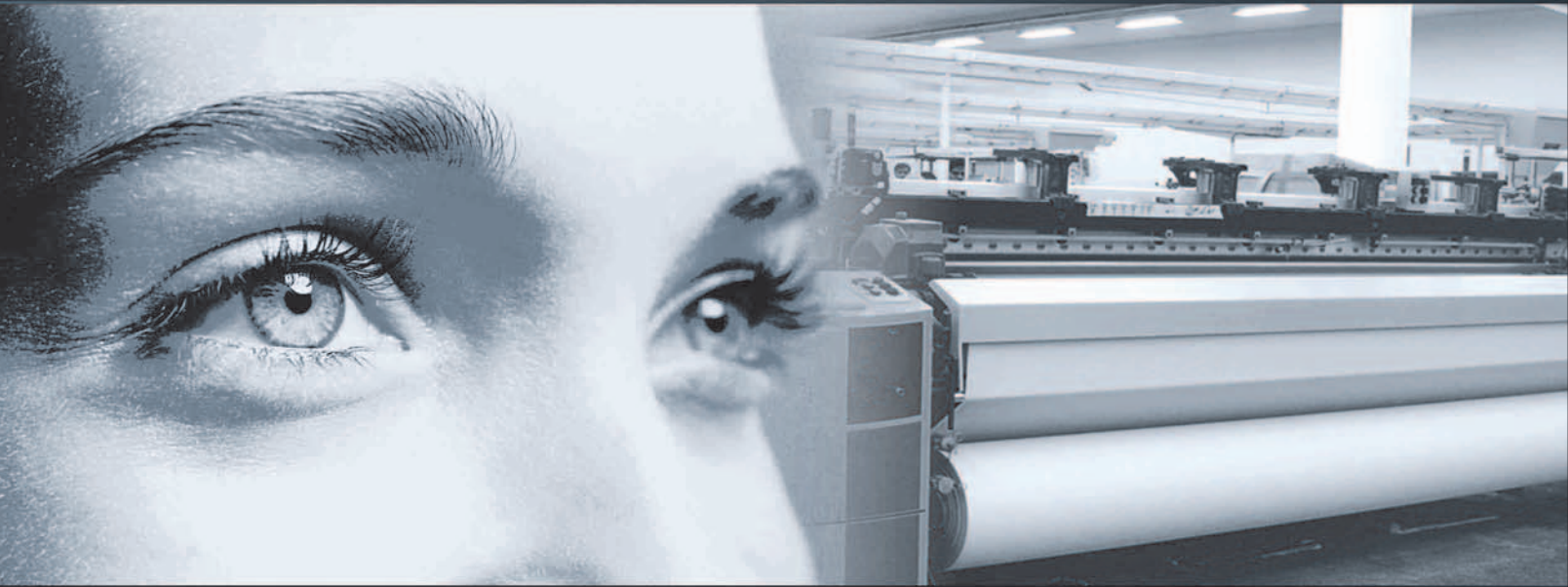


ANNUAL REPORT 2005



SAMIN TEXTILES LIMITED



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Vision Statement

To establish Samin as top of the line, modern and dynamic greige cloth and processed fabric manufacturing industrial unit.

To run the company purely on professional grounds and keep on inducting the latest high-tech equipment in order to meet the challenging requirements of our customers.

Certifications



Oeko-Tex Standard 100 (Product class II - Products with direct contact to skin).



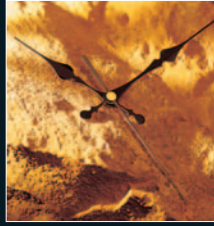
BS EN ISO 9001:2000 (Quality Management System)



ISO-14001 (Environmental Management System)



SA 8000:2001 (Social Management System)



Notice of Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Saturday 29th October 2005 at 2:00 p.m. at the registered office of the company 50-C main Gulberg, Lahore to transact the following business:

