Contents

Company Information

Chief Executive Officer	Mian Muhammad Latif
Director	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Rizwan Latif Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif Mst. Tehmina Yasmin
Bankers/Financial Institutions	Allied Bank Limited. Askari Commercial Bank Limited. AlBaraka Islamic Bank, B.S.C. (E.C). Bank Alfalah Limited. Citibank N.A. Faysal Bank Limited. First Punjab Modaraba. First National Bank Modaraba. Habib Bank Limited. Habib Bank AG Zurich. KASB Bank Limited. National Bank of Pakistan. NIB Bank Limited. Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Commercial Bank Limited. Saudi Pak Agricultural & Investment Company (Pvt.) Ltd. United Bank Limited. Union Bank Limited.
Company Secretary/ Chief Financial Officer	Mr. Muhammad Arshad
Audit Committee	Mr. Muhammad Farhan Latif - Chairman Mst. Shahnaz Latif - Member Mst. Tehmina Yasmin - Member
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accounts, 478-D, Peoples Colony No.1, Faisalabad.
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Registered Office	Nishatabad, Faisalabad. Tel:041-8754472-8 Fax:041-8752400, 8752700
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	- Spinning Unit - Toba Tek Singh. - Weaving Unit - Kharianwala, District, Sheikhupura. - Weaving Unit - Shahkot, District, Nankana Sahib. - Weaving Unit - Gatti, Faisalabad. - Weaving Unit - Khurrianwala, Faisalabad. - Processing Unit - Nishatabad, Faisalabad. - Stitching Units - Nishatabad Faisalabad & Toba Tek Singh.

Vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mission Statement

- To be the business house of first choice for customers.
- To be a change leader.
- To produce innovative, relevant and cost effective products.
- Setting and maintaining high standards.
- To earn profits by achieving optimum level of production by using state of the art technologies.
- To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- To meet social and cultural obligations towards the society being a patriotic and conscientious corporate citizens.

Financial Highlights

Operational performance	2006	2005	2004	2003	2002	2001 (Rupees '000)
Sales-net	6,957,562	5,863,108	4,750,847	3,984,978	4,315,877	3,405,708
Cost of sales	5,389,463	4,707,025	3,881,999	3,174,084	3,414,752	2,725,151
Gross profit	1,568,099	1,156,083	868,848	810,894	901,125	680,557
Operation profit	954,911	654,165	468,639	470,474	574,971	411,396
Profit before taxtion	216,078	232,622	142,433	117,809	225,467	157,878
Profit after taxtion	150,165	186,245	103,952	84,189	190,221	131,252
Financial position						
Property,Plant and equipment	5,955,005	4,735,450	3,470,018	2,534,220	2,153,208	1,805,139
Capital work in progress	153,566	141,300	94,854	166,794	88,802	11,383
Fixed capital expenditure	6,108,571	4,876,750	3,564,872	2,701,014	2,242,010	1,816,522
Total assets	14,174,127	10,056,662	8,147,415	5,960,195	4,834,602	4,126,862
Current asset						
Store,spare parts and stocks in trade	4,833,445	3,636,398	3,318,558	2,429,935	1,887,616	1,423,316
Other current assets	3,104,245	1,454,078	1,202,355	731,415	675,581	844,489
Cash and cash equivalents	127,866	89,436	61,630	31,758	29,395	42,535
Total	8,065,556	5,179,912	4,582,543	3,193,108	2,592,592	2,310,340
Current liabilities (excluding current portion of loang term liabilities)						
Short term bank borrowing	4,971,835	3,604,661	3,150,126	2,309,919	1,870,477	1,731,083
Other current liabilities	1,675,043	1,213,476	1,074,618	699,948	699,948	572,846
Total	6,646,878	4,818,137	4,224,744	2,929,075	2,570,425	2,303,929
Net working capital	1,418,678	361,775	357,799	264,033	22,167	6,411
Long term loans/Finance lease (including current portion of Long term liabilities)	3,446,800	2,490,856	2,179,586	1,488,744	938,407	699,406
Shareholder's equity	2,745,372	2,367,700	1,361,411	1,156,397	851,222	661,001
Profiability analysis						
Gross profit to sale (%)	22.54	19.72	18.29	20.35	20.88	19.98
Profit befor tax to sales (%)	3.11	3.97	3.00	2.96	5.22	4.64
Profit after tax to sales (%)	2.16	3.18	2.19	2.11	4.41	3.85
Return on investment (%)	1.06	1.85	1.28	1.44	3.93	3.18
Return on equity (%)	5.47	7.87	7.64	7.28	22.35	19.86
Earnings per share(Rupees)	0.67	1.25	1.04	2.28	1.03	7.8
Financial analysis						
Current ratio(time)	1.21	1.08	1.08	1.09	1.01	1.00
Debt to equity (time)	1.26	1.05	1.60	1.29	1.10	1.06
Total Debt to Total Assets	0.24	0.25	0.27	0.25	0.19	0.17
Total Debt to Fixed Assets	0.56	0.51	0.61	0.55	0.42	0.39

Notice is hereby given that 22nd Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Monday, the 30th October, 2006 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

1 To confirm the minutes of the last meeting.

2 To consider and approve the Annual Audited Accounts of the Company for the year ended June 30, 2006 together with Directors and Auditors Reports thereon.

3 To approve payment of Dividend at the rate of 9.25 % p.a. for the year 2006 in respect of non-voting cumulative preference shares as recommended by the Board of Directors.

4 To appoint Auditors for the next financial year 2006-2007 and to fix their remuneration. The Retiring Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, offer themselves for re-Appointment.

5 To transact any other business with the permission of the Chair.

By Order of the Board

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

Faisalabad: October 09, 2006

Notice of Meeting

NOTES

1 The Share Transfer Books of Ordinary Shares of the Company will remain closed from October 21, 2006 to October 30, 2006 (both days inclusive).

2 Share transfer books of preference shares (non-voting) of the company will remain closed from October 21, 2006 to October 30, 2006 (both days inclusive) for entitlement of 9.25% preferred Dividend. Physical transfers/CDs Transaction IDs received in order of company's shares Department, Chenab Limited, Nishatabad, Faisalabad upto close of business i.e. upto October 20, 2006 will be considered in time for entitlement of preferred dividend. The preference shareholders are not entitled to attend the meeting.

3 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.

4 Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original Computerised National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.

5 All other members should bring their Original Computerised National Identity Cards for identification purpose.

6 The shareholders are requested to notify the company immediately the change in their address, if any.

The Directors feel immense pleasure in presenting to you Report and Audited Accounts for the year ended June 30, 2006.

SALES REVENUE

The Company has been able to achieve sales revenue of Rs.6.958 billion as against Rs.5.863 billion for the previous year showing an increase of 18.68% as a result of expansion made in the past and foresee further increase in turnover to about Rs.8.500 billion in the next year on completion of expansion which is still in pipeline.

FINANCIAL RESULTS

Despite stiff competition in the international market being faced at the hands of regional competitors of the company in fetching reasonable selling prices of its products the company has been able to earn a profit of Rs.216.078 million (before taxation) during the year.

The Directors recommend appropriation as under according to which no payment of cash dividend on account of ongoing expansion of the project has been proposed except payment of dividend on non-voting cumulative preference shares of Rs.800 million @9.25% p.a. as already committed:-

	2006 (Rupees)	2005 (Rupees)
Profit for the year before taxation	216,077,623	232,621,765
Provision for taxation	(65,913,075)	(46,376,756)
Profit for the year after taxation	150,164,548	186,245,009
Un appropriated profit brought forward (Refer statement of changes in equity)	113,428,916	21,425,468
Dividend to cumulative preference shareholders - 9.25% per annum (Refer statement of changes in equity)	(61,491,947)	–
Transfer from surplus on revaluation of fixed assets	18,999,669	20,044,153
Profit available for appropriation(s)	221,101,186	227,714,630
Transfer to preference shares redemptions reserve	114,285,714	114,285,714
	106,815,472	113,428,916
EARNINGS PER SHARE		
Earnings per share - Basic	0.67	1.25

PATTERN OF SHAREHOLDING

The pattern of shareholdings as at June 30, 2006 including the information under the code of corporate governance for ordinary and non-voting cumulative preference shares are annexed.

