AZAM TEXTILE MILLS LIMITED
Annual Reports 2003

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman / Chief Executive
Mr. M. Azam Saigol	
Mr. Shahid Sethi	
Mr. Muhammad Ilyas Bajwa	
Mr. Muhammad Asif Bajwa	
Mr. Saeed Mian Ansari	
Mr. Shahid Anwar	(NIT Nominee)

AUDITCOMMITTEE

Mr. M. Azam Saigol	Chairman/Member
Mr. Shahid Sethi	Member
Mr. Muhammad Asif Bajwa	Member

COMPANY SECRETARY
Mr. Sultan Ali

CHIEF FINANCIA1 OFFICER
Mr. Muhammad Shamil, ACA

AUDITORS
M/s Hameed Chaudhi i & Co.
Chartered Accountants

BANKERS
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Bank Alfalah Limited
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
National Bank of Pakistan
Union Bank Limited
United Bank Limited

REGISTEREDOFFICE
06-Egerton Road, Lahore
Tel: 6306130-9(10 Lines)
Fax 6568699 , E-mail shares@sargois.com

MILLS

51-KM.MultanRoad,
Bhai Pheru, District Kasur

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of Shareholders of Azam Textile Mills Limited will be held on Friday, January 30, 2004 at 10:30 A.M. at 06-Egerton Road, Lahore the Registered Office of the Company to transact the following business:-

1. To confirm the minutes of Sixteenth Annual General Meeting held on 31 March 2003.

2. To receive and adopt the Annual Audited Accouts for the year ended 30 September 2003 alongwith Directors and Auditors' Reports thereon.

3. To appoint M/s Manzoor Hussain Mir & Co. Chartered Accountants Lahore as Auditors of the Company to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Hameed Chaudhari & Co. Chartered Accountants Lahore the retiring Auditors of the Company are not eligible for re-appointment under the terms of code of coperate Governance

4. Any other business with the permission of the Chair.

By Order of the Board

LAHORE: JANUARY 09,2004 (Sultan Ali)

Company Secretary

Notes:

1. Share Transfer Books of the Company will remain closed from January 30, 2004 to February 05, 2004 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint another Member as his/her proxy. Pro:, es in order to he effective, must be received at 06-Egerton Road, Lahore, the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witne- >ed

3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or Passports along with their Account Numbers in Central Depository System for attending the

4. Members are requested to notify the Company change in their addresses, if any.

VISION

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by marketing high quality of yam through team work by means of honesty, integrity and commitment.

MISSION

To transform the Company into a modern and dynamic Yam manufacturing Company and to provide quality products to customers and explore new markets to promote / expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company.

DIRECTORS' REPORT

Your directors take this opportunity to present before you the Annual Report and Financial Statements of the Company for the Year ended September 30,2003.

During the year under review Global economic and political conditions remain very fragile. First the SARS epidemic affected very badly the economic activity in our region and lately Iraq war further deteriorated the economic and political seence of the whole world. These factors also affected the economy of our Country which remained uncertain through out the year. Owing to the above situation textile exports faced unprecedented difficulties which directly hit back the price structure of domestic market, which remain depressed through out the year.

During the year under review the Company achieved sale of Rs. 735.957 million as compared to previous year sale of Rs. 540.799 million. The Company earned a Gross Profit of Rs. 5.364 million as compared to Rs. 38.688 million last year. The Company suffered pretax loss of Rs. 51.816 million as against pretax loss of Rs. 21.684 million last year.

The losses for the year are mainly attributed to consistent increase in prices of raw cotton through out the year which reached Rs. 2,700 per maund level during the year. These were further affected by depressed yarn prices in International as well as local yarn market. We were further affected by the higher mark up rates charged by the Financial Institutions as compared to the rates with others charged as a whole during the year.

Despite of the unfavorable operational results management of your Company is trying its best and is able to renegotiate rates of markup with National Bank of Pakistan on working capital limits from 12% to 8% per annum effective from July 2003. Negotiation for further reduction in mark up is in process.

In addition to this we have totally revamped the Production pattern of our Company and started the production of Super Fine Count ranging from 52/1 to 80/1 count yarn instead of conventional count of 20/1 and 30/1. By the Grace of Almighty Allah we have achieved Cash break even during the first quarter of year 2003-2004 due to this change and we hope that in coming days we will be able to earn profits.

The following note wise comments are offered on the Auditors observation as contained in their report.

2.4) The Company operates an unfunded gratuity scheme covering all its permanent employees who attained

the minimum qualifying period. Provision is being made on fair estimation based on Company's Policy.
8.1,

8. 2& 8.3) Due to acute liquidity crunch the Company was not able to service these Govt. levies on timely basis. As the liquidity position of the Company is improved in the subsequent period, efforts are being made to clear these dues on timely basis in order to avoid additional charges.

9.8) In accordance with Company Policies consistently applied over the years, we have not accounted for

deferred tax liability.

15.1) These balances are recoverable against pending final settlement of concerned employee's.

15.2) Efforts are being made to recover these outstanding balances and we hope that bulk of these balances will be recovered soon, the remaining balance if any will be written off subsequently.

The Auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and are not being eligible for reappointment as per requirements of Statutory Regulation No.XII of Code of Corporate Governance.

The Board proposes the name of M/s Manzoor Hussain Mir & Co. Chartered Accountants for the appointment of auditors of the Company for the year 2003-2004.

The Directors state that:-

The Financial Statements prepared by the Management present a true and fair state of affairs of the Company, the results of its operations, cash flow and changes in equity.

Proper Books of Accounts have been maintained.

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

International Accounting Standards as applicable in Pakistan have been followed in preparation of Financial Statements except I AS 19.

The system of Internal Control is sound in design and has been effectively implemented and monitored.
There are no significant doubts upon Company's ability to continue as a going concern.

There has been no material departure from best practices of Corporate Governance as detailed in the listing regulations.
Significant deviation from last year in operating results of the Company and reasons thereof have been explained.

The key operating and financial date for the last six years is annexed to the Director's Report.

There are no outstanding statutory payments on account of taxes, duties, levies and charges except as shown in notes to the accounts.

There are no significant plans for corporate restructuring, business expansion and discontinuation of operations except for improvement in the normal business activities to increase the business.

The labour management relations remained cordial. Due to adoption of strict safety measures no significant accident was happened during the year.

We have takes all steps to ensure safe and healthy environment of our plant and are around.