- 1- To confirm the minutes of the last Annual General Meeting held on January 29, 2005.
- 2- To receive, consider and adopt the audited accounts of the company for the period ended June 30, 2005 together with the Directors' and Auditors' Report thereon.
- 3- To consider and appointment of Company's auditors for the year 2005-06 and to fix their remuneration. M/s M. Yousaf Adil Salim & Co. (Chartered Accountants) retire and in their place the company received a notice under section 253(2) of the Companies Ordinance, 1984 from a shareholder for appointing M/s Rahman Sarfraz & Co. (Chartered Accountants) as the auditor for the year ending June 30, 2006. The Board's Audit Committee and the Board of Directors have also recommended appointment of M/s Rahman Sarfraz & Co. (Chartered Accountants) as auditor for the year 2005-06.
- 4- To elect seven Directors of the Company for a period of three years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 in place of the following retiring Directors:
 - i) Mr. Sarmad Amin
 - ii) Mr. Jamil Masud
 - iii) Mr. Safder Hussain Tariq
 - iv) Mr. Nadeem Saeed
 - v) Mr. Tariq Jilani
 - vi) Mr. Bunyad Hussain Shah
 - vii) Mr. Asad A. Jan

All retiring directors shall be eligible to offer themselves for re-election.

The board of Directors has fixed the number of directors to be elected Directors as seven.

- 5- In terms of Section 178(3) of the Companies Ordinance, 1984 any person who seeks to contest an election to the office of director, whether he is a retiring director or otherwise, shall file with the company, not later than fourteen (14) days before the date of the meeting, a notice of his intention to offer himself for election as a director.

SPECIAL BUSINESS:

- 6- To consider, adopt and approve the remuneration of the Chief Executive and if thought fit, pass the following resolution with or without amendment:-

“RESOLVED that a sum of Rs. 250,000/- (Rupees Two hundred fifty thousand only) be and is hereby approved towards monthly remuneration inclusive of house rent allowance of Chief Executive of the Company. In addition to the above company maintained chauffeur driven car for official and private use, private security guards at his residence, life and medical insurance contribution, medical facilities and all other benefits incidental or relating to his office in accordance with the rules and policy of the company applicable to the Directors shall also be provided to him.
- 7- To transact any other business, which may be placed before the meeting with the permission of the chair.

Lahore:
October 08, 2005

STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

Shareholders' approval will be sought for the remuneration payable to the Chief Executive for the next term of his office, in accordance with the terms and conditions of his service with the Company. The Authorized Capital of the Company is Rs. 200.000 (Million) with subscribed and paid-up capital of Rs. 133.640 (Million) The production facilities are located at Manga Raiwind Road, District Kasur and gross sales revenue for the financial period (October 01, 2004 to June 30, 2005 is Rs. 1.27 Billion.

NOTES:

1. The share transfer books of the Company will be closed from October 21, 2005 to October 29, 2005 (both days inclusive).
2. A member eligible to attend and vote at the meeting is entitled to appoint a proxy. Proxies in order to be effective must be received at 50-C Main Gulberg, Lahore, the Registered Office of the Company, not less than 48 hours before the time fixed for holding the meeting and must be duly stamped, signed and witnessed.
3. (i) CDC shareholders are requested to bring their original National Identity Cards along with the participant's ID numbers and their account numbers in CDC for identification purposes at the time of attending the Annual General 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.
4. Shareholders are requested to promptly notify the Company of any change in their addresses.



Brief History of the Company

Samin Textiles Limited is a weaving unit with an average annual production capacity of 23.000 million running meters of the best quality greige cloth based on three shifts a day and 360 working days per annum. Machinery and equipment for the project have been imported from Japan, Belgium, Germany & Switzerland. Presently the company has the following loom setup:-

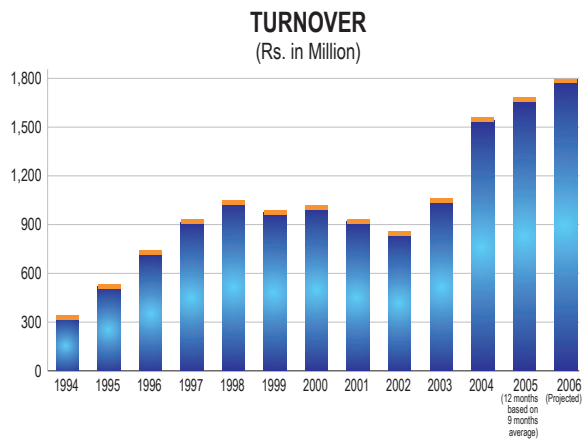
Sr.No.	Make	Width	Quantity
1.	Tsudakoma	75"	100 Looms
2.	Tsudakoma	110"	20 Looms
3.	Picanol Omni Plus	134"	60 Looms
4.	Picanol Omni Plus with Dobbies	134"	6 Looms
Total			186 Looms

The project started commercial production from January 01, 1994 and has been financed by the National Bank of Pakistan (NBP) through World Bank line of credit and N.B.P. term loan. Samin is a public limited Company listed on Karachi and Lahore Stock Exchanges. The combination of machines has been selected very carefully keeping in view the international quality standards for production of finest quality greige cloth.