BOARD OF DIRECTORS

There has been no change in the directorship of the company since last annual general meeting of the shareholders of the company.

Directors Report to the Members

BOARD MEETINGS

During the year under review five board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED
1.	Mian Muhammad Latif	4
2.	Mian Muhammad Javaid Iqbal	4
3.	Mr. Muhammad Naeem	5
4.	Mr. Muhammad Faisal Latif	5
5.	Mr. Muhammad Farhan Latif	4
6.	Mr. Muhammad Rizwan Latif	3
7.	Mr. Muhammad Zeeshan Latif	5
8.	Mst. Shahnaz Latif	5
9.	Mst. Tehmina Yasmin	5

Leaves of absence were granted to the directors who could not attend the meetings.

AUDIT COMMITTEE

The audit committee of the company comprising of the following in compliance with the code of corporate governance functioned accordingly around the whole year:-

(1) Muhammad Farhan Latif. – Chairman (Non Executive)
(2) Mst. Shahnaz Latif. – Member (Non Executive)
(3) Mst. Tehmina Yasmin. – Member (Non Executive)

CODE OF CORPORATE GOVERNANCE

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

(i) The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the company have been maintained.

(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

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

(v) The system of internal control is sound and has been effectively implemented and monitored.

(vi) The board is satisfied that company is doing well and there is no concern as regard to going concern under the code.

(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

(viii) Key operating and financial data for the last six years is annexed.

(ix) There are no statutory payments on account of taxes, duties, levies an d charges which are outstanding as on June 30, 2006 except for those disclosed in the financial statements.

(x) No material changes and commitments affecting the financial position of your company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

AUDITORS

M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants, Faisalabad retire and being eligible offer themselves for re-appointment.

FUTURE PROSPECTUS

Since the value added textile industry of the country has been facing stiff competition for the last more than one year in fetching reasonable prices of its products in the international market as against its regional competitors like China, India & Bangladesh etc, the Government of Pakistan realizing the situation gave certain incentives to it comprising R&D Support on the export of textile fabrics and made ups, reduction in the mark up in respect of ERF (SBP) Limit by 1.50% and conversion of high mark up rated long term loans availed from January 01, 2003 onward for import of machines etc into LTF-EOP Scheme carrying economical rate of mark up for its uplift.

In order to better the lot of textile industry, the Prime Minister of Pakistan has kindly constituted a committee named “National Strategy on Textile” to submit its recommendations to the Government from time to time and the Prime Minister shall hold meetings on quarterly basis to review the implementation of such recommendations. It is a matter of pride to inform you that Chief Executive Officer of the company is also one of the members of this committee.

In the presence of above incentives and remedial measures being adopted by the Government of Pakistan, it is hoped that the industry shall come out of the problems now faced by it.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers who enabled the company to achieve good results.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD October 09, 2006	(MUHAMMAD FAISAL LATIF) DIRECTOR	(MUHAMMAD NAEEM) DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework with best practices for good 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 representing minority interests on its Board of Directors. However, at present, the Board includes four Executive and five Non-executive and no Director representing minority shareholder.

(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 Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

(5) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

(6) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

(7) The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

(8) The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange. Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. They are also attending seminars on business and financial matters, and the Company has arranged orientation courses for the appraisement of their duties and responsibilities.

(9) 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.

(10) 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.

(11) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

(12) 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.

(13) The Company has complied with all the corporate and financial reporting requirements of the Code.

(14) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors.

(15) The meetings of the audit committee were held at least once a quarter prior to approval of interim and final financial results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

(16) The Board has set-up an effective internal audit function.

(17) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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 and adopted by Institute of Chartered Accountants of Pakistan.

(18) 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.

(19) We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Faisalabad:	**(MUHAMMAD FAISAL LATIF)**	**(MUHAMMAD NAEEM)**
October 09, 2006	**DIRECTOR**	**DIRECTOR**

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Chenab Limited to comply with the Listing Regulation No. 37 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.

M. Yousuf Adil Saleem & Co

Date: October 09, 2006
Multan

M. YOUSUF ADIL SALEEM & CO.,
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Chenab Limited as at June 30, 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;

   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 June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

M. Yousuf Adil Saleem & Co.

Date: October 09, 2006
Multan

M. YOUSUF ADIL SALEEM & Co.,
CHARTERED ACCOUNTANTS

Balance Sheet
as at June 30, 2006

	NOTE	2006 Rupees	2005 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/– each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/– each		800,000,000	800,000,000
Issued, subscribed and paid up capital	5	1,150,000,000	1,000,000,000
Cumulative preference shares	6	800,000,000	800,000,000
Capital reserves	7	412,124,038	177,838,324
Revenue reserves	8	383,248,306	389,861,750
		2,745,372,344	2,367,700,074
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	9	1,163,023,827	269,564,992
NON CURRENT LIABILITIES			
LONG TERM LOANS	10	1,984,339,719	2,138,236,696
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	11	163,854,161	172,619,205
Long term morabaha	12	80,000,000	–
DEFERRED LIABILITY			
Staff retirement gratuity	13	128,256,028	110,404,227
		2,356,449,908	2,421,260,128
CURRENT LIABILITIES			
Trade and other payables	14	1,507,746,788	1,087,811,102
Interest/markup payable	15	167,295,691	101,848,450
Short term bank borrowings	16	4,971,835,030	3,604,661,046
Current portion of			
long term loans		1,153,506,200	180,000,000
liabilities against assets subject to finance lease		65,099,778	–
Provision for taxation - income tax		43,797,194	23,816,458
		7,909,280,681	4,998,137,056
CONTINGENCIES AND COMMITMENTS	17	–	–
		14,174,126,760	10,056,662,250

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

(MUHAMMAD FAISAL LATIF)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

	NOTE	2006 Rupees	2005 Rupees
NON–CURRENT ASSETS			
Property, plant and equipment	18	6,106,946,449	4,873,500,374
Intangible asset	19	1,624,800	3,249,600
		6,108,571,249	4,876,749,974
CURRENT ASSETS			
Stores, spares and loose tools	20	1,062,502,650	646,839,304
Stock in trade	21	3,770,941,945	2,989,559,065
Trade debts	22	1,560,103,030	862,456,283
Loans and advances	23	264,906,775	254,452,555
Deposits and prepayments	24	55,411,932	66,098,532
Other receivables	25	55,242,856	64,015,588
Tax refunds due from Government	26	293,498,566	207,055,061
Cash and bank balances	27	127,865,943	89,435,888
		7,190,473,697	5,179,912,276
Non–current assets classified as held for sale	28	875,081,814	–
		8,065,555,511	5,179,912,276
		14,174,126,760	10,056,662,250

(MUHAMMAD NAEEM)
DIRECTOR

Profit and Loss Account
for the year ended June 30, 2006

	NOTE	2006 Rupees	2005 Rupees
Sales	29	6,957,561,846	5,863,108,121
Cost of sales	30	5,389,463,396	4,707,025,163
Gross profit		1,568,098,450	1,156,082,958
Other operating income			
Sale of waste material		1,897,562	1,786,304
		1,569,996,012	1,157,869,262
Selling and distribution expenses	31	404,581,670	285,378,467
Administrative expenses	32	198,081,877	168,093,954
Other operating expenses	33	12,421,579	48,445,603
Finance cost	34	738,833,263	423,329,473
		1,353,918,389	925,247,497
Profit for the year before taxation		216,077,623	232,621,765
Provision for taxation	35	65,913,075	46,376,756
Profit for the year after taxation		150,164,548	186,245,009
Earnings per share - Basic	39	0.67	1.25

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

(MUHAMMAD FAISAL LATIF)
DIRECTOR

(MUHAMMAD NAEEM)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Cash Flow Statement
for the year ended June 30, 2006

