,792
Unclaimed dividends		**3,616**	3,183
Others	9.5	**20,970**	16,625
		865,989	463,101

9.1 This includes mark-up free unsecured balance of Rs. 0.987 million (2005: Rs. 1.217 million) payable to certain related parties.

9.2 This includes an accrual of Rs. 0.80 million (30 June 2005: Rs. Nil) payable to a related party. The balance does not carry any mark-up and is unsecured.

9.3 Provision for import levies

This represents provision for import levies on raw materials. The movement in this provision during the year is as follows:

	2006	2005
	(Rupees in '000)	
Balance as on 1 July	**29,546**	22,950
Charge for the year	**14,512**	7,689
Payments	**(1,226)**	(1,093)
Balance as at 30 June	**42,832**	29,546

		2006	2005
9.4 Workers' profit participation fund		**(Rupees in '000)**	
Balance as on 1 July		**9,308**	5,377
Mark-up on funds utilized in the company's business	28	**771**	201
Allocation for the year		**13,918**	9,107
		23,997	14,685
Amount paid to the fund		**(9,312)**	(5,377)
Balance as at 30 June		**14,685**	9,308

9.5 Others' includes an amount of Rs.10.941 million (2005: Rs.10.941) claimed by a revenue levying authority. The Company's appeal against the authority's claim was upheld by the concerned appellate authorities. The levying authority has filed an appeal in the High Court against the order of the appellate authorities. Therefore, as a prudent accounting practice, the company has deferred the recognition of the above amount, pending the outcome of the decision.

10. SHORT TERM BORROWINGS

Secured - from banking companies			
Running finance under mark-up arrangements	10.1	**36,379**	208,211
Foreign currency import finance	10.2	**560,063**	49,308
Term finances		**-**	185,000
		596,442	442,519

10.1 Running finances

The Company has arranged short-term running finance facilities from certain banks. The overall facility for these running finances under mark-up arrangements amounts to Rs. 845 million (2005: Rs.535 million). The rate of mark-up on the running finance facilities ranges between 9.5% to 10.5% net of prompt payment rebate (2005: 7.0% to 9.0%). These facilities expire between 30 June 2006 to 31 March 2007 and are renewable.

10.2 Foreign currency import finance

Foreign currency import finance facilities are available from various banks, amounting to Rs. 785 million (2005: Rs. 75 million). These balances carry mark up ranging from 5.58 percent to 6.51 percent per annum (2005 : 4.98 percent to 6.99 percent per annum).

10.3 Other facilities

The facility for opening letters of credit and guarantees as at 30 June 2006 amounted to Rs. 1,675 million (2005: Rs.895 million) of which the amount remaining unutilized as at that date was Rs. 592.347 million (2005: Rs. 553.332 million).

10.4 Securities

The above arrangements are secured by way of joint hypothecation over stocks, stores and spares and present and future trade debts of the company.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

a) Bank guarantees amounting to Rs.Nil(2005: Rs. 2.654 million) have been given to Collector of Customs against partial exemption of import levies. The company has however issued post dated cheques amounting to Rs. 9.956 million (2005: Rs. 0.098 million) in this respect.

b) Bank guarantees amounting to Rs. 172.004 million (2005: Rs. 67.042 million) have been given to various parties for contract performance, tender deposits, etc.

11.2 Commitments

a) Aggregate commitments for capital expenditure as at 30 June 2006 amounted to Rs. 25.847million (2005: Rs. 49.902 million).

b) Commitments under letters of credit for the import of raw materials, etc. (non-capital expenditure) at 30 June 2006 amounted to Rs. 889.088 million (2005: Rs. 222.641 million).

c) Commitments in respect of forward foreign exchange cover contracts outstanding on balance sheet date amounted to Rs. Nil (2005: Rs. 49.043 million).

12. PROPERTY, PLANT AND EQUIPMENT

	COST/ REVALUATION					DEPRECIATION				Book value
	As at 01 July 2005	Additions/ Transfer **	Deletions	As at 30 June 2006	Rate	As at 01 July 2005	For the year	On deletions	As at 30 June 2006	As at 30 June 2006
	(Rupees in '000)				%	(Rupees in '000)				
Leasehold land at revalued amount	501,750	-	-	501,750		-	-	-	-	501,750
Buildings on leasehold land at revalued amount	77,796	435 17,878 **	-	96,109	2.5 and 5	-	4,220	-	4,220	91,889
Plant and machinery	364,572	25,942 207,205 **	(17)	597,702	8.12 and 25	219,808	23,831	(17)	243,622	354,080
Office equipment and appliances	24,809	2,177 3,713 **	(1,120)	29,579	12 and 25	19,080	2,337	(1,111)	20,306	9,273
Furniture and fittings	3,703	2,228	-	5,931	8.12 and 25	2,807	231	-	3,038	2,893
Vehicles	17,635	7,265	(3,819)	21,081	20	9,348	2,448	(3,592)	8,204	12,877
Loose tools	484	83	-	567	20	234	71	-	305	262
Capital work-in-progress - note 12.3	17,147	233,851 (228,796) **	-	22,202	-	-	-	-	-	22,202
As at 30 June 2006	**1,007,896**	**271,981**	**(4,956)**	**1,274,921**		**251,277**	**33,138**	**(4,720)**	**279,695**	**995,226**