Directors meetings of the Board of Directors of the Company during the year under review were four held on December 31,2003, January 31,2003, May 31,2003 and July 31,2003. Following was the attendance of the Directors:-

NAMEOFDIRECTOR	NO. OFMEETINGS ATTENDED
Mr. M. Naseem Saigol	4
Mr. M. Azam Saigol	4
Mr. Shwhid Sethi	3
Mr. Muhammad llyas Bajwa	2
Mr. Muhammad Asif Bajwa	1
Mr. Saeed Mian Ansari	1
Mr. Muhammad Ayub (Registered on July 03, 2003) (NIT Nominee)	2
Mr. Shahid Anwar (Appointed on July 03, 2003) (NIT Nominee)	-

During the year under review Mr. Muhammad Ayub (NIT Nominee) resigned and in his place NIT Nominee Mr. Shahid Anwar was appointed as Director of the Company. We wish to place on record our appreciation to the outgoing Director.

During the period under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in shares of the Company.

PATTERN OF SHAREHOLDING

A statement-showing pattern of shareholding as on September 30, 2003 is annexed.

ACKNOWLEDGMENT

We wish to thank to our banks and shareholders for their continued support and confidence on the Company. We are pleased to record our appreciation of the services rendered by the employees of the Company and hope that the same

KEY OPERATING AND FINANCIAL DATA

Particulars	2003 (,000)	2002 (,000)	2001 (,000)	2000 (,000)	1999 (,000)	1998 (,000)
Sales - Net	735,957	540,799	586,711	561,915	636,579	510,627
Gross Profit	5,364	38,688	36,356	115,772	45,098	46,124
Profit/(Loss) Before Tax	-51,816	-21,342	-38,806	35,991	-27,023	-21,742
Profit/(Loss) After Tax	-55,599	-22,365	-28,057	33,136	-30,157	-23,899
Share Capital	132,750	132,750	132,750	132,750	132,750	132,750
Shareholders Equity	-89,268	-92,275	(69,91 1)	-41,854	-71,762	-41,605
Fixed Assets - Net	426,680	449,670	466,758	486,814	519,067	209,398
Total Assets	756,492	757,195	750,788	746,046	752,865	431,750
Bank Borrowings	219,521	238,056	232,271	210,628	315,081	271,759
RATIOS						
Profitability:						
Gross Profit Margin	0.73	7.15	620	20.6	7.08	9.03
Profit/(Loss) After Tax	-7.55	-4.14	-4.78	5.9	-4.74	-4.68
(Loss) / Earning Per Share - Rs.	-4.19	-1.68	-2.11	2.5	-2.27	-1.8
Activity:						
Sales to Fixed Assets - Times	1.72	120	126	1.15	1.23	2.44
Liquidity:						
Current Ratio - Times	0.66	0.89	1.03	0.84	0.76	0.76
Break Up Value Per Share - Rs.	-6.72	-6.95	-527	-3.15	-5.41	-3.13

STATEMENT OF COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

The Board of Directors of the Company are pleased to state that we have adopted the Code of Corporate Governance and all the necessary action have been taken for all applicable and relevant clauses and the Board agrees to take care of the remaining clauses as and when applicable.

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 AZAM TEXTILE MILLS LIMITED to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of Listing Regulations of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited 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 Statemen* 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, except for the qualifications / observations mentioned in our report to the members of the Company and the extent to which these may affect the Company's compliance with the Code 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, in all material respects, with the best practices contained in the Code of Corporate Governance.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AZAM TEXTILE MILLS LIMITED as at 30 September, 2003 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, except for the contents of note 2.4(b) and 9.8 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, except for the contents of notes 8.1, 8.2, 8.3, 15.1 and 15.2 and the extent to which these may affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2003 and of the loss, its cash flows and changes in equity for the year then ended; and

4d)— in our opinion, no zakat_was_ deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we wish to draw attention to note 1.2 which explains the reasons for preparation of annexed financial statements, on the going concern basis.

LAHORE: JANUARY 09,2004 HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.

BALANCE SHEET
AS AT 30 SEPTEMBER, 2003

	Note	2003 Rupees	2002 Rupees
SHARE CAPITAL			
Authorized:			
15, 000,000 ordinary shares of Rs. 1 0/- each		150,000,000	150,000,000
Issued, subscribed and paid-up	3	132,750,000	132,750,000
Accumulated Loss		-222,018,169	-225,025,432
		-89,268,169	-92,275,432
SURPLUS ON REVALUATION OF FIXED ASSETS	4	255,132,835	313,738,780
LONG TERM FINANCES	5	94,985,000	126,418,000
LONG TERM LOANS	6	41,329,697	41,329,697
DEFERRED LIABILITY FOR GRATUITY		5,089,322	4,631,414
CURRENT LIABILITIES			
Overdue mark-up on long term finances	5.6	8,560,610	13,278,154
Current portion of long term finances	5	37,919,002	24,903,952
Short term finances	7	78,055,747	73,456,843
Creditors, accruals and other liabilities	8	126,530,922	82,512,393
Provision for taxation	9	13,283,513	12,234,600
Unclaimed dividend		102,700	102,700
		264,452,494	206,488,642
CONTINGENCIES AND COMMITMENTS	10		
		571,721,179	600,331,101

	Note	2003 Rupees	2002 Rupees
OPERATING FIXED ASSETS	11	426,679,900	449,670,236
SECURITY DEPOSITS		317,060	167,060
CURRENT ASSETS			
Stores, spares and loose tools	12	5,421,791	5,781,214
Stock-in-trade	13	70,578,000	66,373,000
Trade debtors	14	10,300,341	18,855,423
Advances, deposits, prepayments and other receivables	15	57,390,140	55,551,301
Cash and bank balances	16	1,033,947	3,932,867
		144,724,219	150,493,805
—		571,721,179	600,331,101

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	2003	2002
	Rupees	Rupees
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 'A')	36,295,807	33,577,544
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances repaid	-18,417,950	-35,454,048
Short term finances - net	4,598,904	23,206,088
Financial charges paid	-26,012,531	-11,520,928
Dividend paid	-	-7,487
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	-39,831,577	-23,776,375
CASH FLOW FROM INVESTING ACTIVITIES		
Tangible fixed assets acquired	-3,083,150	-8,519,865
Sale proceeds of operating fixed assets	3,720,000	1,454,295
NET CASH IN FLOW /(OUTFLOW) FROM INVESTING ACTIVITIES	636,850	-7,065,570
NET (DECREASEyiNCREASE IN CASH AND CASH EQUIVALENTS	-2,898,920	2,735,599
CASH AND CASH EQUIVALENTS- At the beginning of the year	3,932,867	1,197,268
CASH AND CASH EQUIVALENTS- At the end of the year	1,033,947	3,932,867

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

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

NOTE 'A'