	2006 Rupees	2005 Rupees
a) CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	216,077,623	232,621,765
Adjustment for:		
Depreciation of property, plant and equipment	310,457,477	207,680,483
Amortisation of intangible assets	1,624,800	37,809,211
Provision for staff retirement benefits	36,164,511	30,131,042
Finance cost	738,833,263	423,329,473
Balances written off	1,021,545	–
Operating cash flows before working capital changes	1,304,179,219	931,571,974
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(415,663,346)	(182,040,364)
Stock in trade	(781,382,880)	(135,799,960)
Trade debts	(697,646,747)	(145,056,845)
Loans and advances	9,534,002	(137,540,981)
Deposits and prepayments	10,686,600	(10,317,935)
Other receivables	8,772,732	13,123,362
Tax refunds due from Government	(86,443,505)	20,097,041
	(1,952,143,144)	(577,535,682)
Increase in current liabilities		
Trade and other payables	409,330,814	88,337,453
	(1,542,812,330)	(489,198,229)
Cash (used in) / generated from operations	(238,633,111)	442,373,745
Income taxes paid	(66,942,106)	(36,590,469)
Finance cost paid	(673,386,023)	(402,216,048)
Payment of staff retirement benefits	(18,312,710)	(11,792,721)
Net cash used in operating activities	(997,273,950)	(8,225,493)
b) CASH FLOW FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(1,386,258,667)	(1,511,624,798)
Proceeds from disposal of property, plant and equipment	710,256	6,558,658
Net cash used in investing activities	(1,385,548,411)	(1,505,066,140)

Cash Flow Statement
for the year ended June 30, 2006

	2006 Rupees	2005 Rupees
c) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of :		
Ordinary shares	150,000,000	–
Cumulative preference shares	–	800,000,000
Premium on issue of ordinary shares	120,000,000	–
Long term loans obtained	1,234,769,781	975,263,568
Long term morabaha obtained	80,000,000	–
Repayment of:		
Long term loans	(415,160,557)	(642,655,517)
Liabilities against assets subject to finance lease	(54,361,387)	(46,044,123)
Increase in short term bank borrowings – net	1,367,173,984	454,535,231
Payment of dividend	(61,169,405)	(1,202)
Net cash from financing activities	2,421,252,416	1,541,097,957
Net increase in cash and cash equivalents (a+b+c)	38,430,055	27,806,324
Cash and cash equivalents at the beginning of the year	89,435,888	61,629,564
Cash and cash equivalents at the end of the year	127,865,943	89,435,888

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

(MUHAMMAD FAISAL LATIF)
DIRECTOR

(MUHAMMAD NAEEM)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Statement of Changes in Equity
for the year ended June 30, 2006

	Issued, subscribed and paid up capital	Cumulative preference shares	Capital Reserves: Premium on issue of ordinary shares	Capital Reserves: Book difference of capital unde scheme of arrangement for amalgamation	Capital Reserves: Preference shares redemption reserve	Revenue Reserves: General Reserve	Revenue Reserves: Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2004	1,000,000,000	–	–	63,552,610	–	276,432,834	21,425,468	1,361,410,912
Profit for the year	–	–	–	–	–	–	186,245,009	186,245,009
Cumulative preference shares issued	–	800,000,000	–	–	–	–	–	800,000,000
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	20,044,153	20,044,153
Transferred to preference shares redemption reserve	–	–	–	–	114,285,714	–	(114,285,714)	–
Balance as at June 30, 2005	1,000,000,000	800,000,000	–	63,552,610	114,285,714	276,432,834	113,428,916	2,367,700,074
Share capital issued	150,000,000	–	–	–	–	–	–	150,000,000
Profit for the year	–	–	–	–	–	–	150,164,548	150,164,548
Premium on ordinary shares issued	–	–	120,000,000	–	–	–	–	120,000,000
Incremental depreciation on revalued assets for the year	–	–	–	–	–	–	18,999,669	18,999,669
Dividend to cumulative preference shareholders – 9.25% per annum	–	–	–	–	–	–	(61,491,947)	(61,491,947)
Transferred to preference shares redemption reserve	–	–	–	–	114,285,714	–	(114,285,714)	–
Balance as at June 30, 2006	1,150,000,000	800,000,000	120,000,000	63,552,610	228,571,428	276,432,834	106,815,472	2,745,372,344

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

(MUHAMMAD FAISAL LATIF)
DIRECTOR

(MUHAMMAD NAEEM)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

1. STATUS AND ACTIVITIES

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The cloth processing unit is located at Nishatabad, District Faisalabad and stitching unit are located at Nishatabad, District Faisalabad and District Toba Tek Singh, weaving units are located at Khurrianwala, Gatti, District Faisalabad, Kharianwala, District Sheikhupura and Shahkot, District Nankana Sahib and spinning unit is located at District Toba Tek Singh, in the province of Punjab.

1.2 Board of Directors have passed a resolution under section 196(3)(a) of the Companies Ordinance 1984 on June 23, 2006 to dispose off its two weaving units located at Shahkot, District Nankana Sahib and Kharrianwala, District Sheikhupura. The Company's shareholders in General Meeting held on July 31, 2006 have passed a special resolution to dispose off the said weaving units to its associate First Chenab Modaraba under a toll manufacturing arrangement. Hence the assets of weaving units are classified as held for sale. Detail of the arrangement is given in note 28.

1.3 The financial statements are presented in Pak Rupee, which is the company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

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

Following amendments to existing standards applicable to the Company have been published that are mandatory for the Company's accounting periods beginning on or after the following dates:

IAS - 1 Presentation of Financial Statements - Capital disclosure Effective from January 1, 2006
IAS - 19 (Amendments) - Employee Benefits
Effective from January 1, 2006

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

3. BASIS OF PREPARATION

These financial statements have been prepared under the "historical cost convention" modified by: -
- revaluation of certain property, plant and equipment
- recognition of certain employee retirement benefits at present value

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

4.2 Staff retirement benefits

The company operates defined benefit plan - unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gain and loss at the end of previous year which exceeds 10% of the present value of the defined benefit obligation is amortised over the average expected remaining working lives of the employees.

4.3 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed to the Company or not.

4.4 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event and 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.5 Provision for taxation

Current

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

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.6 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

4.7 Property, plant and equipment

Property, plant and equipment except land, building, plant and machinery and capital work in progress are stated at cost less accumulated depreciation and impairment in value, if any. Building and plant and machinery are stated at revalued amount less accumulated depreciation and impairment in value, if any. Land is stated at revalued amount. Capital work in progress is valued at cost.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate items of property, plant and equipment.

Repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations which are depreciated on straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the month of disposal respectively.

Gains or losses on disposal of property, plant and equipment are included in current income.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

4.8 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which these are incurred.

4.10 Intangible assets

Intangible asset is stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised using the straight line method over a period of three years.
Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed off.

4.11 Stores, spares and loose tools

These are valued at cost, determined on moving average method less allowance for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.12 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturig overheads.

4.13 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

4.14 Impairment

The company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the extent of initial cost of the assets. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.15 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

4.17 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.
Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

4.18 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recorded on dispatch of goods.

4.20 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

4.21 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 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 estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, borrowing cost capitailsed, provision for doubtful receivables and slow moving inventory and staff retirement gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

5. Issued, Subscribed and Paid up capital

2005	2006		2006 Rupees	2005 Rupees
20,985,702	20,985,702	Ordinary shares of Rs. 10/- each fully paid in cash	209,857,020	209,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation	51,447,390	51,447,390
–	15,000,000	Ordinary shares of Rs. 10/- each fully paid in cash isued during the year	150,000,000	–
100,000,000	115,000,000		1,150,000,000	1,000,000,000

6. Cumulative preference shares

2005	2006		2006 Rupees	2005 Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash.	800,000,000	800,000,000

6.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Karachi Stock Exchange (Guarantee) Limited. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

The preference shareholders will have right (put option) to get the shares redeemed in part to a maximum one third of their holding in one put exercise on yearly basis after four years from the date of issuance of cumulative preference shares.