	2005									
	COST/ REVALUATION					DEPRECIATION				Book value
	As at 01 July 2004	Additions/ revaluation* Transfers **	Deletions	As at 30 June 2005	Rate	As at 01 July 2004	For the year	On deletions/ revaluation*	As at 30 June 2005	As at 30 June 2005
	(Rupees in '000)				%	(Rupees in '000)				
Leasehold land at revalued amount	-	501,750 *	-	501,750	-	-	-	-	-	501,750
Buildings on leasehold land at revalued amount	15,955	61,610 * 231	-	77,796	2.5 and 5	11,265	454	(11,719) *	-	77,796
Plant and machinery	258,100	100,029 ** 7,794	(1,351)	364,572	8.12 and 25	207,620	12,874	(686)	219,808	144,764
Office equipment and appliances	22,469	2,417	(77)	24,809	12 and 25	17,291	1,854	(65)	19,080	5,729
Furniture and fittings	3,480	235	(12)	3,703	8.12 and 25	2,618	201	(12)	2,807	896
Vehicles	12,789	5,456	(610)	17,635	20	8,056	1,875	(583)	9,348	8,287
Loose tools	291	193	-	484	20	185	49	-	234	250
Capital work-in-progress	9,015	108,161 (100,029) **	-	17,147	-	-	-	-	-	17,147
As at 30 June 2005	322,099	124,487 563,360 *	(2,050)	1,007,896		247,035	17,307	(1,346) (11,719) *	251,277	756,619

12.1 Revaluation of leasehold land and buildings was carried out on 30 June 2005 by M/s. Iqbal A. Nanjee & Co., professional valuers on the basis of market value. The revaluation had resulted in surplus by Rs. 575.079 million (before tax). Had there been no revaluation, the carrying amount of leasehold land and buildings would have been as follows

	2006	2005
	(Rupees in '000)	
Land	**-**	-
Building	**21,986**	4,467

12.2 Details of fixed assets disposed off during the year are as follows:

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Purchaser
	---------------------- (Rupees in '000) ----------------------					
Motor vehicle						
Suzuki Cultus	550	403	147	250	Negotiation	Malik Ayaz ul Haq 24-6 Askari apartments IV, Rashid Minhas Road, Karachi
Honda motorcycle	54	4	50	54	Insurance Claim	New Jubilee Insurance Company Limited I.I. Chundrigar Road, Karachi
Items of net book value below Rs.50,000 each	4,352	4,313	39	2,365	Various	Various
2006	**4,956**	**4,720**	**236**	**2,669**		
2005	2,050	1,346	704	1,433		

12.3 Capital work-in-progress

	2006	2005
	(Rupees in '000)	
Civil works	**3,046**	2,024
Plant and machinery	**19,156**	15,123
	22,202	17,147

13. LONG-TERM INVESTMENTS

	% of holding	2006	2005 (Restated)
		(Rupees in '000)	
Investments in associated companies - using the equity method			
International Industries Limited 332,062 (2005: 332,062) fully paid ordinary shares of Rs. 10 each [market value of Rs. 39.283 million (2005: Rs. 34.866 million)]	0.78	**18,271**	17,541
New Jubilee Insurance Company Limited 1,094,022 (2005: 911,685) fully paid ordinary shares of Rs. 5 each [market value of Rs. 76.582 million (2005: Rs. 59.168 million)]	1.24	**19,130**	14,237
		37,401	31,778

13.1 Associates are entities over which the Company has significant influence and no control. Company's two investee companies are considered to be its associates by virtue of common directorship.

13.2 Summarised financial information of associated companies

		Assets	Liabilities	Revenues	Profit after tax
		----(Rupees in '000)----			
2006	13.2.1				
International Industries Limited		6,197,355	4,923,838	5,655,315	339,826
New Jubilee Insurance Company Limited		3,392,943	2,008,847	835,210	504,614
2005	13.2.2				
International Industries Limited		4,939,879	3,770,788	7,102,246	373,005
New Jubilee Insurance Company Limited		2,393,981	1,405,545	714,970	366,159

13.2.1 Financial information in respect of assets and liabilities is as of 31 March 2006 (based on latest available unaudited financial statements) while those of revenues and profit after tax are for the nine months period then ended. Financial impact for the Company of the results of operations of the associates for subsequent three months is not considered to be material.