CASH FLOW FROM OPERATING ACTIVITIES	2003	2002
	Rupees	Rupees
Loss for the year - before taxation and extraordinary item	-51,815,642	-21,683,562
Adjustments for:		
Depreciation	22,670,738	24,067,158
Provision for gratuity - net	457,908	1,439,935
(Profit)/Loss on sale of fixed assets	-317,252	85,832
Financial charges	32,705,108	31,332,721
Balances written-off	-	465,000
Deferred costs amortized	-	120,597
CASH INFLOW FROM OPERATING ACTIVITIES - Before working capital changes	3,700,860	35,827,681
Decrease / (increase) in current assets		
Stores, spares and loose tools	359,423	106,931
Stock-in-trade	-4,205,000	-21,377,000
Trade debtors	8,555,082	-904,770
Advances, deposits, prepayments and other receivables excluding income taxes	261,318	-35,826
Increase in creditors, accruals and other liabilities	32,608,408	22,538,863
	37,579,231	368,198
CASH INFLOW FROM OPERATING ACTIVITIES - before taxation	41,280,091	36,195,879
Taxes paid	-4,834,284	-2,618,335
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,445,807	33,577,544
Increase in security deposits	-150,000	-

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Share Capital	Accumulated Loss	Total
		Rupees	
Balance as at 30 September, 2001	132,750,000	-202,660,646	-69,910,646
Loss for the year ended 30 September, 2002	-	-22,706,348	-22,706,348
Transfer from surplus on revaluation of fixed assets on disposal of revalued fixed assets	-	341,562	341,562
Balance as at 30 September, 2002	132,750,000	-225,025,432	-92,275,432
Eoss for the year ended 30 September, 2003	-	-55,598,682	-55,598,682
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for:			

-prior years	-	45,338,804	45,338,804
-current year	-	13,267,141	13,267,141
Balance as at 30 September, 2003	132,750,000	-222,018,169	-89,268,169

The annexed notes from an integral part of these financial staements.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2003

1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated on 10 March, 1987 as a Public Company and its shares are quoted on Stock Exchanges in Pakistan. The Company is principally engaged in manufacture and sale of yarn.

1.2 Basis of accounting

The Company has been suffering losses and its accumulated losses aggregated Rs.222.018 million as on the balance sheet date and as of that date current liabilities of the Company exceeded its current assets by Rs.81.809 million. However, inspite of the negative equity, the Company has fully paid the overdue portion of DF-I outstanding as at September, 2003 by 31 December, 2003.

These financial statements, however, have been prepared on the 'going concern basis' on the assumptions that the Company will achieve satisfactory levels of profitability in the foreseeable future based on the plans drawn by the management for this purpose and will have the required continued financial support from the Sponsors, Associated Companies and the Company's Bankers. Mark-up rates on long term and short term finances have also been reduced during the current year. Consequently, these financial statements do not include any adjustment relating to realisation of the Company's assets and liquidation of its liabilities that might be necessary should the Company be unable to continue as a 'going concern'.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements, except for I AS 19 - Employee Benefits (note 2.4(b)), IAS 39 Financial Instruments: Recognition and Measurement (note 6.2) and IAS 12 - Income Taxes (note 9.8), 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 as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.3;

- exchange risk coverage fee adjustments capitalised as part of plant and machinery.

2.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except foreign exchange forward contracts, which are translated at the contracted rates.Exchange fluctuations and exchange risk coverage fee on principal loans are capitalised as part of the cost of plant and machinery acquired out of the proceeds of such loans.

All other exchange fluctuations are taken to profit and loss account.

2.4 Staff retirement benefits

(a) The Company operates an un-funded gratuity scheme for its eligible employees. Provision is made annually to cover the obligation under the scheme.

(b) Actuarial valuation of the gratuity scheme as required by I AS-19 has not been carried-out so far. Disclosures / related adjustments as required by I AS-19, therefore, have not been included in these financial statements.

2.5 Taxation

Current:

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

Deferred:

Deferred tax liability as required by IAS-12 has not been accounted for. Disclosures / related adjustments as required by IAS-12, therefore, have not been included in these financial statements (note 9.8).

2.6 Tangible fixed assets and depreciation thereon

Freehold land is stated at revalued amount. Buildings on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation. Other operating fixed assets are stated at cost less accumulated depreciation. Capital work-in-progress is stated at cost. The cost of some items of plant & machinery also include exchange risk coverage fee and exchange fluctuations on foreign currency loans capitalised during prior years .

Depreciation is charged to income applying reducing balance method to write-off the cost/revalued amounts, capitalised exchange risk coverage fee and exchange fluctuations over estimated remaining useful life of assets. Current rates of depreciation are stated in note 11. No depreciation is provided on assets in the year of disposal/retirement whereas full year's depreciation is charged in the year of purchase/commercial operations.

Gain / loss on disposal of fixed assets is taken to profit and loss account.

Normal repairs and maintenance are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced are retired.

2.7 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

2.9 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit, which are valued at cost accumulated to ' the balance sheet date.

2.10 Stock-in-trade

Rasis nf valuation are as follows:

Particulars	Mode of valuation
Raw materials	- At lower of annua value.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net releasible value.
Waste	- At releasible value.
Purchased yarn	-At cost (FIFO).

- Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

- Net releasible value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

2.11 Trade debtors

Trade debtors are carried at original invoice amount less an estimate for doubtful debtors based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

2.12 Revenue recognition

- Local sales are recorded when goods are delivered to customers and invoices raised.

- Export sales are booked on shipment basis.

- Export rebate is accounted for on accrual basis.

2.13 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

2.14 Provisions

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

2.15 Financial assets and liabilities

Financial assets

The Company's principal financial assets are security deposits, trade debtors, deposits and other receivables and cash & bank balances.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term finances, long term loans, short term loans, bank overdraft, creditors & other liabilities and dividend payable. These are stated at nominal value.

2.16 Offsetting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a

legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances at banks.

2.18 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

i. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		2003 Rupees	2002 Rupees
8,850,937	ordinary shares of Rs. 10 each issued for cash	88,509,370	88,509,370
4,424,063	ordinary shares of Rs. 10 each		
issued by	conversion of sponsors' loans	44,240,630	44,240,630
13,275,000		132,750,000	132,750,000

3.1 No shares were held by the Associated Undertakings as.at 30 September, 2003 (2002:Nil).

4. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as at 0 1 October,	313,738,780	314,080,342
Less: Transferred to accumulated loss on account of incremental depreciation charged in:		
-prior years'	45,338,804	-
current year	13,267,141	-
	58,605,945	-
	255,132,835	314,080,342
Less: Transferred to accumulated loss on account of surplus realised on disposal of revalued assets	-	341,562
	255,132,835	313,738,780

4.1 In accordance with the amendment introduced in section 235 of the Companies Ordinance, 1984 through the Companies (Amendment) Ordinance, 2002 and subsequent notification of SECP, amount equal to incremental depreciation for the year and incremental depreciation charged in prior years have been transferred to accumulated loss to record realisation of surplus to the extent of incremental depreciation charged.