The Company has also option (call option) to redeem 16 million cumulative preference shares after August 2008 and 64 million cumulative preference shares after September 2008 in multiples of 10% upto total value of shares respectively.

In case company fails to redeem cumulative preference shares upon exercise of put option by the holders for any two consecutive years, the holders will be entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or
b) 75% of book value (Break up value) or
c) face value of shares

6.2 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984 and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

7. Capital reserves

	2006 Rupees	2005 Rupees
Premium on issue of ordinary shares	120,000,000	–
Book difference of capital under scheme of arrangement for amalgamation	63,552,610	63,552,610
Preference shares redemption reserve (Note 7.1)	228,571,428	114,285,714
	412,124,038	177,838,324

7.1 This represents reserve created on straight line basis over the term of seven years for redemption of cumulative preference shares as per terms of the issue.

		2006 Rupees	2005 Rupees
8.	**Revenue reserves**		
	General reserve	276,432,834	276,432,834
	Unappropriated profit		
	Opening balance	113,428,916	21,425,468
	Profit for the year	150,164,548	186,245,009
	Incremental depreciation on revalued assets for the year	18,999,669	20,044,153
	Transferred to preference shares redemption reserve	(114,285,714)	(114,285,714)
	Dividend to cumulative preference shareholders at 9.25% per annum	(61,491,947)	–
		106,815,472	113,428,916
		383,248,306	389,861,750

		2006 Rupees	2005 Rupees
9.	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		
	Opening balance	269,564,992	289,609,145
	Addition due to revaluation of freehold land during the year	912,458,504	–
	Incremental depreciation on revalued assets for the year transferred to unappropriated profit	18,999,669	20,044,153
		1,163,023,827	269,564,992

9.1 This represents surplus on revaluation of freehold land, building on freehold land and plant and machinery. Revaluation of freehold land on market value, building on freehold land and plant and machinery on depreciated replacement values was carried out by independent valuers M/s Inspectorates Corporation International (Private) Limited as at June 30, 1997 and by M/s Bahauddin Siddiqui and Associates as at December 31, 1998. Revaluation of freehold land on market value was carried out by independent valuer M/s BFA (Private) Limited as at May 19, 2006.

		2006 Rupees	2005 Rupees
10.	**Long term loans**		
	Secured		
	From banking companies		
	Fixed assets finances (Note 10.2)	549,469,600	568,578,902
	Demand finances (Note 10.2)	691,343,933	637,490,575
	Term finances (Note 10.2)	1,152,637,517	787,722,771
	From financial institution		
	Term finances (Note 10.2)	450,000,000	200,000,000
	Syndicated term finance (Note 10.2)	97,777,783	124,444,448
		2,941,228,833	2,318,236,696
	Unsecured		
	From directors (Note 10.3)	196,617,086	–
		3,137,845,919	2,318,236,696
	Current portion	1,153,506,200	445,163,369
	Less: To be financed out of proceeds of public issue of ordinary share	–	(265,163,369)
		1,153,506,200	180,000,000
		1,984,339,719	2,138,236,696

10.1 The aggregate unavailed long term financing facilities available to the Company is Rs. 141.847 million (2005: Rs. Nil).

10.2 The loans are repayable as under;

Nature of loans	Balance Rupees	Number of instalments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies						
Fixed assets finances						
I	165,895,951	12	Quarterly	31-Mar-05	31-Dec-07	KIBOR 6 Months + 2%
II	38,223,017	18	Quarterly	08-Jul-04	8-Oct-08	KIBOR 6 Months + 2%
III	38,500,000	18	Quarterly	07-Nov-04	07-Feb-09	KIBOR 6 Months + 2%
IV	160,730,075	18	Quarterly	28-Oct-05	28-Jan-10	KIBOR 6 Months + 2%
V	146,120,557	20	Quarterly	30-Jun-06	30-Jun-12	KIBOR 6 Months + 2.25%
	549,469,600					
Demand finances						
I	52,293,332	12	Quarterly	31-Mar-05	31-Dec-07	KIBOR 6 Months + 2%
II	35,847,301	13	Quarterly	30-Jun-06	30-Jun-09	KIBOR 6 Months + 3%
III	100,000,000	15	Quarterly	26-Dec-04	26-Jun-08	KIBOR 6 Months + 3% with a floor of 6%
IV	130,000,000	15	Quarterly	10-May-06	31-Oct-09	KIBOR 6 Months + 3%
V	140,000,000	16	Quarterly	29-Jul-06	31-Oct-09	KIBOR 6 Months + 3%
VI	233,203,300	20	Quarterly	12-Mar-07	29-Jan-10	KIBOR 6 Months + 2%
	691,343,933					
Term finances						
I	350,000,000	7	–	30-Jun-06	20-Oct-06	KIBOR 6 Months + 1.5%
II	121,500,000	48	Monthly	1-Jul-07	1-Jun-11	KIBOR 6 Months + 3% with a floor of 10%
III	209,995,409	16	Quarterly	26-Jun-05	26-Mar-09	KIBOR 6 Months + 2.28% with a floor of 10%
IV	136,688,900	16	Quarterly	1-Jul-06	28-Feb-10	KIBOR 6 Months + 300 bps with a floor of 7%
V	46,434,678	15	Quarterly	15-Jul-05	15-Jan-09	KIBOR 6 Months + 2.5%
VI	19,189,692	14	Quarterly	30-Jun-05	30-Sep-08	KIBOR 6 Months + 3%
VII	250,000,000	8	Half yearly	24-Jun-07	24-Dec-10	KIBOR 6 Months + 2.5%
VIII	18,828,838	24	Quarterly	26-Apr-08	26-Apr-11	SBP refinance rate + 3%
	1,152,637,517					
From financial institutions						
Term finances						
I	300,000,000	12	–	24-Nov-06	26-Dec-07	KIBOR 6 Months + 2.5%
II	100,000,000	48	Monthly	24-Mar-07	24-Feb-11	KIBOR 6 Months + 2.5%
III	50,000,000	48	Monthly	27-Apr-07	27-Mar-11	KIBOR 6 Months + 2.5%
	450,000,000					
Syndicated term finance	97,777,783	72	Monthly	13-May-04	13-Feb-10	SBP discount rate minus 0.5%

The loans are secured against charge over fixed assets of the Company ranking pari passu with each other and with the charge created in respect of long term morabaha(Refer note 12). These are further secured against personal guarantee of directors of the Company.

10.3 **It is interest free. The loan is subordinated to the term finance I, VII and VIII (Refer note 10.2).**

	2006 Rupees	2005 Rupees
11. Liabilities against assets subject to finance lease		
Opening balance	172,619,205	287,128,978
Obtained during the year	110,696,121	24,705,000
	283,315,326	311,833,978
Paid/adjusted during the year	(54,361,387)	(139,214,773)
	228,953,939	172,619,205
Shown under current liabilities		
Instalments due within one year	(65,099,778)	(50,563,822)
To be financed out of proceeds of public issue of ordinary shares	–	50,563,822
	(65,099,778)	–
	163,854,161	172,619,205

These represents plant and machinery and a software acquired under 10 separate lease agreements.

The purchase option is available to the Company on payment of last instalment and surrender of deposit at the end of the lease period.

The principal plus financial charges are payable over the lease period in 72 monthly, 60 monthly, 13 quarterly and 9 half yearly instalments. The liability represnets the total minimum lease payments discounted at 7.00% to 12.21% (2005: 7.00% to 9.02%) per annum being the interest rate implicit in lease.