Samin has set up his own gas fired generators and is now self sufficient in power generation having a constant supply of un-interrupted electricity.

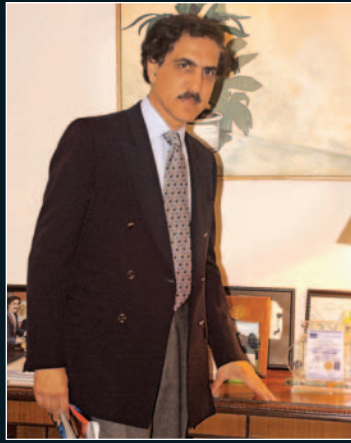
Sales figures for previous years are as under:-

Year Ending	Turnover Rs. in (Million)
September 30, 1994	344.006
September 30, 1995	515.462
September 30, 1996	728.300
September 30, 1997	923.214
September 30, 1998	1,023.781
September 30, 1999	1,009.887
September 30, 2000	1,012.857
September 30, 2001	919.653
September 30, 2002	876.922
September 30, 2003	1,035.539
September 30, 2004	1,541.243
June 30, 2005 (9 months)	1,273.405
June 30, 2006 (Projected)	1,800.000



The Board of Directors of the Company comprises of the leading businessmen/professionals of Pakistan.

Mr. Sarmad Amin	<i>Chairman/Chief Executive</i>	Mr. Tariq Jilani	<i>Director</i>
Mr. Jamil Masud	<i>Director</i>	Mr. Bunyad Hussain Shah	<i>Director</i>
Mr. Safder Hussain Tariq	<i>Director</i>	Mr. Asad Ahmad Jan	<i>Director</i>
Mr. Nadeem Saeed	<i>Director</i>		



Directors' Report to the Members

On behalf of the board of directors the undersigned takes pleasure to present the 16th Annual Report for the period (October 01, 2004 to June 30, 2005) ended June 30, 2005 along with Auditors' Report thereon.

OPERATING & FINANCIAL RESULTS

During the financial period under review i.e. w.e.f October 01, 2004 to June 30, 2005, the company's total sales stood at Rs. 1.273 billion as compared to Rs.1.541 billion and incurred a net loss of Rs.29.948(M) as compared to a net loss of Rs. 54.925 (M) to its previous financial year i.e. w.e.f. October 01, 2003 to September 30, 2004.

If we have an analytical comparison of 9 months, financial period under review with 12 months, financial year, we will observe the following facts:-

- i). Sales volume has increased by 10%.
- ii). Losses have been curtailed by 27%.

Through it was an uncertain and very tough scenario in the international market after abolishing of quota w.e.f January 01, 2005, but the management handled this situation professionally and there was no hit on the financial statements during the period from January 01, 2005 to June 30, 2005 due to the said scenario.

The following chart reveals the fact that the loss for the financial year under review has been contained to the extent of loss-incurred up to the quarter ended December 31, 2004.

(Rupees in Million)			
Net Loss upto December 31, 2004	Upto March 31, 2005	Upto June 30, 2005	Accumulated Upto June 30, 2005
Rs. 31.056	Rs. 33.731	Rs. 29.948	Rs. 29.948

This is to reiterate that loss during the quarter December 31, 2004, was mainly due to charging of cost of quota purchased during the same period in full instead of gradual amortization over the years.

A table showing significant financial figures of the year under review along with comparison with previous five years is given hereunder:-