13.2.2 Financial information is as of and for the year ended 30 June 2005.

14. LONG TERM LOANS

		2006	2005
		(Rupees in '000)	
Considered good - secured			
Due from employees	14.1	2,130	3,151
Recoverable within one year	18	(922)	(1,178)
		1,208	1,973

14.1 Mark-up free loans have been given to the non-executive employees for purchase of motor cars, motorcycles and other purposes as per the agreement with the workers' union. These are repayable in thirty-five to sixty equal monthly installments.

15. STORES AND SPARES

	2006	2005
Stores	1,450	2,057
Spares (including Rs. 1.6 million in transit; 2005: Rs. 0.949 million)	25,425	18,948
	26,875	21,005
Provision against slow moving stores and spares	(6,737)	(2,005)
	20,138	19,000

16. STOCK-IN-TRADE

		2006	2005
Raw materials (including Rs. 36.6 million in transit; 2005: Rs. 66.151 million)	16.1	629,000	352,938
Work-in-process	16.2	206,404	182,101
Finished goods	16.2	128,486	183,698
Scrap		20,474	5,131
		984,364	723,868

16.1 This includes certain raw materials of an aggregate value of Rs.2.97million (2005: Rs. 4.104 million) held by third parties.

16.2 Work-in-process & finished goods include items aggregating Rs. 2.5 million (2005: Rs. 1.913 million) and Rs. 5.6 million (2005: Rs. 2.147 million) respectively stated at their net realizable values.

17. TRADE DEBTS

		2006	2005
		(Rupees in '000)	
Considered good			
Due from related parties	17.1	**24,611**	25,412
Others		**368,342**	220,804
		392,953	246,216
Considered doubtful			
Others		**2,973**	2,467
		395,926	248,683
Provision for doubtful debts		**(2,973)**	(2,467)
		392,953	246,216

17.1 The related parties from whom the debts are due are as under:

	2006	2005
Intermark (Private) Limited	**22,812**	23,515
Engro Chemical Pakistan Limited	**587**	1,718
International Industries Limited	**268**	118
Heritage Developments	**713**	61
The Layton Rehmatullah Benevolent Trust	**205**	-
Shahtaj Sugar Mills Limited	**26**	-
	24,611	25,412

The above balances are mark up free and unsecured.

18. SHORT TERM LOANS AND ADVANCES

	Note	2006	2005
		(Rupees in '000)	
Considered good			
Current portion of long term loans	14	922	1,178
Short term advances to employees		792	606
Advances to suppliers		10,104	3,123
		11,818	4,907

19. SHORT TERM DEPOSITS AND PREPAYMENTS

Deposits - considered good		2,135	4,560
Prepayments		801	904
		2,936	5,464

20. OTHER RECEIVABLES

Sales tax		18,164	12,079
Claim receivable		1,068	1,068
Receivable from staff pension fund - related party	20.1	1,724	3,488
Receivable from staff provident fund - related party	20.1	338	82
Others	20.2	589	74
		21,883	16,791

20.1 This represents payments on behalf of funds.

20.2 This includes an unsecured and mark-up free balance of Rs. 0.028 million (2005: Rs. Nil) receivable from a related party.

21. CASH AND BANK BALANCES

With banks on current accounts		62,722	29,156
With banks in deposit accounts		185,000	-
Cash in hand		299	265
		248,021	29,421

22. NET SALES

Gross sales		3,492,213	2,333,924
Sales tax		(447,739)	(303,491)
		3,044,474	2,030,433
Discounts		(16,417)	(11,127)
		3,028,057	2,019,306

23. COST OF GOODS SOLD

	Note	2006	2005
		(Rupees in '000)	
Opening work-in-process		**182,101**	121,525
Raw material and metal scrap			
Opening stock - raw material		**352,938**	291,113
Opening stock - metal scrap		**5,131**	3,907
		358,069	295,020
Purchases of raw material		**2,611,849**	1,765,425
		2,969,918	2,060,445
Scrap sales during the year		**(37,793)**	(15,430)
Closing stock - raw material		**(629,000)**	(352,938)
Closing stock - metal scrap		**(20,474)**	(5,131)
		(649,474)	(358,069)
		(687,267)	(373,499)
		2,282,651	1,686,946
Stores and spares consumed		**23,741**	22,699
Fuel and power		**47,500**	37,605
Salaries, wages and benefits	23.1	**92,454**	77,612
Rent, rates and taxes		**1,641**	1,304
Insurance		**2,099**	1,594
Repairs and maintenance		**9,848**	5,993
Depreciation		**29,485**	14,926
Communication and stationery		**603**	416
Training, traveling and entertainment		**5,058**	3,084
General works		**6,378**	5,654
Cost of production		**218,807**	170,887
		2,683,559	1,979,358
Closing work-in-process		**(206,404)**	(182,101)
Cost of goods manufactured		**2,477,155**	1,797,257
Opening stock of finished goods		**183,698**	82,780
Finished goods purchased		**569**	3,489
		2,661,422	1,883,526
Closing stock of finished goods		**(128,486)**	(183,698)
		2,532,936	1,699,828