The future minimum lease payments to which the Company is committed as at June 30, 2006 are as under:

Year ending June 30,	Rupees
2007	88,348,103
2008	77,058,019
2009	46,204,031
2010	35,672,353
2011	28,860,209
2012	12,559,520
	288,702,235
Financial charges allocated to future periods	(59,748,296)
	228,953,939

Reconciliation of minimum lease payments and their present value is given below:

	2006		2005	
	Minimum lease payments payments	Present value of minimum lease	Minimum lease payments payments	Present value of minimum lease
Due within one year	88,348,103	65,099,778	62,094,172	50,563,822
Due after one year but not later than five years	187,794,612	152,084,358	133,887,842	122,055,383
Due after five years	12,559,520	11,769,803	–	–
Rupees	288,702,235	228,953,939	195,982,014	172,619,205

	2006 Rupees	2005 Rupees
12. Long term morabaha		
From financial institution	80,000,000	–

It is repayable in lumpsum on September 22, 2007 and is subject to markup at six months KIBOR plus 3% per annum payable quarterly. It is secured against charge on fixed assets of the Company ranking pari passu with the charge created in respect of long term loans (Refer note 10.2). It is further secured by personal guarantee of directors of the Company.

13. Staff retirement gratuity

13.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2006 using Projected Unit Credit Method.

	2006 Rupees	2005 Rupees
13.2 Balance sheet reconciliation as at June 30		
Present value of obligation	125,200,650	107,033,957
Cumulative net unrecognised actuarial gain	3,055,378	3,370,270
	128,256,028	110,404,227
13.3 Movement in liability		
Balance at July 01	110,404,227	92,065,906
Charge for the year (Note 13.4)	36,164,511	30,131,042
Paid during the year	(18,312,710)	(11,792,721)
Balance at June 30	128,256,028	110,404,227
13.4 Charge for the year		
Service cost	26,531,455	22,765,770
Interest cost	9,633,056	7,365,272
	36,164,511	30,131,042
13.5 Principal actuarial assumptions		
Discount factor used	9% per annum	
Expected rate of increase in salaries	8% per annum	
Expected average remaining working lives of participating employees	5 years	

		2006 Rupees	2005 Rupees
14.	**Trade and other payables**		
	Creditors	993,531,175	819,498,394
	Accrued liabilities	147,680,063	109,274,791
	Advance from customers	671,202	–
	Capital expenditure payable	6,462,866	3,819,464
	Bills payable	346,285,347	141,695,689
	Workers' profit participation fund (Note 14.1)	11,400,034	12,261,192
	Unclaimed dividend	657,349	334,807
	Other	1,058,752	926,765
		1,507,746,788	1,087,811,102
14.1	**Workers' profit participation fund**		
	Opening balance	12,261,192	7,513,341
	Interest on funds utilised in the Company's business	523,032	340,879
		12,784,224	7,854,220
	Paid to workers on behalf of the fund	(12,777,500)	(7,853,769)
	Deposited in workers' welfare fund	(6,724)	(451)
		(12,784,224)	(7,854,220)
		–	–
	Allocation for the year	11,400,034	12,261,192
		11,400,034	12,261,192
15.	**Interest/markup payable**		
	Long term loans	67,420,312	48,953,611
	Long term morabaha	270,466	–
	Short term bank borrowings	99,604,913	52,894,839
		167,295,691	101,848,450
16.	**Short term bank borrowings**		
	Secured - under mark up arrangements		
	Export finances	3,810,186,730	2,631,848,154
	Morabaha finance	50,000,000	41,443,000
	Cash finances	442,044,465	348,206,466
	Finance against imported material	130,263,323	65,133,093
		4,432,494,518	3,086,630,713
	Running finance	539,340,512	518,030,333
		4,971,835,030	3,604,661,046

16.1 The aggregate unavailed short term borrowing facilities available to the Company is Rs. 1,450 million (2005: Rs. 1,624 million).

16.2 These are secured against first joint parri passu charge over present and future current assets of the Company. These are further secured against lien on export documents and personal guarantee of directors of the Company. Cash finances are secured against pledge of stocks.

These are subject to mark up ranging between 4% to 12.13% (2005 - 3% to 10.80%) per annum.

	2006 Rupees	2005 Rupees
17. CONTINGENCIES AND COMMITMENTS		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	105,543,000	72,047,000
Collector of Customs, for release of imported goods for re-export	1,920,000	1,920,000
Foreign customers to secure fulfillment of contractual obligations	102,382,000	115,865,130
Pakistan Telecommunication Company Limited	50,000	50,000
Demand of custom duty, surcharge and duty drawback not acknowledged in view of pending appeals	3,048,959	3,048,959
Post dated cheques issued in favour of Collector of Customs for release of goods imported for re-export	2,056,000	3,550,599
Claim of commitment charges on early payment of long term loans not acknowledged in view of pending settlement	–	1,074,810
Commitments		
Under letters of credit for		
Property, plant and equipment	97,615,292	34,654,343
Raw material and stores	166,424,553	396,108,340

18. Property, plant and equipment

Operating assets	18.1	5,953,380,600	4,732,200,257
Capital work in progress	18.7	153,565,849	141,300,117
		6,106,946,449	4,873,500,374

18.1 Operating assets

Description	Cost / Revaluation at July 01, 2005	Additions/ (disposals)	Suplus on revaluation	Adjustment for assets classified as held for sale	Cost / revaluation at June 30, 2006	Accumulated depreciation at July 01, 2005	Depreciation charge for the year	Adjustment for accumulated depreciation on disposal	Adjustment for accumulated depreciation on assets classified as held for sale	Accumulated depreciation at June 30, 2006	written down value at June 30, 2006	Rate %
Company owned												
Freehold land	208,274,523	1,314,250	912,458,504	(10,975,277)	1,111,072,000	–	–	–	–	–	1,111,072,000	–
Building on freehold land	1,278,059,032	436,927,563	–	(154,933,126)	1,560,053,469	334,528,187	98,390,199	–	(34,714,628)	398,203,758	1,161,849,711	10
Plant and machinery	3,714,092,690	788,627,601	–	(830,378,963)	3,672,341,328	685,618,050	159,486,436	–	(130,292,072)	714,812,414	2,957,528,914	
Electric installations	120,912,598	52,595,899	–	(17,640,357)	155,868,140	29,475,197	6,260,022	–	(3,135,021)	32,600,198	123,267,942	
Generators	194,993,086	49,077,248	–	(41,173,132)	202,897,202	35,801,421	20,010,702	–	(12,833,526)	42,978,597	159,918,605	10
Factory equipment	42,748,011	4,771,529	–	–	47,519,540	22,624,401	2,247,437	–	–	24,871,838	22,647,702	10
Furniture and fixture	8,869,487	14,956,101	–	(443,450)	23,382,138	2,058,524	1,589,214	–	(193,548)	3,454,190	19,927,948	10
Office equipment	62,187,915	11,496,613	–	(887,720)	72,796,808	20,201,789	4,763,650	–	(181,416)	24,784,023	48,012,785	10
Vehicles	50,786,513	24,508,461	–	–	73,416,349	25,591,841	7,763,341	(1,168,369)	–	32,186,813	41,229,536	20
		(1,878,625)										
Sign boards	525,248	–	–	–	525,248	357,206	16,804	–	–	374,010	151,238	10
	5,681,449,103	1,384,275,265	912,458,504	(1,056,432,025)	6,919,872,222	1,156,256,616	300,527,805	(1,168,369)	(181,350,211)	1,274,265,841	5,645,606,381	
		(1,878,625)										
Under lease												
Building	7,405,200	–	–	–	7,405,200	728,382	121,397	–	–	849,779	6,555,421	
Plant and machinery	231,398,879	110,696,121	–	–	342,095,000	31,067,927	9,808,275	–	–	40,876,202	301,218,798	
	238,804,079	110,696,121	–	–	349,500,200	31,796,309	9,929,672	–	–	41,725,981	307,774,219	
Rupees	5,920,253,182	1,494,971,386	912,458,504	(1,056,432,025)	7,269,372,422	1,188,052,925	310,457,477	(1,168,369)	(181,350,211)	1,315,991,822	5,953,380,600	
		(1,878,625)					–					
2005 Rupees	4,412,927,294	1,517,479,404	–	–	5,920,253,182	983,967,300	207,680,483	(3,594,858)	–	1,188,052,925	4,732,200,257	
		(10,153,516)										

18.2 It includes Rs. 55,379,251/- (2005: Rs. 23,776,564/-) being the borrowing cost capitalised during the period at 11.36% (2005: 8.57%) per annum.