	2005	2004	2003	2002	2001	2000
	Rupees in Million					
• Sales	1,273.406	1,541.243	1,035.816	876.922	919.653	1,012.856
• Profit / (Loss) for the year after taxation	(29.948)	(54.933)	3.076	(10.218)	(15.444)	32.146
• Accumulated profit/(Loss) carried to bal. sheet	(6.788)	23.150	8.084	5.213	15.432	30.876
• Gross Profit Ratio	9.89%	7.67%	12.35%	11.54%	10.66%	13.23%
• Net Profit Ratio	(2.35%)	(3.56%)	0.29%	(1.165%)	(1.68%)	3.17%
• Break-up value per share	9.49	11.73	15.84	15.62	16.393	17.548
• Current Ratio	0.83:1	0.84:1	0.99:1	1.18:1	1.16:1	1.18:1
• Debt/Equity Ratio	48:52	43:57	49:51	13:87	22:78	28:72
• Dividend pay out	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	12.50%
• Earnings per share	(2.24)	(4.11)	0.23	(0.76)	(1.16)	2.41
• Fixed assets	642.962	573.824	589.909	192.579	201.903	219.055
• Long term liabilities	236.187	195.964	250.587	21.654	40.721	68.867
• Retained earnings/reserves	(6.788)	23.150	78.084	75.213	85.432	100.876

For further improvement and to make a turn around in the company all possible professional efforts are being exercised to reduce costs under significant heads and to improve production efficiencies.

In order to reduce cost of electricity, which is a significant component of cost of production, we have installed our own Sui Gas Fired Power Generators. This investment will help the company to reduce its power cost by 30%. Similarly in order to improve production efficiencies, introduction of incentive schemes and production efficiency award system will bring positive results.



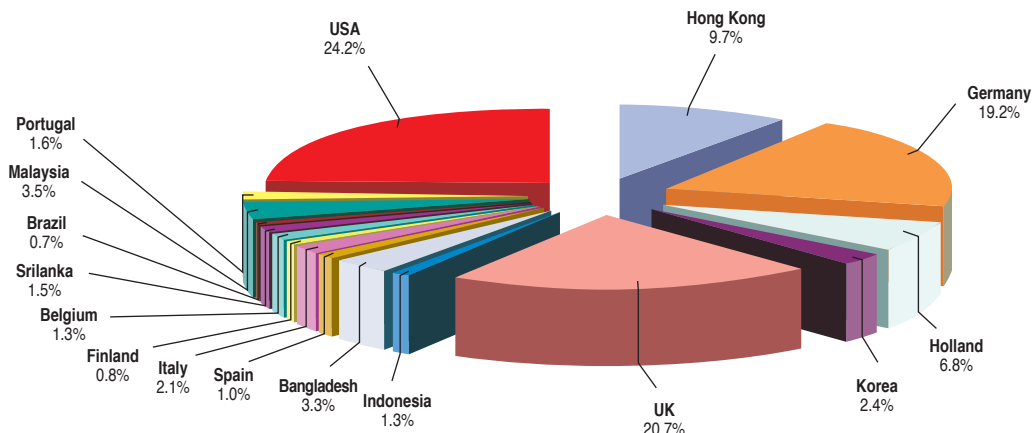


MARKETING STRATEGY & FUTURE PROSPECTS

As expected, after abolition of quotas from January 2005, there began an unhealthy price war. To confront this situation it was planned to divert our production of wide width fabric to the local market where we could get better price parity as compared to the export market. This strategy helped us in avoiding any possible hit from the export market during the said period. Though this strategy was financially viable, it deteriorated our export to local sales composition to 57:43 as compared to 81:19 from previous year. As a result of a protective reaction from the West, this is proving to be a temporary phase and the Company is expecting to return to its previous trend of 100% export. This will help the Company to avail its major portion of working capital financing under FE-25 scheme of State Bank of Pakistan, thereby reducing its financial cost by 50%. Besides this Samin's strategy to aim for niche markets and high-end products has proven successful giving Samin a customised range of top quality products. Our international customers are specially attracted to strict quality standards adopted by Samin, and importance given to international certifications.

In the financial year 2005-2006 Samin expects to develop strategic relations with top rated end users resulting in healthy profits for the Company. To compete in commodity items Samin has undergone a process of determining and eradicating inefficiencies, as well as cutting down all un-necessary expenditures. Furthermore a Balancing, Modernization & Restructuring (BMR) exercise is currently underway to equip the Company with the latest machinery, so that Samin can maintain a competitive edge in the market.

Exports to Different Countries



SPONSORS' LOAN / SHARE DEPOSIT MONEY

	2005	2004	2003	2002	2001	2000
i) Share Deposit Money	-	-	-	22.000	22.000	22.000
ii) Sponsors' loan	133.072	105.272	97.912	70.912	15.912	16.818
Total	133.072	105.272	97.912	99.912	37.912	38.818

To improve liquidity and to provide equity for setting up Gas Fired Power Project, the sponsors have further injected an amount of Rs. 27.800 (Million) in the company. For the purpose of offsetting the increasing cost of financing from financial institutions, the sponsors have agreed not to charge any mark-up on their amount of loans.