23.1 Details of salaries, wages and benefits

	Note	2006	2005
		(Rupees in '000)	
Salaries, wages and benefits		**87,227**	71,932
Provident fund contributions		**2,009**	1,794
Provision for pension fund obligation	23.2	**1,817**	2,205
Provision for staff retirement gratuity	23.2	**1,401**	1,681
		92,454	77,612

23.2 Retirement benefits

	Cost of goods sold (note 23.1)		Selling costs (note 24.1)		Administrative expenses (note 25.1)		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Pension								
Current service cost	**2,237**	2,108	**1,651**	1,436	**2,309**	1,918	**6,197**	5,462
Interest cost	**4,343**	3,133	**3,208**	2,135	**4,482**	2,851	**12,033**	8,119
Expected return on plan assets	**(4,363)**	(3,267)	**(3,221)**	(2,226)	**(4,503)**	(2,974)	**(12,087)**	(8,467)
Past service cost	**-**	924	**-**	841	**-**	630	**-**	2,395
Net actuarial gain	**(400)**	(693)	**(296)**	(472)	**(413)**	(630)	**(1,109)**	(1,795)
	1,817	2,205	**1,342**	1,714	**1,875**	1,795	**5,034**	5,714
Gratuity								
Current service cost	**727**	637	**97**	79	**20**	16	**844**	732
Interest cost	**1,311**	880	**176**	109	**35**	23	**1,522**	1,012
Net actuarial gain	**(637)**	164	**(85)**	20	**(17)**	4	**(739)**	188
	1,401	1,681	**188**	208	**38**	43	**1,627**	1,932

24. SELLING COSTS

	Note	2006	2005
		(Rupees in '000)	
Salaries, wages and benefits	24.1	**29,378**	22,928
Rent, rates and taxes		**1,134**	837
Insurance		**187**	158
Repairs and maintenance		**2,353**	601
Consultancy		**980**	1,122
Communication and stationery		**1,842**	1,324
Training, traveling and entertainment		**4,951**	4,097
Advertising and publicity		**22,933**	8,331
Carriage and forwarding expenses		**30,875**	20,556
Commission		**1,126**	1,477
Bad debts written off		**14**	17
Provision for doubtful debts		**1,238**	-
Depreciation		**1,740**	1,087
Subscriptions		**374**	295
Fuel and power		**574**	553
Liquidated damages for late deliveries		**4,118**	6,150
Others		**334**	477
		104,151	70,010

24.1 Details of salaries, wages and benefits

Salaries, wages and benefits		**26,791**	20,157
Provident fund contributions		**1,057**	849
Provision for pension fund obligation	23.2	**1,342**	1,714
Provision for staff retirement gratuity	23.2	**188**	208
		29,378	22,928

25. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	25.1	**31,422**	26,427
Insurance		**375**	217
Repairs and maintenance		**2,964**	668
Legal and professional		**955**	1,597
Donations	25.2	**5,250**	1,626
Auditors' remuneration	25.3	**594**	480
Communications and stationery		**3,569**	2,654
Training, traveling and entertainment		**2,453**	2,301
Depreciation		**1,913**	1,294
Fuel and power		**280**	429
Others		**568**	299
		50,343	37,992

	Note	2006	2005
		(Rupees in '000)	

25.1 Details of salaries, wages and benefits

	Note	2006	2005
Salaries, wages and benefits		**28,124**	23,523
Provident fund contributions		**1,385**	1,066
Provision for pension fund obligation	23.2	**1,875**	1,795
Provision for staff retirement gratuity	23.2	**38**	43
		31,422	26,427

25.2 Donations include the following in which the directors have interest:

Name of Director	Name & address of Donee	Interest in Donee	2006	2005
1. Mr. Towfiq H. Chinoy	Mohatta Palace Museum 7 Hatim Alvi Road, Clifton, Karachi	Trustee	**250**	-
2. Mr. Kamal A. Chinoy	Aga Khan University Foundation (AKUF) Stadium Road, Karachi	Chairman, National Committee AKUF	**2,000**	-
3. Mr. Aslam Sadruddin	FOCUS Humanitarian Assistance, Mulji House 189, B/2 Garden East, Ibrahim Miller Road, Karachi	Director	**200**	-
4. Mr. Towfiq H. Chinoy	Pakistan Centre for Philanthrophy, 28 Street, 56 F-6/4, Islamabad	Director	**-**	250
			2,450	250