	2006 Rupees	2005 Rupees
18.3 Depreciation for the year has been allocated as under:		
Cost of goods manufactured	296,324,468	195,941,245
Administrative expenses	14,133,009	11,739,238
	310,457,477	207,680,483

18.4 Had there been no revaluation, related figures of freehold land, building on freehold land and plant and machinery at June 30, 2006 would have been as follows:

Description	Cost	Accumulated depreciation	Written down value
Freehold land	74,158,236	–	74,158,236
Building on freehold land	1,356,046,048	278,799,524	1,077,246,524
Plant and Machinery	3,432,358,453	516,336,415	2,916,022,038
Rupees	4,862,562,737	795,135,939	4,067,426,798
2005 Rupees	4,631,980,689	721,265,673	3,910,715,016

18.5 Previously, depreciation was being charged on the basis of whole year in the year of addition except for major project cost capitalised during the year on which depreciation for proportaionate period of use was being charged and no depreciation was being charged in the year of disposal. To remain compliant with the requirements of IAS-16 "Property, plant and equipment", applicable for annual periods beginning on or after January 01, 2005, management has decided to charge depreciation on additions from the month in which an asset is acquired or capitalised and to charge no depreciation for the month in which the asset is disposed off.

The above mentioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS-8 "Accounting Policies, Changes in accounting estimates and Errors". Accordingly the effect of change in accounting estimate has been recognised prospectively in the profit and loss account of the current year. Had there been no change in this accounting estimate, the profit for the year would have been lower by Rs. 47.9 million.

18.6 Detail of disposal of property, plant and equipment (by negotiation)

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
Vehicles					
	382,625	279,369	103,256	103,256	Muhammad Afzal Naseem (Employee)
	650,000	275,600	374,400	374,400	Javaid Islam (Employee)
	384,000	250,307	133,693	133,693	Majid Asghar (Employee)
	462,000	363,093	98,907	98,907	Abdul Rehman (Employee)
Rupees	1,878,625	1,168,369	710,256	710,256	
2005 Rupees	10,153,516	3,594,858	6,558,658	6,558,658	

	2006 Rupees	2005 Rupees
18.7 Capital work in progress		
Civil work	82,707,661	88,882,911
Plant and machinery	53,451,875	48,788,799
Factory equipment	17,406,313	3,628,407
	153,565,849	141,300,117

19. Intangible asset

Description	Cost			Amortisation			Written down value at June 30, 2006
	at July 01, 2005	additions	at June 30, 2006	accumulated at July 01, 2005	for the year	accumulated at June 30, 2006	
Computer software	8,124,000	–	8,124,000	4,874,400	1,624,800	6,499,200	1,624,800
Rupees	8,124,000	–	8,124,000	4,874,400	1,624,800	6,499,200	1,624,800
2005 Rupees	110,279,731	–	110,279,731	69,220,920	37,809,211	107,030,131	3,249,600

	2006 Rupees	2005 Rupees
19.1 Amortisation for the year has been allocated a under:		
Administrative expenses	1,624,800	1,624,800
Other operating expenses	–	36,184,411
	1,624,800	37,809,211

20. Stores, spares and loose tools

	2006 Rupees	2005 Rupees
Stores		
In hand	1,013,710,392	599,056,722
In transit	19,318,648	20,959,778
	1,033,029,040	620,016,500
Spares		
In hand	26,726,338	22,372,716
In transit	1,998,893	4,091,046
	28,725,231	26,463,762
Loose tools	748,379	359,042
	1,062,502,650	646,839,304

20.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

	2006 Rupees	2005 Rupees
21. Stock in trade		
Raw material	895,431,078	529,660,033
Work in process	2,244,915,213	1,906,366,515
Finished goods	607,782,587	536,413,410
Waste	22,813,067	17,119,107
	3,770,941,945	2,989,559,065

21.1 Stock in trade amounting to Rs. 558.075 million (2005: Rs. 445.096 million) was pledged as security with the banks.

	2006 Rupees	2005 Rupees
22. Trade debts		
Considered good		
Secured		
Foreign	220,147,565	80,229,333
Unsecured (Note 22.1)		
Foreign	1,074,758,113	636,849,060
Local	265,197,352	145,377,890
	1,560,103,030	862,456,283
22.1 These include following balances due from associated undertakings:		
Foreign		
C.G.I Limited Liability Company, United Arab Emirates	31,321,676	44,392,062
Chenab, USA	26,074,279	–
Interfab PTY Limited	29,058,785	19,962,973
Local		
Chen One Stores Limited	253,001,955	138,461,640
	339,456,695	202,816,675
23. Loans and advances		
Considered good		
Loans to employees		
Executives	6,803,285	3,096,900
Others	4,832,237	3,427,610
Advances		
Suppliers/contractors (Note 23.1)	170,751,007	178,213,689
Income tax	55,775,799	34,766,032
Letters of credit fee, margin and expenses	26,744,447	34,948,324
	264,906,775	254,452,555
23.1 It includes following balances due from associated undertakings:		
C.G.I Limited Liability Company, United Arab Emirates	–	97,450,002
Chenab, USA	–	20,152,508
	–	117,602,510
24. Deposits and prepayments		
Deposits		
Security deposits	18,057,732	18,145,415
Guarantee margin	33,722,693	40,021,758
Prepayments	3,631,507	7,931,359
	55,411,932	66,098,532

		2006 Rupees	2005 Rupees
25.	**Other receivables**		
	Related party		
	Chen One Stores Limited	18,050	373,558
	Others		
	Export rebate	52,014,676	57,943,661
	Others	3,210,130	5,698,369
		55,242,856	64,015,588
26.	**Tax refunds due from Government**		
	Sales tax	286,786,323	200,342,818
	Income tax	6,712,243	6,712,243
		293,498,566	207,055,061
27.	**Cash and bank balances**		
	Cash in hand	10,378,827	8,659,419
	Cash at banks		
	In current accounts	117,487,116	80,776,469
		127,865,943	89,435,888
28.	**Non-current assets classified as held for sale**		
	Cost (Note 18.1)	1,056,432,025	–
	Accumulated depreciation (Note 18.1)	181,350,211	–
	Written down value	875,081,814	–

28.1 The Company has executed an agreement to sell its weaving units for Rs. 911.103 million to a specific purpose modaraba (First Chenab modaraba - an associate) established for the purpose of providing toll manufacturing services to the Company, under contractual arrangement, by utilising the weaving operations. The Company has obtained approval of Board of Directors and shareholders.

		2006 Rupees	2005 Rupees
29.	**Sales**		
	Export (Note 29.1)		
	Fabrics/made ups/garments	6,447,699,478	5,552,355,039
	Add: Export rebate	67,214,301	92,350,683
		6,514,913,779	5,644,705,722
	Less:		
	Commission	105,721,774	98,910,058
	Discount	63,756,678	63,672,223
		169,478,452	162,582,281
		6,345,435,327	5,482,123,441
	Indirect export	105,907,130	8,477,254
	Waste - Local (Note 29.2)	506,219,389	425,916,918
		612,126,519	434,394,172
	Less: Sales tax	–	53,409,492
		612,126,519	380,984,680
		6,957,561,846	5,863,108,121