INVESTMENTS

At the close of financial year under review company's investments were as under:-

S. #	Name of the Company	No. of Shares	Average Cost Per Share	Total Amount
1.	Kohinoor Weaving Mills Limited	664,350	32.4528	21,560,000
2.	Security General Insurance Co. Limited	2,437,541	6.1537	15,000,000
				36,560,000

Since the company had decided to set up its own Gas Fired Power House to be self sufficient in its Power requirements, therefore, investment in Kohinoor Weaving Mills Ltd., has been redeemed in the subsequent period @ Rs. 34.60 per share in order to provide equity for power project.

Investment in security General Insurance Co. has proved to be a lucrative investment as in addition to dividend, the break up value of its share has increased many fold.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors of Samin Textiles and its management are fully conversant with its responsibilities as formulated in Code of Corporate Governance as incorporated in the listing regulations of stock exchanges issued by the SECP. The prescribed practices are effectively under implementation in the company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The statements as required by the Code of Corporate Governance are given below:

1. PRESENTATION OF FINANCIAL STATEMENT

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

2. BOOKS OF ACCOUNTS

The company has maintained proper books of Accounts.

3. ACCOUNTING POLICIES

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

4. INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

5. ACCOUNTING YEAR

The accounting year has been changed from 1st October ~ 30th September to 1st July ~ 30th June.

6. AUDIT COMMITTEE

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following directors are its members:

Mr. Jamil Masud	Chairman
Mr. Tariq Jillani	Member
Mr. Asad Ahmad Jan	Member
Miss Saila Saddique	Secretary

7. SAFETY AND ENVIRONMENTS

The company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly policies.

8. GOING CONCERN

There is no significant doubt upon the company's ability to continue as a going concern.

9. INTERNAL CONTROL SYSTEM

Their system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.

10. TRADING COMPANY'S SHARES

Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transaction of company's shares during the year.

11. OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in note No. 30 to the Accounts.

12. DIVIDEND

Because of inadequate profits as explained in Directors' Report, dividend is not applicable.

13. QUALITY CONTROL

To ensure implementation of the Management System, Internal Quality Audits, Surveillance audits and Management review meetings are conducted regularly.

14. COMMUNICATION

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and freely ask questions about the company operations at the Annual General Meeting.



15. BOARD MEETINGS

During the period under review, five meetings of Board of Directors were held and the attendance of Directors was as under:-

Mr.Sarmad Amin	05 Nos.
Mr. Ammir Fayyaz Sheikh	03 Nos.
Mr. Asad Fayyaz Sheikh	03 Nos.
Mr. Daniyal B. Ali.	04 Nos.
Mr. Safder Hussain Tariq	05 Nos.
Mr. Nadeem Saeed	03 No.s
Mr. Tariq Jillani	02 No.s
Mr. Bunyad Hussain Shah	02 No.s
Mr. Asad Ahmad Jan	02 Nos.

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations.)

16. AUDITORS

The Auditors of the Company shall be appointed in the forthcoming AGM for the next year 2005-06 and fix their remuneration.

17. STAFF RETIREMENT BENEFITS

The Company is operating a provident fund scheme for its employees, which is kept in a separate PLS bank account. The balance of Provident Fund Account as at June 30, 2005 was Rs.5,340,567.

ACKNOWLEDGEMENT

We also take opportunity to record our thanks to our bankers for their valued support and a note of appreciation for the devotion and hard work of all the employees of the company.

Lahore:
September 29, 2005



A Brief About Samin's Energy

Since year 1996 the power needs of Samin were being catered to by Kohinoor Weaving Mills Limited (Power Division). The Company was getting electricity at a rate which was 10% lower than Wapda's Tariff B-3, But subsequently due to enforcement of NEPRA rules, the said discount of 10% was abolished and the electricity cost was directly linked with Wapda's Tariff B-3.

Over the years Wapda's cost of generation had been increasing rapidly and so did the tariff B-3. In an effort to reduce our cost of production it was decided to be self-sufficient by putting up Samin's own Gas Fired Power Generators.

For this purpose the company engaged M/s Power Systems Engineering & Services as consultants for selection of machinery and supervision of installation / commissioning of the project.