4.2 Refer contents of note 11.1.

	2003	2002
5. LONG TERM FINANCES - Secured	Rupees	Rupees
National Bank of Pakistan (NBP)		
Restructured / rescheduled finances:		
- Demand finance - 1 (DF - 1) - mark-up bearing	110,790,000	120,690,000
- Demand finance - II (DF - II) - frozen mark-up	22,114,002	30,631,952
	132,904,002	151,321,952
Less: Current portion grouped under current liabilities		
- Instalments overdue		
-DF-I	7,500,000	-
-DF-II	-	1,519,952
- Instalments due within following twelve months		
-DF-I	18,000,000	17,400,000
-DF-II	12,419,002	5,984,000
	37,919,002	24,903,952
	94,985,000	126,418,000

5.1 These demand finances had been obtained for repayment of short term finances. NBP, during the year ended 30 September, 1999, restructured / rescheduled these finances as follows:

(a) Mark-up accrued during 1996-97 amounting Rs.34.790 million, which was deferred in 1996-97 and fell due for payment in 1998-99 was capitalised in the principal of Rs.85 million thus making the total liability to Rs. 119.790 million.

(b) Another long term demand finance was created by transfer of Rs.30 million from short term finances. Originally, this long term finance was repayable in four equal half-yearly instalments of Rs.7.5 million commencing September, 1999.

These demand finances, during the preceding year, were restructured and repayment terms were also rescheduled as detailed in note 5.2.

5.2 NBP, superseding all the previous rescheduling / restructuring arrangements vide its letter no. MB:CR:CF:/3412 dated 28 December, 2001, restructured / rescheduled the outstanding liabilities as stated in note 5.1 with the cut-off date of 31 December,2001 as detailed below:

(a) The liabilities stated in note 5.1 (a) and (b) were clubbed and a demand finance of Rs. 134.790 million was created as DF-I. The balance of this DF-I as at 30 September, 2001 was arrived at as follows:
Liabilities outstanding as at 30 September, 2000 of:

	Rupees
Uld Dh - 1	1 1 9,790,000
Old DF-II	11,500,000
	131,290,000

Add:

Instalment of old DF-I adjusted against short term finances	2,500,000
Instalment of principal portion of old DF-II adjusted against mark-up of old DF-II	1,000,000
	3,500,000
Total restructured liability of DF-I (mark-up bearing)	
	134,790,000

(b) Mark-up outstanding as at 31 December, 2001 on old DF -I and old DF-H aggregating Rs. 51.986 million -,vas restructured / rescheduled as DF-II; the balance of which as at 30 September, 2001 was arrived at as follows:
Mark-up accrued upto 30 September, 2000 on:

	Rupees
Old DF-I	30,997,615
Old DF-II	4,695,044
	35,692,659
Add: Mark-up accrued upto 3 1 December, 200 1 at the mark-up rates ranging form 16% to 17.89% per annum approximately	33,152,903
	68,845,562
Less: Instalment towards principal portion of old DF - II adjusted against mark-up of old DF-II	1,000,000
Total mark-up waived-offby NBP	15,859,562
	16,859,562
Total restructured liability of DF - II (frozen mark-up)	51,986,000
Less: Mark-up expense pertaining to the year ending on 30 September, 2002	4,756,425
Balance as at 30 September, 2001	47,229,575

(c) NBP, during the year ended 30 September, 2001, reduced mark-up rate to 14% per annum from 16% to 17.89% per annum with effect from 01 January, 2000 which resulted in waiver in mark-up liability amounting Rs.15,859,56?.Waiver in mark-up liabi% amounting Rs. 14,082,348 was accounted for in the accounts for the year ended 30 September, 2001 as an Extraordinary Item whereas balance of Rs. 1,777,214 was accounted for during the preceding year accordingly.

5.3 The rescheduled / restructured finances were repayable in seventy (70) monthly instalments of Rs.3.300 million each commencing January, 2002 in the following manner:

- Rs. 1.500 million towards DF-I

- Rs. 1.800 million towards DF-II and mark-up of DF-I

NBP, during the current year, reduced mark-up rate of DF-I from 14% to SBP discount rate plus 1.5% with floor of 9% per annum and issued a revised repayment schedule in which the number of monthly instalments have been reduced to sixty six (66).

5.4 These finances are secured against first charge (5% registered and 95% equitable mortgage) for aggregate restructured debt on fixed assets of the Company duly registered with Registrar of the Securities and Exchange Commission of Pakistan (SECP), first charge on stock-in-trade, book debts and other assets of the Company duly registered with SECP, demand promissory note executed by the Company and personal

(a) The directors' loans to the Company shall be sub-ordinated to NBP's loan and shall not be with-drawn till adjustment of total liabilities.

(b) The Company has undertaken not to change its corporate structure without the approval of NBP. Failure to comply with the terms of restructuring / rescheduling will entitle NBP to withdraw the financial relief provided and also to initiate the legal steps for recovery of total liabilities.

5.6 The Company, during the year, has repaid Rs.27.955 million on account of DF-II and mark-up of DF-

I. However, it adjusted Rs. 8.518 million against principal portion of DF-II and Rs. 19.437 million against mark-up of DF-I. Hence, overdue mark-up of DF-I, for the current year, amounted Rs.8.651 million (2002: Rs. 13.278 million). However, the Company has repaid overdue mark-up of Rs.6.974 million subsequent to the balance sheet date.

6. LONG TERM LOANS - Unsecured

6.1 These represent interest-free loans provided by the Company's Chief Executive and a Director. These loans, however, are being considered by the Company's management as long term.

6.2 The amortisation adjustments, as required by IAS 39 (Financial Instruments: Recognition and Measure ment) in respect of these loans have not been made in these financial statements as the terms of these loans have not yet been finalised and reason stated in note 5.5(a).