29.1 It includes exchange gain amounting to Rs. 3,953,481/- (2005: Rs. 8,080,855/-).

29.2 It represents sale of left over/waste material out of goods manufactured for export.

	2006 Rupees	2005 Rupees
30. Cost of sales		
Cost of goods manufactured (Note 30.1)	5,466,526,533	4,766,261,152
Finished goods		
Opening stock	553,532,517	494,296,528
Closing stock	(630,595,654)	(553,532,517)
	(77,063,137)	(59,235,989)
	5,389,463,396	4,707,025,163
30.1 Cost of goods manufactured		
Raw material consumed (Note 30.1.1)	3,491,866,992	3,104,085,912
Salaries, wages and benefits	443,580,760	342,170,901
Staff retirement benefits	27,522,958	24,120,014
Stores and spares	241,772,638	207,400,258
Dyes and chemicals	454,349,752	338,521,637
Packing material	236,762,820	206,694,840
Repairs and maintenance	19,616,416	14,763,066
Fuel and power	441,302,027	353,701,373
Insurance	19,226,094	18,226,051
Research and development support (Note 30.1.2)	196,820	–
Depreciation	296,324,468	195,941,245
Other	132,553,486	55,089,296
	5,805,075,231	4,860,714,593
Work in process		
Opening stock	1,906,366,515	1,811,913,074
Closing stock	(2,244,915,213)	(1,906,366,515)
	(338,548,698)	(94,453,441)
	5,466,526,533	4,766,261,152
30.1.1 Raw material consumed		
Opening stock	529,660,033	547,549,503
Purchases including purchase expenses	3,857,638,037	3,086,196,442
	4,387,298,070	3,633,745,945
Closing stock	(895,431,078)	(529,660,033)
	3,491,866,992	3,104,085,912
30.1.2 Research and development support		
Support on account of research and development (Note 30.1.3)	8,695,751	–
Less: Utilisation		
Product development	4,261,655	–
Skill development and training	1,741,039	–
Up-gradation of information technology	2,889,877	–
	8,892,571	–
Net expense	196,820	–

30.1.3 The Research and Development Support has been given by Ministry of Commerce, Government of Pakistan vide SRO 437(1)/2005 dated May 18, 2005 in order to encourage and regulate the research and development in textile garments sector.

		2006 Rupees	2005 Rupees
31.	**Selling and distribution expenses**		
	Advertisement and publicity	3,260,013	5,187,651
	Carriage and freight	216,151,599	162,532,377
	Export clearing and forwarding	157,897,979	73,262,321
	Export development surcharge	15,778,506	15,466,126
	Export quota	–	18,927,700
	Other	11,493,573	10,002,292
		404,581,670	285,378,467
32.	**Administrative expenses**		
	Directors' remuneration	6,000,000	6,000,000
	Salaries and benefits	75,530,380	72,223,410
	Staff retirement benefits	8,641,553	6,011,028
	Electricity	1,834,421	1,787,121
	Postage, telephone and telex	8,449,879	7,972,286
	Vehicles running and maintenance	17,400,341	12,540,710
	Travelling and conveyance	24,133,520	18,188,462
	Printing and stationery	6,891,821	8,564,938
	Entertainment	5,932,530	5,509,163
	Fees and subscriptions	9,969,120	1,828,083
	Legal and professional	2,783,011	3,012,492
	Rent, rates and taxes	3,725,921	2,502,052
	Auditor's remuneration (Note 32.1)	864,500	903,000
	Repairs and maintenance	2,246,204	1,783,603
	Depreciation (Note 18.3)	14,133,009	11,739,238
	Amortisation (Note 19.1)	1,624,800	1,624,800
	Insurance	4,581,186	3,460,570
	Other	3,339,681	2,442,998
		198,081,877	168,093,954
	32.1 Auditor's remuneration		
	Audit fee	400,000	590,000
	Tax services	98,000	90,000
	Sundry services	326,500	183,000
	Out of pocket expenses	40,000	40,000
		864,500	903,000
33.	**Other operating expenses**		
	Workers' profit participation fund	11,400,034	12,261,192
	Amortisation of quota expenses	–	36,184,411
	Balances written off	1,021,545	–
		12,421,579	48,445,603
34.	**Finance cost**		
	Interest/mark up on:		
	Long term loans	234,708,722	132,376,770
	Liabilities against assets subject to finance lease	15,880,582	21,441,633
	Long term morabaha	2,758,751	–
	Short term bank borrowings	413,968,922	213,048,512
	Workers' profit participation fund	523,032	340,879
	Bank charges and commission	70,993,254	56,121,679
		738,833,263	423,329,473
35.	**Provision for taxation**		
	Current		
	For the year (Note 35.1)	66,084,688	46,314,228
	For prior years'	(171,613)	62,528
	Deferred (Note 35.2)	–	–
		65,913,075	46,376,756

35.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

35.2 No provision for deferred taxation has been made as no material temporary differences have arisen.

36. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	June 30, 2006 Rupees			June 30, 2005 Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	1,600,000	2,400,000	12,072,060	1,600,000	2,400,000	6,840,012
House rent allowance	720,000	1,080,000	4,225,224	720,000	1,080,000	3,078,005
Special allowance	80,000	120,000	–	80,000	120,000	–
Medical allowance	–	–	1,207,200	–	–	–
Utility allowance	–	–	603,600	–	–	342,001
Rupees	2,400,000	3,600,000	18,108,084	2,400,000	3,600,000	10,260,018
Number of persons	1	3	18	1	3	10

The Chief Executive and Directors are entitled to free use of Company maintained cars. The Chief Executive and one Director are also entitled to unfurnished accommodation.

37. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings directors and key management personnel. Amount due from and to related parties are shown under receivables and payables. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in note 36. Other significant transactions with related parties are as under:

Relationship	Nature of trnsaction	2006 Rupees	2005 Rupees
Associated undertakings	Sale of goods	1,972,507,161	944,528,571
	Sale of machinery	–	2,891,868
	Purchase of machinery	2,154,164	–
	Organisational expenses recovered	326,069	348,005
	Organisational expenses paid	83,426	–
	Advances received	20,000,000	–
	Advances paid	20,000,000	–
Other related parties	Dividend paid	493,939	–
Key management personnel	Sale of vehicle	508,093	–

38. CAPACITY AND PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2006	2005	2006	2003
Fabics	Mtrs	5,550,000	4,700,000	4,460,000	3,785,195
Made ups	Mtrs	55,500,000	52,500,000	44,309,480	44,783,652
Garments	Mtrs	3,000,000	2,950,000	2,357,034	2,357,034

Reasons for shortfall

- Temporary closure for maintenance.
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple/multi–function articles, small and large size articles, special articles and the pattern of articles adopted.

		2006 Rupees	2005 Rupees
39. Earnings per share - Basic			
Profit for the year after taxation		150,164,548	186,245,009
Less: Dividend on cumulative preference shares at 9.25%		74,000,000	61,491,947
Profit attributable to ordinary shareholders	Rupees	76,164,548	124,753,062
Weighted average number of ordinary shares outstanding during the year		113,356,164	100,000,000
Earnings per share - Basic	Rupees	0.67	1.25

39.1 The earning per share - Basic for the last year has been restated as the dividend on cumulative preference shares was approved by the members for the proportionate period of investement instead of full year.

39.2 There is no dilutive effect on the basic earnings per share of the Company.

40. FINANCIAL INSTRUMENTS

40.1 Interest / markup rate risk management

Interest / markup rate risk arise from the possibility that changes in interest / markup rates will affect the value of financial instruments.