25.3 Auditors' remuneration

	2006	2005
Audit fee	**280**	280
Fee for the review of half yearly financial statements	**110**	110
Special certification	**155**	80
Out of pocket expenses	**49**	10
	594	480

26. OTHER OPERATING EXPENSES

	2006	2005
Workers' profits participation fund	**13,918**	9,107
Workers' welfare fund	**2,460**	2,572
Exchange loss	**3,675**	1,210
	20,053	12,889

27. OTHER OPERATING INCOME

	Note	2006	2005
		(Rupees in '000)	
Income from related parties - insurance commission		967	643
Income from non-financial assets			
- Sale of general scrap		3,538	2,061
- Gain on disposal of fixed assets		2,433	729
Others			
- Balance no longer payable written back		139	1,129
- Sales tax refund/claim		937	1,600
- Bad debts recovered		621	246
- Interest on term deposits		255	-
- Others		42	21
		8,932	6,429

28. FINANCE COST

	Note	2006	2005
Mark-up on finances under mark-up arrangements		24,994	18,436
Mark-up on long-term loans		7,392	-
Mark-up on workers' profits participation fund	9.4	771	201
Usance charges		36,212	11,217
Bank charges		7,834	7,033
		77,203	36,887

29. TAXATION

	Note	2006	2005
Current - for the year		49,190	44,158
- Prior year		(558)	(1,983)
Deferred		39,568	15,625
	29.1	88,200	57,800

29.1 Relationship between tax expense and accounting profit:

	2006	2005 (Restated)
Profit before taxation	261,214	175,551
Tax at the applicable rate of 35% (2005: 35%)	91,425	61,443
Tax effect of expenses that are not allowable in determining taxable income	815	961
Tax effect of share of profit from associates & dividend received from them	(2,955)	(2,491)
Tax effect of export proceeds taxed at lower rate	(527)	(130)
Prior years' tax charge	(558)	(1,983)
Tax charge	88,200	57,800

29.2 The income tax assessments of the company have been finalised upto and including the financial year ended 30 June 2004, while return has been filed for the financial year ended 30 June 2005 under the universal self assessment scheme.

30. EARNINGS PER SHARE - basic and diluted

	2006	2005 (Restated)
	(Rupees in '000)	
Profit after taxation	**173,014**	117,751
	(Number of shares)	
Weighted average number of ordinary shares issued and subscribed at the end of the year (2005: adjusted for the bonus issues during the year)	**9,755,625**	9,755,625
	(Rupees)	
Earnings per share - basic and diluted	**17.73**	12.07

31. CASH GENERATED FROM OPERATIONS

	Note	2006	2005
		(Rupees in '000)	
Profit before taxation		**261,214**	175,551
Adjustment for non cash charges and other items:			
- Depreciation	12	**33,138**	17,307
- Provision for staff retirement gratuity	6.1	**6,661**	7,646
- Other long-term employee benefits		**2,251**	304
- Gain on disposal of fixed assets		**(2,433)**	(729)
- Share of profit from associates		**(8,911)**	(7,422)
- Interest on bank deposits		**(255)**	-
- Finance cost		**77,203**	36,887
- Working capital changes	31.1	**(16,437)**	(112,566)
		352,431	116,978

31.1 Working capital changes

		2006	2005
		(Rupees in '000)	
(Increase)/ decrease in current assets			
- Stores and spares		**(1,138)**	(2,756)
- Stocks		**(260,496)**	(224,543)
- Trade debts		**(146,737)**	(75,149)
- Short-term loans and advances		**(6,911)**	(1,830)
- Short-term deposits and payments		**2,528**	(2,081)
- Other receivables (net)		**(4,886)**	(1,277)
		(417,640)	(307,636)
Increase in current liabilities			
Trade and other payables (net)		**401,203**	195,070
		(16,437)	(112,566)

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

Cash and bank balances	21	**248,021**	29,421
Running finance under mark-up arrangements	10	**(36,379)**	(208,211)
		211,642	(178,790)

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

i) Mark-up / profit rate risk

Information about the company's exposure to mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier at 30 June 2006, is as follows:

2006

	Mark-up rate	Mark-up / profit bearing			Non-mark-up / profit bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
	%	(Rupees in '000)						
Financial assets								
Loans and advances to employees	-	-	-	-	922	1,208	2,130	2,130
Deposits	-	-	-	-	2,135	2,314	4,449	4,449
Trade debts	-	-	-	-	392,953	-	392,953	392,953
Other receivables	-	-	-	-	1,657	-	1,657	1,657
Cash and bank balances	9.50 - 10.50	185,000	-	185,000	63,021	-	63,021	248,021
		185,000	**-**	**185,000**	**460,688**	**3,522**	**464,210**	**649,210**
Financial liabilities								
Long-term loans	10.70 -10.85	56,668	84,999	141,667	-	-	-	141,667
Trade and other payables	-	-	-	-	555,955	-	555,955	555,955
Short term borrowings	5.6 - 10.5	596,442	-	596,442	-	-	-	596,442
Mark-up accrued on bank borrowings	-	-	-	-	8,581	-	8,581	8,581
		653,110	**84,999**	**738,109**	**564,536**	**-**	**564,536**	**1,302,645**
On-balance sheet gap (a)		**(468,110)**	**(84,999)**	**(553,109)**	**(103,848)**	**3,522**	**(100,326)**	**(653,435)**
Off-balance sheet items								
Letters of credit	-	-	-	-	910,649	-	910,649	910,649
Financial guarantees (including post dated cheques)	-	-	-	-	181,960	-	181,960	181,960

2005

	Mark-up rate	Mark-up / profit bearing			Non-mark-up / profit bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
	%	(Rupees in '000)						
Financial assets								
Loans and advances to employees	-	-	-	-	1,784	1,973	3,757	3,757
Deposits	-	-	-	-	4,560	2,207	6,767	6,767
Trade debts	-	-	-	-	246,216	-	246,216	246,216
Other receivables	-	-	-	-	1,142	-	1,142	1,142
Cash and bank balances	-	-	-	-	26,463	-	26,463	26,463
		-	-	-	280,165	4,180	284,345	284,345
Financial liabilities								
Trade and other payables	-	-	-	-	391,009	-	391,009	391,009
Short term borrowings	5.9-9.0	439,561	-	439,561	-	-	-	439,561
Mark-up accrued on bank borrowings	-	-	-	-	6,549	-	6,549	6,549
		439,561	-	439,561	397,558	-	397,558	837,119
On-balance sheet gap (a)		(439,561)	-	(439,561)	(117,393)	4,180	(113,213)	(552,774)
Off-balance sheet items								
Letters of credit	-	-	-	-	270,162	-	270,162	270,162
Financial guarantees (including post dated cheques)	-	-	-	-	69,794	-	69,794	69,794

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

ii) Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the credit worthiness of counterparties.

Concentration of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

All the financial assets of the company, except cash in hand of Rs. 0.299 million (2005: Rs. 0.265 million), are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy, obtaining securities where applicable and makes provision against those balances considered doubtful of recovery.

iii) Foreign exchange risk management and hedges of anticipated future transactions

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company is exposed to foreign currency risk on sales and purchases that are entered in a currency other than Pak. rupees. The company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. At the year end no balances denominated in foreign currency were receivable by the company. At the year end the company had liabilities in foreign currencies aggregating to Rs. 1,019.424 million (2005: Rs. 281.394 million).

iv) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except that investments in associated companies are measured under the equity basis of accounting (market value of which at 30 June 2006 amounted to Rs.115.865 million (2005: Rs. 94.034 million); refer note 13).

v) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising fund to meet commitments associated with financial instruments. The company closely monitors its liquidity and cash flow position. This includes maintenance of balance sheet ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

34. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

34.1 Remuneration of the chief executive, executive directors and executives

The aggregate amount charged in these financial statements for remuneration including all benefits to the chief executive, directors and executives of the company were as follows:

	2006			2005		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
		(Rupees in '000)			(Rupees in '000)	
Managerial remuneration	**7,677**	**6,070**	**9,815**	5,608	5,313	5,718
Retirement benefits	**1,378**	**1,114**	**1,751**	1,076	1,190	1,325
House rent, utilities and others	**2,193**	**1,725**	**4,122**	2,343	1,533	2,462
	11,248	**8,909**	**15,688**	9,027	8,036	9,505
Number of persons	**1**	**2**	**11**	1	2	7

The chief executive, directors and certain executives of the company are provided with free use of cars. The chief executive, directors and executives are also provided with medical facilities in accordance with their entitlements.

34.2 Remuneration to non-executive directors

In addition to the above, the aggregate amount charged in these financial statements for directors' fee paid to seven directors was Rs. 220 thousand (2005: eight directors - Rs. 225 thousand).

35. TRANSACTIONS WITH RELATED PARTIES

The details of transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment (details of which are given in note 34.1 to these financial statements), are asfollows:

		2006	2005
		(Rupees in '000)	
Associated companies			
Sale of goods		**127,947**	80,080
Discount		**5,457**	3,103
Purchase of goods, services and materials		**669**	95
Commission earned		**967**	643
Insurance premium		**8,204**	6,652
Insurance claim received		**393**	14
Dividend received		**3,277**	2,138
Distribution expenses		**3,055**	1,939
Donations	25.2	**2,450**	250
Share of profit of associated companies under the equity basis of accounting		**8,911**	7,422
Net charge in respect of staff retirement benefit plans		**9,486**	9,423

Contributions to the defined contribution plan (provident fund) are made as per the terms of employment, whereas the charge for pension is recognised as per the actuarial advice. Share of profit of associated companies is recognised under the equity basis of accounting.