	Note	2003 Rupees	2002 Rupees
7. SHORT TERM FINANCES			
Cash, running, morabaha finances and export refinances - secured	7.1	77,656,085	73,434,331
Temporary bank overdraft - unsecured	7.2	399,662	22,512
		78,055,747	73,456,843

7.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.212.500 million (2002:Rs.205.000 million) of which facilities aggregating Rs. 134.844 million (2002: Rs. 131.566 million) remained unutilised at the year-end. These facilities carry mark-up at the rates ranging from Re.0.22 to Re.0.47 per thousand Rupees per day. Facilities available for opening letters of credit amount to Rs.20.00 million (2002:Rs.5.00 million) as sub-limit of cash finance facility of Rs. 150.00 million. These facilities are secured against first equitable mortgage charge on present and future fixed assets, first registered charge on stock-in-trade, book debts and other assets of the Company, collateral securities in the form of associated companies' shares owned by the directors and shareholders, pledge / hypothecation of stock-in-trade, personal guarantees of the sponsoring directors and some of the shareholders and trust receipts. These facilities are expiring on various dates by 31 May, 2004

7.2 This has arisen due to issuance of cheques for amounts in excess of balances at bank accounts.

	Note	2003	2002
8. CREDITORS, ACCRUALS AND OTHER LIABILITIES			
Due to an Associated Undertaking:			
- Saritow Spinning Mills Limited		10,173,850	20,437,211
Creditors		17,582,499	25,319,592
Accrued expenses		9,722,200	7,740,927
Advance payments		1,463,535	282,778
Security deposits		20,000	10,000
Mark-up on short term finances		11,410,121	-
Sales tax payable - net of refundable	8.1 & 8.2	63,127,763	18,767,292
Tax deducted at source	8.3	12,374,133	9,566,173
Others		656,821	388,420
		126,530,922	82,512,393

8.1 The Company has not deposited sales tax aggregating Rs. 109.061 million on cotton purchases pertaining to current and prior years in contravention of Special Procedure for Ginning Industry Rules, 1996 of the Sales Tax Act, 1990.

8.2 The Company has claimed sales tax aggregating Rs. 45.468 million in contravention of Section 7 of the Sales Tax Act, 1990.

8.3 This was not deposited in the Government Treasury as required by the Income Tax Rules. Further, additional tax as required by section 86 of the repealed Income Tax Ordinance, 1979 and section 205 of the Income Tax Ordinance, 2001 has neither been worked-out nor provided for in these financial statements.

The Company had filed a petition in the Lahore High Court under section 47 of the Sales Tax Act, 1990 against the said demand. The Court, vide its order dated 28 July, 2003 decided the case in favour of the Company and set aside the demand raised by the Tribunal. The amount deposited has been accounted for as 'sales tax refundable (note 15)'.

10.3 Commitments for irrevocable letters of credit outstanding as at 30 September, 2003 were forNil (2002:Rs.8.700 million).

10.4 Foreign bills discounted by the Company from one of its banks outstanding as at 30 September, 2003 were forNil (2002:Rs.9.851 million).

10.5 Refer Contents of Note 9.5

II. OPERATING FIXED ASSETS-Tangilbe

COST / REVALUATION	DEPRECIATION	
		Net Book

PARTICULARS	As at 30 September, 2002	Additions	Disposals	As at 30 September, 2003		To 30 September, 2002	For the year	On Disposals	To 30 September, 2003	at 30 September 2003
-Cost	4,018,835		-	4,018,835		.		.		4,018,835
- Revaluation	3,057,165		-	3,057,165		-				3,057,165
	7,076,000		-	7,076,000		-		-		7,076,000
Buildings on										
-Cost	59,487,353		-	59,487,353	5	39,289,192	1,009,908	-	40,299,100	19,188,253
- Revaluation	22,777,564		-	22,777,564	5	4,276,488	925,054	-	5,201,542	17,576,022
	82,264,917		-	82,264,917		43,565,680	1,934,962	-	45,500,642	36,764,275
- Cost	365,418,508	3,000,000	3,000,000	365,418,508	5	215,572,400	7,492,305	-	223,064,705	142,353,803
- Revaluation	287,904,051			287,904,051	5	41,062,316	12,342,08"	-	53,404,403	234,499,648
	653,322,559	3,000,000	3,000,000	653,322,559		256,634,716	19,834,392	-	276,469,108	376,853,451
Generator and pumps	1,311,014		-	1,311,014	10	971,007	34,001	-	1,005,008	306,006
furniture and fixtures	4,207,757	47,700		4,255,457	10	2,387,937	186,752	-	2,574,689	1,680,768
Office equipment	4,518,118	35,450	-	4,553,568	10	2,014,035	253,953	-	2,267,988	2,285,580
Vehicles	4,455,919		786,617	3,669,302	20	1,926,893	425,256	383,869	1,968,280	1,701,022
Arms	38,820		-	38,820	10	24,600	1,422	_	26,022	12,798
2003 Rupees	757,195,104	3,083,150	3,786,617	756,491,637		307,524,868	22,670,738	383,869	329,811,737	426,679,900
2002 Rupees	750,787,953	8,519,865	2,112,714	757,195,104		284,030,297	24,067,158	572,587	307,524,868	449,670,236

September, 1999. The revaluation exercise was carried-out by the Independent Valuers - Razzaque Umerani & Co., Lahore - and certified by M. Yousuf Adil Saleem & Co., Chartered Accountants, Lahore, vide their certificate dated 04 October, 1999. The revaluation exercise was carried-out to replace the carrying amounts of assets with the market value / depreciated market value. Surplus arisen on revaluation of fixed'assets as at 30 September. 1999 aggregating Rs.319.233 million was credited to 'Surplus on Revaluation of Fixed Assets account' (note 4) to comply with the requirements of section 235 of the Companies Ordinance, 1984

11.2 The Company, during the year ended 30 September, 1998, revised depreciation rate of plant & machinery from 10% to 5% per annum. The revision in depreciation rate has been effected keeping in consideration the good condition of plant & machinery and the fact that no major replacements to plant & machinery are anticipated in the foreseeable future. The Company during the year ended 30 September, 1999 in this regard has also obtained an evaluation Report prepared by the independent evaluators

	2003 Rupees	2002 Rupees
9. PROVISION FOR TAXATION - Net		
Opening balance	12,234,600	9,434,600
Provision made during the year		
- Current year	3,716,000	2,800,000
- Prior year	67,040	-
	3,783,040	2,800,000
	16,017,640	12,234,600
Payments/adjustments against completed assessments	2,734,127	-
	13,283,513	12,234,600

9.1 Income tax assessments of the Company have been completed upto the Income Year ended 30 September, 1999 (Assessment Year 2000-0 1). The Company has filed an appeal before the CIT(A) against the assess ment order passed by the assessing officer, which is pending adjudication.

9.2 The Income Tax Appellate Tribunal (ITAT), Lahore, vide its order dated 1 2 November, 2003, dismissed the appeals filed by the Tax Department for the assessment years 1 996-97 and 1 997-98 against the order passed by the Commissioner of Income Tax (Appeals) [CIT (A)]. Whereas the appeals filed by the Tax Department

for the assessment years 1998-99 and 1999-2000 against the order passed by the CIT(A) accepted by the ITAT.