	Effective interest rate %	Interest / markup bearing			sub total	Non interest / markup bearing			sub total	2006 Total	2005 Total
		maturity upto one year	maturity after one year but within five years	maturity after five years		maturity upto one year	maturity after one year but within five	maturity after five years			
		Rupees									
Financial assets:											
Trade debts		–	–	–	–	1,560,103,030	–	–	1,560,103,030	1,560,103,030	862,456,283
Loans and advances		–	–	–	–	11,635,522	–	–	11,635,522	11,635,522	6,524,510
Deposits		–	–	–	–	51,780,425	–	–	51,780,425	51,780,425	58,167,173
Other receivables		–	–	–	–	3,228,180	–	–	3,228,180	3,228,180	5,572,622
Cash and bank balances		–	–	–	–	127,865,943	–	–	127,865,943	127,865,943	89,435,888
Non–current assets classified as held for sale		–		–	–	875,081,814	–	–	875,081,814	875,081,814	–
		–	–	–	–	2,629,694,914	–	–	2,629,694,914	2,629,694,914	1,022,156,476
Financial liabilities:											
Long term loans	8.17 to 12.44	1,153,506,200	1,758,498,524	29,224,109	2,941,228,833	–	–	196,617,086	196,617,086	3,137,845,919	2,318,236,696
Liabilities against assets subject to finance lease	7 to 12.21	65,099,778	152,084,358	11,769,803	228,953,939	–	–	–	–	228,953,939	172,619,205
Long term morabaha	12.34	–	80,000,000	–	80,000,000	–	–	–	–	80,000,000	–
Trade and other payables		–	–	–	–	1,495,675,552	–	–	1,495,675,552	1,495,675,552	1,075,549,910
Interest/markup payable		–	–	–	–	167,295,691	–	–	167,295,691	167,295,691	101,848,450
Short term bank borrowings	4 to 12.13	4,971,835,030	–	–	4,971,835,030	–	–	–	–	4,971,835,030	3,604,661,046
		6,190,441,008	1,990,582,882	40,993,912	8,222,017,802	1,662,971,243	–	196,617,086	1,859,588,329	10,081,606,131	7,272,915,307
Off balance sheet items											
Outstanding letters of credit		–	–	–	–	264,039,845				264,039,845	430,762,683
Bank guarantees		–	–	–	–	102,382,000	107,513,000			209,895,000	189,882,130
Post dated cheques issued		–	–	–	–	2,056,000				2,056,000	3,550,599
		–	–	–	–	368,477,845	107,513,000	–	–	475,990,845	624,195,412
On balance sheet gap		(6,190,441,008)	(1,990,582,882)	(40,993,912)	(8,222,017,802)	966,723,671	–	(196,617,086)	770,106,585	(7,451,911,217)	(6,250,758,831)
Off balance sheet gap		–	–	–	–	(368,477,845)	(107,513,000)	–	–	(475,990,845)	(624,195,412)

40.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs 2.630 billion (2005: Rs 1.022 million) , the financial assets which are subject to credit risk amounted to Rs. 1.355 billion (2005: Rs 0.884 billion). The management monitors and limits Company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of provisions for doubtful receivables. The Company is not exposed to significant concentration of credit risk.

40.3 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to sales and purchase transactions in foreign currencies. Foreign currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure.

40.4 Liquidity risk

Liquidity risk reflects the Company’s inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

40.5 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair value.

41. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on October 09, 2006 proposed dividend at the rate of 9.25% amounting to Rs. 74,000,000/- on cumulative preference shares.

42. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on October 09, 2006 by the Board of Directors of the Company.

43. FIGURES

– have been rounded off to the nearest Rupee.

– of the corresponding period have been rearranged and reclassified, wherever necessary, to reflect more appropriate presentation of the events and transactions for the purpose of comparison. Significant reclassification made is as follows:

Capital work in progress previously classified as separate line item on the face of the balance sheet is now reclassified under the main head of property, plant and equipment.

Sales tax and income tax refundable are previously classified under the main head of other receivable now reclassified under a separate line item on the face of the balance sheet as Tax refunds due from Government.

– Nomenclature of surplus of revaluation of fixed assets have been changed to surplus on revaluation of property, plant and equipment.

(MUHAMMAD FAISAL LATIF)
DIRECTOR

(MUHAMMAD NAEEM)
DIRECTOR

Statement under section 241(2) of the Companies Ordinance, 1984
These financial statements have been signed by two directors instead of Chief Executive and one director as the Company's Chief Executive is presently not in Pakistan.

Form "34"

Pattern of Ordinary Shareholding
as at June 30, 2006

Share Holders	From	To	Total Shares
30	1	100	2,797
18	101	200	3,449
11	201	300	3,244
9	301	400	3,546
741	401	500	369,828
6	501	600	3,192
1	701	800	790
576	901	1,000	575,984
435	1,001	2,000	814,148
170	2,001	3,000	474,815
89	3,001	4,000	348,000
188	4,001	5,000	934,500
35	5,001	6,000	207,500
23	6,001	7,000	159,500
29	7,001	8,000	225,000
11	8,001	9,000	97,500
108	9,001	10,000	1,079,000
103	10,001	20,000	1,562,500
35	20,001	30,000	903,698
22	30,001	40,000	797,500
17	40,001	50,000	820,500
13	50,001	60,000	737,000
4	60,001	70,000	264,500
4	70,001	80,000	298,500
3	80,001	90,000	249,500
6	90,001	100,000	590,000
15	100,001	200,000	2,248,500
1	200,001	300,000	285,338
1	300,001	400,000	370,000
2	400,001	500,000	969,000
2	500,001	600,000	1,170,000
1	600,001	700,000	692,000
2	700,001	800,000	1,556,500
1	800,001	900,000	854,500
3	900,001	1,000,000	3,000,000
2	1,000,001	2,000,000	2,796,542
5	2,000,001	3,000,000	12,269,958
1	3,000,001	4,000,000	3,444,961
1	6,000,001	7,000,000	6,181,000
1	7,000,001	8,000,000	7,459,184
1	8,000,001	9,000,000	8,416,948
2	10,000,001	20,000,000	31,557,966
1	20,000,001	30,000,000	20,201,112
2729			115,000,000

Note: The Slabs not applicable, have not been shown.

Form "34"

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.50
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Rizwan Latif	Director	1	3,444,961	2.99
Mr.Muhammad Zeeshan Latif	Director	1	2,693,626	2.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst.Tehmina Yasmin	Director	1	2,518,285	2.19
Mst.Parveen Akthar	Spouse	1	285,338	0.25
Mr Umair Javaid	Son	1	2,131,019	1.85
Financial Institutions, Insurance Companies, Investment Companies, Joint Stock Companies, Leasing Companies, Mutual Fund & etc.				
Financial Institutions		8	8,881,790	7.72
Insurance Companies		4	927,000	0.81
Investment Companies		4	121,500	0.11
Joint Stock Companies		58	2,049,000	1.78
Modarabas		1	20,000	0.02
Mutual Fund		6	3,099,000	2.69
Individuals		2636	18,375,226	15.98
Others		1	4,500	0.00
		2729	115,000,000	100.00

Form "34"

Pattern of Preference Shareholding
as at June 30, 2006

Share Holders	From	To	Total Shares
9	1	100	711
545	101	500	270,387
20	501	1,000	19,520
12	1,001	5,000	37,500
3	5,001	10,000	29,000
1	15,001	20,000	17,500
1	55,001	60,000	60,000
2	95,001	100,000	191,000
1	190,001	195,000	190,500
1	285,001	290,000	285,500
1	395,001	400,000	400,000
1	475,001	480,000	476,500
1	775,000	780,000	779,000
1	810,001	815,000	812,000
2	995,001	1,000,000	2,000,000
2	1,495,001	1,500,000	3,000,000
1	1,815,001	1,820,000	1,820,000
1	2,495,001	2,500,000	2,500,000
1	3,995,001	4,000,000	4,000,000
1	4,760,001	4,765,000	4,763,000
1	4,995,001	5,000,000	5,000,000
1	9,990,001	9,995,000	9,990,882
3	9,995,001	10,000,000	30,000,000
1	13,355,001	13,360,000	13,357,000
613			80,000,000

Note: The Slabs not applicable, have not been shown.

Categories of Shareholders	Number	Share held	Percentage
Son of Director	1	780,500	0.97
Financial Institutions	12	72,301,382	90.38
Leasing Companies	1	1,500,000	1.87
Insurance Companies	1	95,500	0.12
Investment Companies	1	1,820,000	2.27
Joint Stock Companies	2	1,500	0.00
Mutual Fund	1	476,500	0.60
Individuals	593	2,212,618	2.77
Others	1	812,000	1.02
	613	80,000,000	100

Form of Proxy

I/We ______________________________ of ______________________ being a Member of Chenab Limited (the "Company") holding ________________ shares, hereby appoint ________________ of ________________, who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on October 30, 2006 and at any adjournment thereof.

Signed this ____________________ day of ___________________ 2006.

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs 5/-

WITNESSES:

1. Signature _______________________

   Name _______________________

   NIC _______________________

   Address _______________________

____

The Signature should agree with the specimen signature registered with the Company.

2. Signature _______________________

   Name _______________________

   NIC _______________________

   Address _______________________

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not a member of the Company (except that a corporation may appoint a person who is not a member).
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).