After careful study of statistical data available of different brands of Gas Generators installed in the country it was decided to purchase M/s GE Jenbacher gas engines of Austria. Feasibility study of various brands of machines revealed that Jenbacher engines give better performance in the areas of Gas, lube oil consumption and routine maintenance / overhauling etc. Moreover, according to our evaluation these engines were best suited for Pakistani environmental and ambient conditions.

Moreover, in our effort to further reduce our costs by recovering waste heat from these gas generators we decided to install two Duplex Type Waste Heat Recovery Boilers (WHRB) to generate steam for our sizing process. The rated capacity of each of these duplex type boilers is 1600 Kgs of steam per hour at full load, which gives us a total capacity of 3200 Kgs of steam at substantially lower costs while improving the efficiency of our power generation.

M/s Pak Kuwait Investment Co (Pvt.) Ltd. provided financing for the cost of generators and L/C was opened by Allied Bank Ltd. in December 2004. The rest of the activity such as building and civil work, arrival of machinery, erection/installation, gas connection were completed in a record time of six months and the engines were commissioned on 20th June 2005. The break-down of project cost and list of machinery is as under:-

A) COST OF THE PROJECT

Description	Amount (Rupees)
• Building & Civil Works	7,297,000
• Machinery	
- Imported	66,464,000
- Local	45,500,000
	111,964,000
• Custom Duty 5%	3,356,764
• Importation Costs	1,993,920
• Mark up during Construction	2,612,494
• Vehicles	1,000,000
• Initial Working Capital	1,500,000
Total Project Cost	129,724,178



B) LIST OF MACHINERY

Machinery	Quantity
<ul style="list-style-type: none"> Gas engines Jenbacher (Including display & distribution panels & all other incidental accessories). 	04 Nos.
<ul style="list-style-type: none"> Diesel Generators (For standby arrangement) 	03 Nos.
<ul style="list-style-type: none"> Cooling Towers 	04 Nos.
<ul style="list-style-type: none"> KSB Pumps 	05 Nos.
<ul style="list-style-type: none"> Waste Heat Recovery Boilers 	02 Nos.

The project has been completed in less than the budgeted cost of Rs. 129.724(M). The rates capacity of the installed four engines of 1.04 MW each is around 4 MW and presently they are catering our requirements by working at 82% capacity. The cost of electricity generation is 30% lower than the existing Wapda's Tariff B-3.



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH 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 **SAMIN TEXTILES LIMITED** to comply with the Listing Regulations of the Stock Exchanges in Pakistan 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 of the aspects of the Statement of Compliance with the best practices of Corporate Governance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance to the Code of Corporate Governance to the extent it is presently applicable in all material respects, with the best practices contained in the Code of Corporate Governance for the period ended June 30, 2005.



Lahore
September 29, 2005.


M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants



Company Information

Board of Directors

Mr. Sarmad Amin
Chairman/Chief Executive
Mr. Jamil Masud
Mr. Safder Hussain Tariq
Mr. Nadeem Saeed
Mr. Tariq Jilani
Mr. Bunyad Hussain Shah
Mr. Asad Ahmad Jan

Chief Financial Officer

Mr. Safder Hussain Tariq

Company Secretary

Mr. Safder Hussain Tariq

Chief Internal Auditor

Mr. Gohar Farooq

Auditors

M. Yousaf Adil Saleem & Company
Chartered Accountants

Legal Advisors

Imtiaz Siddiqui & Associates

Bankers

National Bank of Pakistan
Askari Commercial Bank Limited
Bank Alfalah Limited
PICIC Commercial Bank Limited
Habib Bank Limited
Pak-Kuwait Investment Co. Ltd.
National Bank Modaraba
Allied Bank Limited

Audit Committee

Mr. Jamil Masud
Chairman
Mr. Tariq Jilani
Member
Mr. Asad Ahmad Jan
Member
Miss Saila Siddique
Secretary

Share Registrars

Corplink (Pvt) Limited
Wings Arcade,
1-K, Commercial Model Town,
Lahore.
Tel: 042-5839182
Fax: 042-5869037

Registered/Head Office

50-C, Main Gulberg, Lahore.
Tel: 042-5753761
Fax: 042-5753688

Mills

8th Kilometer,
Mango-Raiwind Road,
District Kasur.
Tel: 0303-7356453
04591-392595-97
Fax: 04591-392592



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