9.3 The Additional Commissioner of Income Tax, during the year, raised a demand of Rs. 132,9 13 for the assessment year 1997-98 through assessment order under section 156 of th ; repealed Income Tax Ordi- nance, 1979 (the repealed Ordinance). The provision against the said demand has been made in these financial statements.

9.4 The Additional Commissioner of Income Tax, during the year, re-assessed taxable loss for the assessment year 1999-2000 through assessment order under section 221 of the Income Tax Ordinance, 2001. The Company has filed an appeal against the said order before the CIT(A), which is pending adjudiction.

9.5 The Company , during the preceding year, filed a writ petition in respect of assessment years 1995-96 & 1997-98 with Honourable Lahore High Court on a point of law that tax paid on export proceeds under section 80CC of the repealed Ordinance, should be adjusted against minimum tax payable on total turnover under section SOD of the repealed Ordinance. This appeal is pending for adjudication. The provision for expected tax liability has not been made in these financial statements as the Company's management expects a favourable outcome.

9.6 Provision made during the year represents minimum tax at the rate of 0.5% of the Company's turnover for the year under section 1 1 3 of the Income Tax Ordinance, 200 1 .

9.7 No numeric tax rate reconciliation is given in these financial statements as the Company is liable for minimum tax.

9.8 Deferred tax liability of the Company has been worked-out at Rs.92.455 million as at 30 September, 2003 .

12 (Income Taxes).

10. CONTINGENCIES AND COMMITMENTS

1 0.1 Counter guarantee issued by the Company to its banker outstanding as at 30 September, 2003 was for Nil (2002:Rs. 10,000).

10.2 Local sales for the accounting year 1 996-97 included goods sold to an Associated Undertaking for export. The Company treated these sales as zero rated and claimed the related input sales tax. The Customs, Excise and Sales Tax Appellate Tribunal, Lahore, (the Tribunal) vide its order dated 12 September, 2002 raised a demand of Rs. 16,144,412 in respect of input tax claimed. The Company deposited sales tax amounting Rs. 10.0 million against the said demand.

M/s Industrial Engineering concern, Mechanical Engineers, Lahore and certified by M/s Manzoor Hussain Mir & Associates (Pvt) Limited, Lahore vide their certificate dated 07 September, 1999.

11.3 The Company, during the year ended 30 September, 2001, also revised depreciation rate of buildings on freehold land from 10% to 5% per annum. The revision in depreciation rate has been effected keeping in consideration the good condition of buildings. The Company, during the preceding year, has obtained an Evaluation Certificate dated 28 December, 2001 from M/s Defence Architects & Associates, Lahore Cantt regarding the appropriateness of depreciation rate. However, the said depreciation rate is not consistent with the rate being applied by the Textile Sector.

11.4 Had the said revisions in depreciation rates (notes 11.2 and 11.3) not been made, loss for the year would have been higher by Rs. 14.267 million (2002: Rs. 17.060 million) and the net book value of fixed assets as at 30 September, 2003 would have been lower by Rs.89.286 million (2002:Rs.75.019 million).

	Note	2003 Rupees	2002 Rupees
11.5 Depreciation for the year has been allocated as follows:			
Cost of sales		22,103,970	23,465,479
Administrative expenses		566,768	601,679
		22,670,738	24,067,158

11.6 Disposal of operating fixed assets:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiations
Plant and machinery (2 simplex machines)	3,000,000	.	3,000,000	3,000,000	-	Cadoon Textile Mills Ltd., Gadoon Amazi, Industrial Estate, Distt. Swabi
Vehicles						
Honda City	786,617	383,869	402,748	720,000	317,252	Mr. Muhammad Naeem S/o Shiekh Sher Muhammad, H # 193-B, Shah Jamal Colony Lahore.
Rupees	3,786,617	383,869	3,402,748	3,720,000	317,252	

1 2 . STORES, SPARES AND LOOSE TOOLS

Stores	2,794,140	3,106,439
Spares	2,625,811	2,672,935
Loose tools	1,840	1,840
	5,421,791	5,781,214

The Company does not hold any stores and spares for specific capitalisation.

13. STOCK-IN-TRADE

Raw materials (including in-transit valuingNil (2002: Rs. 2.283 million)}	52,586,000	38,430,000
Work-in-process	4,177,000	4,326,000
Finished goods	13,815,000	23,617,000
	70,578,000	66,373,000

13.1 Auditors' relied upon management representation regarding physical existence of stocks valuing Rs. 1.492 million.

	Note	2003 Rupees	2002 Rupees
14. TRADE DEBTORS			
Secured - export bills		1,825,535	6,904,916
Unsecured - considered good		8,474,806	11,950,507
		10,300,341	18,855,423
1 5. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- Executives		74,365	69,651
- Employees		1,135,465	934,582
- Ex-employees and executives	15.1	1,901,405	1,901,405
- Suppliers	15.2	19,808,435	14,612,376
Due from Associated Undertakings on account of trading transactions:			
- Kohinoor Power Company Limited		3,027,079	5,793,887
- Kohinoor Industries Limited		5,859,523	4,687,808
		8,886,602	10,481,695
Margin deposits		589,226	2,409,377
Prepayments		124,302	187,568
Tax deducted at source / advance income tax		14,264,157	1 2, 164,000
Export rebate receivable		566,183	8,055,805
Letters of credit		-	1,548,894
Sales tax deposited under protest	10.2	10,000,000	3,000,000
Others		40,000	185,948
		57,390,140	55,551,301

15.1 These include balances aggregating Rs.l .778 million (2002: Rs. 1.778 million) which are outstanding for more than th.ee years; no provision against these doubtful balances, however, has been made in these financial statements.

15.2 These include balances aggregating Rs.7.804 million which are outstanding for more than three years; no provision against these doubtful balances, however, has been made in these financial statements.

15.3 Maximum aggregate amount due from the executives at any month-end during the year was Rs.246,411 (2002:Rs.406,565).

16. CASH AND BANK BALANCES

	Note		
Cash-in-hand		80,720	59,675
Cash at Danks on current accounts	16.1	953,227	3,873,192
		1,033,947	3,932,867

16.1 These include foreign currency balance of U.S.$ 1,239(2002: U.S.$1,239) which has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. 1 U.S.$=Rs.57.88 (2002:Rs.59.00).