The details of balances with related parties are disclosed in notes 4, 6.1, 8, 9.1, 9.2, 17.1, 20.1 and 20.2 to these financial statements.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

The production capacity of the plant cannot be determined as this depends on the relative proportions of the various types of aluminium sections and types and sizes of cables and wires produced.

37. NUMBER OF EMPLOYEES

Total number of permanent employees at 30 June 2006 was 418 (2005: 360).

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on 24 August 2006 have for the year ended 30 June 2006, proposed final cash dividend of Rs. 2.5 per share (2005: Rs. 4 per share) amounting to Rs. 24.389 million (2005: Rs. 23.414 million), bonus share issue in the proportion of one share for every two shares held amounting to Rs. 48.778 million (2005: Rs. 19.511 million) and appropriation to general reserves amounting to Rs. 100.500 million (2005: Rs. 55 million) for approval by the members of the company in the Annual General Meeting to be held on 28 September 2006. The financial statements for the year ended 30 June 2006 do not include the effect of the proposed cash dividend, bonus issue and appropriation to general reserves, which will be recognised in the financial statements for the year ending 30 June 2007.

The Board of Directors in their above meeting have also proposed increase in autherized share capital from Rs. 100 million to Rs. 250 million.

39. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income Taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note - 6.4) for actuarial valuation of funded pension and unfunded gratuity schemes. Changes in these assumptions in future years may effect the liability under these schemes in those years.

Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of land and buildings are based on a valuation carried out by external professional valuer of the Company. The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 24 August 2006 by the Board of Directors of the Company.

41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Kamal A. Chinoy	Haroun Rashid	Aslam Sadruddin
Chief Executive	**Director**	**Finance Director**