	Note	2003 Rupees	2002 Rupees
17. SALES -Net			
Local:			
Yarn		396,980,573	410,581,939
Waste		20,598,093	23,165,161

Raw materials		191,534,805	17,051,191
		609,113,471	450,798,291
Export:			
Yarn		212,717,863	152,862,022
Export rebate		274,316	-
		212,992,179	152,862,022
		822,105,650	603,660,313
Less:			
Sales tax [including sales tax on raw material sales aggregating Rs.26.234 million (2002: Rs.2.244 million)].		80,700,970	58,799,281
Commission		5,447,984	4,061,911
		86,148,954	62,861,192
		735,956,696	540,799,121

18. COST OF SALES

Raw matef ials consumed	18.1	522,250,272	317,332,810
Packing materials consumed		8,836,662	9,168,924
Salaries, wages and benefits	18.2	28,446,343	27,299,612
Power and fuel		55,397,985	58,048,268
Stores consumed		7,495,080	8,504,092
Yarn processing charges		6,866,677	8,008,765
Repair and maintenance		1,701,812	2,274,538
Vehicles' running and maintenance		362,811	324,126
Communication		72,462	136,855
insurance		1,537,293	984,748
Depreciation		22,103,970	23,465,479
Other expenses		584.416	556.186
		655,655,783	456,104,403
Adjustment of work-in-process			
Opening		4,326,000	3,735,000
Closing			
		-4,177,000	-4,326,000
Cost of goods manufactured		655,804,783	455,513,403
Finished goods purchased		64,986,375	58,335,462
Adjustment of finished goods			
Opening stock		23,617,000	11,879,000
Closing stock		-13,815,000	-23,617,000
		9,802,000	-11,738,000
		730,593,158	502,110,865

	Note	2003 Rupees	2002 Rupees
18.1 Raw materials consumed			
Opening stock		38,430,000	29,422,000
Purchases - for manufacturing		375,958,483	316,837,485
Cost of raw materials sold		162,892,490	14,588,196
		538,850,973	331,425,681
		577,280,973	360,847,681
Less: - Closing stock		52,586,000	38,430,000
- Quality claim		2,809,350	5,475,343
		55,395,350	43,905,343
		521,885,623	316,942,338
Cotton cess		364,649	390,472
		522,250,272	317,332,810

18.2 These include Rs. 1 ,08 1 ,735 (2002:Rs. 1 ,344,2 14) in respect of staff gratuity.

19. ADMINISTRATIVE AND SELLING EXPENSES

Administrative:			
Salaries and benefits	19.1	8,612,628	8,939,754
Travelling and conveyance		404,532	888,473
Entertainment		255,913	256,032
Communication		1,220,136	1,317,137
Printing and stationery		465,073	515,841
Rent, rates and taxes		51,830	140,475
Repair and maintenance		138,749	332,525
Insurance		32,413	48,598
Advertisement		45,150	36,272
Vehicles' running and maintenance		813,452	685,026

Fees and subscription		234,881	222,867
Depreciation		566,768	601,679
Auditors' remuneration			
Audit fee		75,000	75,000
Consultancy services		35,000	30,000
		110,000	105,000
Legal and professional charges (other than Auditors')		167,500	424,100
Deferred costs amortised		0	120,597
Electricity		693,989	657,704
General		42,654	70218
		855,66S	15,362,298
Selling:			
Salaries and benefits	19.1	1,551,374	1,247,962
Export expenses (including export development surcharge)		9,600,999	8,6,50,478
Communication		243,062	419,671
Printing and stationery		82,123	60,346
Repair and maintenance		52,770	24,989
Travelling and conveyance		761,478	856,221
Vehicles' running and maintenance		203,919	132,331
Insurance		159,951	20,167
Others		85,668	34,618
		12,741,344	11,446,783
		26,597,012	26,809,081

19.1 These include amounts aggregating Rs.645,287 (2002: Rs.1,240,141) in respect of provision for staff gratuity.

19.2 Above expenses include expenses aggregating Rs.872,838 (2002:Rs.l,l 11,319) on account of combined office expenses shared with Associated Undertakings. These expenses have been booked in the respective heads of account.

20. OTHER INCOME

	Note	2003 Rupees	2002 Rupees
Sale of scrap		1,790,484	1,964,455
Gain on sale of fixed assets		317,252	-
Exchange fluctuation gain		17,504	-
		2,125,240	1,964,455

21. FINANCIAL CHARGES

Mark-up on:			
- long term finances		14,719,506	19,811,793
- short term finances		16,661,196	9,934,798
Interest on workers' (profit) participation fund		-	3,154
Bank charges		1,324,406	1,582,976
		32,705,108	31,332,721

22. MISCELLANEOUS CHARGES

Loss on sale of fixed assets		-	85,832
Donations (without directors' interest)		2,300	22,045
Balances written-off		-	465,000
Sales tax	22.1	-	2,300,754
Exchange fluctuation loss		-	1,320,840
		2,300	4,194,471

22.1 These represented additional tax and penalties paid under the provisions of the Sales Tax Act, 1990 due to late payment of sales tax on cotton purchased from ginners.

25. FINANCIAL INSTRUMENTS

25.1 Financial assets and liabilities	Mark-up rates range per annum	Mark-up bearing Maturity upto one year	Maturity after one year	Sub-total	Non mark-up bearing Maturity upto one year	Maturity after one year	Sub-total	Total
					Rupees			
Financial Assets:								
Security deposits		-	-	-	-	317,060	317,060	317,060
Trade Debtors		-	-	-	1,030,034		10,300,341	10,300,341
Deposits and other receivables		.	_	_	9,515,821		9,515,821	9,515,828

Cash and bank balances		-	-	-	1,033,947		1,033,941	1,033,947
2003		-	-	-	20,850,11	317,060	21,167,170	21,167,176
2002		-	-	-	2,538,361	167,060	25,550,670	25,550,675
Financial Liabilities:								
Long term finances	9"A	25,500,000	85,290,000	70,790,00	12,419,001	9,695,000	22,114,000	132,904,002
Long term loans		-	-	-	-	41,329,691	41,329,691	41,329,697
Short term finances	8% to 9%	77,656,085		77,656,085	399,66		399,661	78,055,747
Creditors, accruals and other liabilities		-	-	-	61,939,62		61,939,620	61,939,624
Unclaimed dividend							102,701	102,700
2003		103,156,085	85,290,OOC	188,446,081	74,860,98	51,024,69')	125,885,680	314,331,770
2002		90,834,331	103,290,00r	194,124,33	41,088,10	64,457,691	105,545,800	299,670,131
Off balance sheet items:								
Letter:, of credit		-	-	-	-	-	-	-
Foreign bills discounted		-	-	-	-	-	-	-
Guarantees								
2003	-	-	-	-	-	-	-	
2002		_	_	_	18,561,00	3	18,561, 000	18,561,000

25.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are not covered through any forward foreign exchange contracts or through hedging, No forward foreign exchange contracts were outstanding at the year-end.