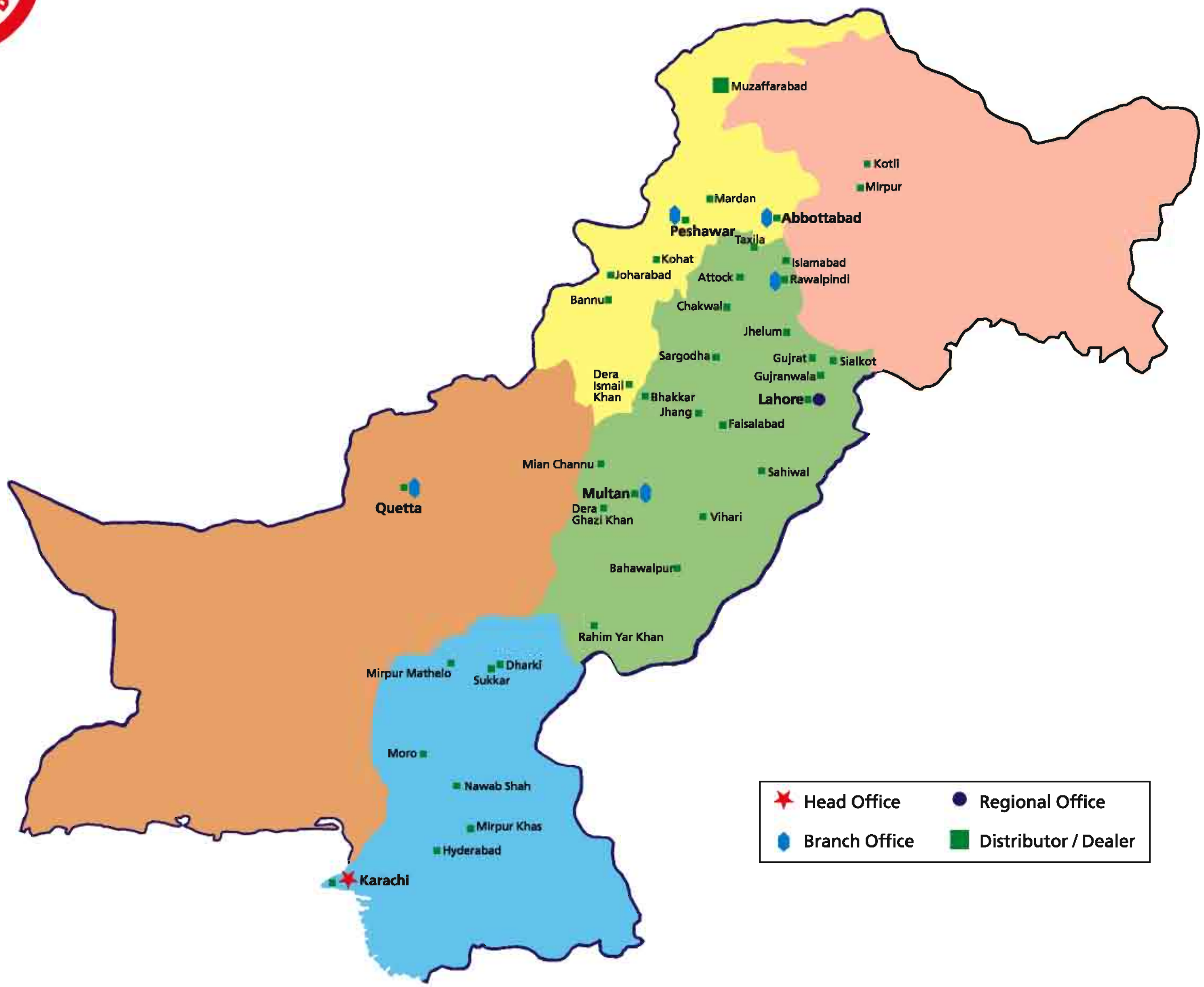
Pattern of Shareholding

As at 30 June 2006

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
345	1	100	14,879
443	101	500	119,361
174	501	1,000	124,751
284	1,001	5,000	639,508
37	5,001	10,000	249,365
13	10,001	15,000	166,859
9	15,001	20,000	150,608
2	20,001	25,000	45,674
4	25,001	30,000	101,252
2	30,001	35,000	63,078
3	35,001	40,000	107,691
-	40,001	45,000	-
3	45,001	50,000	139,495
-	50,001	55,000	-
1	55,001	60,000	58,000
-	60,001	65,000	-
1	65,001	70,000	65,435
-	70,001	105,000	-
1	105,001	110,000	109,700
-	110,001	145,000	-
1	145,001	150,000	147,490
-	150,001	170,000	-
1	170,001	175,000	173,255
-	175,001	315,000	-
1	315,001	320,000	316,872
-	320,001	330,000	-
1	330,001	335,000	333,795
-	335,001	340,000	-
2	340,001	345,000	684,630
-	345,001	365,000	-
1	365,001	370,000	369,062
-	370,001	575,000	-
1	575,001	580,000	575,302
-	580,001	760,000	-
1	760,001	765,000	763,210
-	765,001	910,000	-
1	910,001	915,000	913,215
-	915,001	1,620,000	-
1	1,620,001	1,625,000	1,622,986
-	1,625,001	1,700,000	-
1	1,700,001	1,705,000	1,700,152
-	1,705,001	9,755,625	-
Total 1,334			9,755,625

Categories of Shareholders	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	2		
National Bank of Pakistan Trustee Deptt.		1,622,986	16.64
Investment Corporation of Pakistan		10,126	0.10
Directors, Chief Executive Officer, their Spouses and Minor Children	9		
Mr. Towfiq H. Chinoy		173,255	1.78
Mr. Mustapha A. Chinoy		763,210	7.82
Mrs. Mustapha Chinoy		11,081	0.11
Mr. Kamal A. Chinoy		1,700,152	17.44
Mrs. Kamal Chinoy		30,555	0.31
Mr. Haroun Rashid		1	0.00
Mrs. Saadia Rashid		333,795	3.42
Syed Naseem Ahmad		1	0.00
Mr. Shahpur Channah		3,001	0.03
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	8	1,092,091	11.19
Joint Stock Companies	18	49,515	0.51
Shareholders holding ten Percent or more voting Interest in the Company	-	-	-
Individuals	1,290	3,885,695	39.83
Others	7		
Trustees of Aminia Muslim Girls School		35,325	0.36
Karachi Zarthosti Banu Mandal		32,523	0.33
Pakistan Masonic Institution		3,545	0.04
The Pakistan Memon Educational & Welfare Society		6,250	0.07
Government Of Pakistan, Corporate Law Authority (S.E.C.P.)		1	0.00
Administrator Abandoned Properties Organization		2,292	0.02
Trustees of Gul Ahmed Textile Mills Ltd. Emp. Provident Fund		225	0.00
Total	**1,334**	**9,755,625**	**100.00**

PCL Network



Muzaffarabad
Kotli
Mirpur
Mardan
Peshawar
Abbottabad
Taxila
Kohat
Joharabad
Attock
Islamabad
Rawalpindi
Bannu
Chakwal
Jhelum
Sargodha
Gujrat
Sialkot
Gujranwala
Dera Ismail Khan
Bhakkar
Jhang
Lahore
Faisalabad
Mian Channu
Sahiwal
Quetta
Multan
Dera Ghazi Khan
Vihari
Bahawalpur
Rahim Yar Khan
Mirpur Mathelo
Dharki
Sukkar
Moro
Nawab Shah
Mirpur Khas
Hyderabad
Karachi
Head Office
Regional Office
Branch Office
Distributor / Dealer