25.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 21.167 million (2002: Rs. 25.551 million), the financial assets which are subject to credit risk aggregated Rs. 21.086 million (2002: Rs. 25.491 million). The Company believes that it is not exposed to major concentration of credit risk.

25.4 Fair values of financial assets and liabilities

26. REMUNERATIONOFDIRECTORSANDEXECUTIVES

PARTICULARS	DIRECTORS		EXECUTIVES	
	2003	2002	2003	2002
Managerial remuneration	1,560,000	1,560,000	1,293,420	1,177,140
House rent	684,000	684,000	581,964	529,656
Provision for gratuity	200,000	400,000	142,650	207,506
Utilities	156,000	156,000	406,321	117,708
Rupees:	2,600,000	2,800,000	2,424,355	2,032,010
Number of persons	1	1	5	5

26.1 No meeting fee was paid to the directors and chief executive during the year (2002: Nil).

26.2 Four (2002: Four) of the executives have been provided with free use of the Company's maintained cars. One of the executives has also been provided with housing at the Company's residential colony.

27. TRANSACTION WITH RELATED PARTIES

27.1 Related parties comprise of Associated Undertakings, directors and executives. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remunerations of director and executives are disclosed in note 26. Aggregate transactions with Associated Undertakings are as follows:

	2003 Rupees	2002 Rupees
Sales:		
-Yarn	200,284,175	223,909,201
- Cotton	191,534,805	17,051,191

- Stores	997,257	1,218,525
Purchases:		
-Yarn	74,734,333	67,085,783
- Cotton	8,888,805	87,789,046
- Stores	1,277,320	429,373
- Electricity	63,951,155	66,520,525
Processing charges paid	7,888,054	9,194,170
Expenses paid by the Company on behalf of the Associated Undertakings	1,055,389	8,829,799
Expenses paid by the Associated Undertakings on behalf of the Company	1,026,278	4,115,366
Purchase of fixed assets	3,047,700	3,841,237
Sale of fixed assets	-	1,208,215

27.2 Sale and purchase operations of the Company, Saritow Spinning Mills Limited and Kohinoor Industries Limited are being collectively controlled. Bank remittances/other adjustments are incorporated periodically to adjust the intra-company balances. The management is of the firm view that the balances with Associated Undertakings have arisen on account of normal trading transactions.

27.3 Interest has not been charged or paid on the balances of Associated Undertakings as these have arisen due to normal trading transactions.

28. CAPACITY AND PRODUCTION

No. of spindles installed		18,240	18,240
No. of spindles / shifts worked		19,863,360	19,738,671
Installed capacity at 20's count based on i,095 shifts	Kgs.	6,242,000	6,242,000
Actual production of yarn	Kgs.	4,462,834	4,621,008
Actual production converted into 20 's count	Kgs.	6,147,622	6,208,897
No. of shifts worked		1,092	1,092

28.1 It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

29. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on 09 January, 2004.

30. FIGURES

Figures in the financial statements have been rounded-off to the nearest Rupee;

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.

CHIEFEXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

FORM 34

THE COMPANIES ORDINANCE, 1984
PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

CATEGORIES OF SHARE HOLDERS	NUMBEROF SHAREHOLDERS	NUMBEROF SHARES HELD	PERCENTAGE
(i) ASSOCIATED COMPANIES & UNDERTAKINGS	NIL	NIL	NIL
(ii) INVESTMENT CORPORATION OF PAKISTAN	1	142,175	1.07
(iii) NATIONAL INVESTMENT TRUST LTD.	NIL	NIL	NIL
(iv) CEO, DIRECTORS AND THEIR SPOUSE			
1) M. NASEEM SAIGOL (CHIEF EXECUTIVE & DIRECTOR)		4,328,167	
2) M. AZAM SAIGOL (DIRECTOR)		1,167,019	
3) SHAHID SETHI (DIRECTOR)		1,000	
4) SAEED MIAN ANSARI (DIRECTOR)		500	
5) MUHAMMAD ASIFBAJWA (DIRECTOR)		500	
6) MUHAMMAD ILYAS BAJWA (DIRECTOR)		500	
7) MRS. SEHYR SAIGOL W/O M. NASEEM SAIGQT		1,433,000	
8) MRS. AMBER SAIGOL W/O M. AZAM SAIGOL		2,042,845	

	8	8,973,531	67.6
(v) EXECUTIVES	Nfc	NIL	ML
(vi) PUBLIC SECTOR COMPANIES & CORPORATIONS	NIL	NIL	NIL
(vii) JOINT STOCK COMPANIES	22	416,911	3.14
(viii) FINANCIAL INSTITUTIONS /INSURANCE COMPANIES / MODARABA / MUTUAL FUNDS etc.	21	2,158,353	16.26
(ix) FOREIGN COMPANIES /FOREIGNERS	3	42,600	0.32
(x) OTHER/ INDIVIDUALS	734	1,541,430	11.61
	789	13,275,000	100

M. NASEEM SAIGOL (CHIEF EXECUTIVE & DIRECTOR)	4,328,167
MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL	1,433,000
MRS. AMBER SAIGOL W7O M. AZAM SAIGOL	2,042,845

* NOMINEE DIRECTOR
NATIONAL INVESTMENT TRUST
SHAHID AN WAR

FORM 34

THE COMPANIES ORDINANCE, 1984
PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

NUMBEROF SHAREHOLDERS	SHAREHOLDING FROM	TO		TOTAL SHARES HELD
125	1	100	Shares	8,363
			Shares	
233	101	500	Shares	77,900
166	501	1000	Shares	121,816
184	1001	5000	Shares	492,862
35	5001	10000	Shares	239,175
7	10001	15000	Shares	83,800
8	15001	20000	Shares	136,775
7	20001	25000	Shares	158,500
3	25001	30000	Shares	84,875
2	35001	40000	Shares	78,020
2	40001	45000	Shares	84,050
2	45001	50000	Shares	91,500
1	50001	55000	Shares	54,900
2	60001	65000	Shares	123.3
1	80001	85000	Shares	81,875
i	100001	105000	Shares	104,500
1	120001	125000	Shares	123,500
1	140001	145000	Shares	142,175
1	150001	155000	Shares	154,900
2	290001	295000	Shares	585,702
1	1 165001	1170000	Shares	1,167,019
1	1275001	1280000	Shares	1,275,481
1	1430001	1435000	Shares	1,433,000
1	2040001	2045000	Shares	2,042,845
789				13,275,000

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