

BAIG SPINNING MILLS LIMITED

Annual Reports 2003

CONTENTS

Company Information
Vision & Mission Statement
Notice of Annual General Meeting
Directors' Report
Key operating and Financial Results
Statement of Compliance with the code of Corporate Governance
Review Report to the Members on the Statement of Compliance
with best Practices of code of Corporate Governance
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts
Pattern of Shareholding

BAIG SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Dr. Mirza Ikhtiar Baig	-	Chairman & CEO
Mr. M. Ishtiaq Baig	-	Director
Mr. Mirza Mukhtar Baig	-	Director
Mr. Mohammad Ali Aziz	-	Director
Mrs. Parveen Zafar	-	Director
Mrs. Nasreen Tahir	-	Director
Mr. Muhammad Farooq	-	Director (Nominee I.C.P)

AUDIT COMMITTEE

Mr. Mohammad Ali Aziz	-	Chairman
M. Ishtiaq Baig	-	Member
Mrs. Parveen Zafar	-	Member

CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmed

COMPANY SECRETARY

Mr. Nadeem Khan

AUDITORS

Hyder Bhimji & Co.

Chartered Accountants

REGISTERED OFFICE

F-225, Textile Avenue, Street No. 5

S.I.T.E., Karachi.

Tel: 256641 1 - 6

Fax: 25664 17

MILL

A-5/A, Manghopir Road, S.I.T.E.,

Karachi - Pakistan.

BANKERS

Habib Bank Limited

Allied Bank of Pakistan Limited

Mashreq Bank Pakistan Limited

Saudi Pak Commercial Bank Limited

Al-Barka Islamic Bank Limited

Bank Al-Falah Limited

MISSION STATEMENT

To become highly reliable source of supply of
yarn by effectively fulfilling the needs of
customers through an efficient use of
manufacturing facilities and maximize return

to the shareholders with due consideration
to our social responsibilities and obligation.

VISION STATEMENT

To become the premier producer of high
quality value added cotton yarn of different
qualities.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of Baig Spinning Mills Limited will
be held on Thursday January 29, 2004 at 4:00 p.m. at the Registered office of the Company,
Situated at F-225, Textile Avenue, Street # 5, SITE, Karachi to transact the following business.

1. To confirm the minutes of Annual General Meeting of the company held on
February 26, 2003.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended
September 30, 2003 together with Directors' and Auditors' report thereon.
3. To appoint auditors and fix their remuneration. Present auditors M/s. Hyder Bhimji & Co.
Chartered Accountants, retire and did not offer for re-appointment in view of rotation
requirements of Code of Corporate Governance being part of listing regulations of
Karachi Stock Exchange. Audit Committee have recommended the name of M/s. Gardezi
& Co. Chartered Accountants for appointment in place of retiring auditors for consideration
in the A.G.M.
4. To transact any other business with the permission of Chair.

BY ORDER OF THE BOARD

NADEEM KHAN

(Company Secretary)

Dated: January 8, 2004

NOTES:

1. The Share Transfer books of the Company will remain closed from January 23, 2004 to
January 29, 2004 (both days inclusive).
2. A member of the company entitled to attend and vote may appoint another member on
his / her proxy to attend and vote instead of himself / herself. Proxies in order to be effective
must be received by the company not less than 48 hours before the meeting.
3. Members are requested to promptly notify the Company of any change in their address.

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED SEPTEMBER 30, 2003

It is my pleasure to present to you the 31st Annual Report and the audited accounts of your
Company for the year ended September 30, 2003.

During the year under review the net sales stood at Rs. 567.650 million as against net sales of
Rs. 471.208 million in the preceding year. Thus the sales have increased by 17% during year
under review. The higher sales value is due to greater sales volume and increase in the selling
prices of the yarn. There has also been even greater and substantial rise in the rates of cotton
which ultimately eroded Company's profitability. However under these difficult circumstances the
Company earned after tax profit of Rs. 3.092 million as against Rs. 7.944 million in the preceding
year.

During the year under review the Company produced 5.468 million kgs. of cotton yarn as
compared to 5.158 million kgs. produced last year recording an increase of 9.82%.

The administration and selling expenses marginally increased by Rs. 0.479 million due to
increase in sales. However in terms of percentage over sales the admin and selling expenses

decreased from 1.61% to 1.42% during the year under review.

The Company's financial charges decreased by Rs. 5.563 million (i.e. by 14.51%) from Rs. 38.330 million in the preceding year to Rs. 32.767 million in the year under review. The decrease in financial charges is mainly due to timely repayment of long term Finance, premature repayment of high cost lease finance and efficient inventory control.

In view of tight liquidity position, low profit and accumulated losses, the Directors of your company are not able to propose any dividend for the year under review.

CURRENT PROSPECT

The country is witnessing ever higher increase in the rate of raw cotton during the current season due to shortage internationally as reflected by substantial rise in international market rates of raw cotton. As a consequence the domestic raw cotton rates increased by more than 50% from the previous season and shortage in the raw cotton crop is also expected.

The Management is fully aware of this situation and is trying hard to continue to operate plant with three shifts and take financial measures to ensure to maintain required stock of raw cotton to operate the plant till beginning of the next season.

The Management hopes to succeed full operation of the plant under these difficult circumstances.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges. The Board of Directors hereby declares that for the year ended 30 September, 200

- a) The financial statements, prepared by the management of the Company, present fair its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable in Pakistan and requirements of the companies ordinance 1984 along with directives issued by Security and Exchange Commission of Pakistan have been followed in preparation of financial statements and departure, if any, has been adequately disclosed;
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed;
- f) There are no significant doubts upon the Company's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- h) The key operating and financial data for the last six years, in a summarized form, annexed;
- i) During the year six board meetings were held and the attended as follows:

Name of Directors	No. of meeting attended
1. Dr. Mirza Ikhtiar Baig	4
2. Mr. M. Ishtiaq Baig	6
3. Mr. Mirza Mukhtar Baig	6
4. Mrs. Qudsia Baig	2
5. Mrs. Shireen Baig	2
6. Mrs. Afreen Baig	2
7. Miss Adeeba Baig	2
8. Mr. Muhammad Farooq	2
9. Mr. Mohammad Ali Aziz	3

10. Mrs. Nasreen Tahir	4
11. Mrs. Parveen Zafar	4

(However leave of absence was granted to Directors who could not attend meetings).

j) The statement of pattern of share holding of the Company as at September 30, 2003, is annexed. This statement is prepared in accordance with the Code of Corporate Governance; and

k) During the year under review there was no trading in shares of the Company by the Directors, CEO and their spouses.

ELECTION OF DIRECTORS

During the year four directors retired from the Board on completion of their 3 years tenure namely: Mrs. Qudsia Baig, Mrs. Shireen Baig, Mrs. Afreen Baig & Miss. Adeeba Baig.

To replace outgoing directors four new directors were elected u/s 178 of Companies Ordinance 1984 namely: Dr. Mirza Ikhtiar Baig, Mr. Mohammad Ali Aziz, Mrs. Nasreen Tahir & Mrs. Parveen Zafar.

Audit Committee

The Board of Directors has established an Audit Committee, to assist it in discharging its responsibilities for corporate governance, financial reporting and corporate control. The committee consists of the following three members including the Chairman of the committee who are non-executive and executive Directors.

Mr. Mohammad Ali Aziz	Chairman
Mr. M. Ishtiaq Baig	Member

Mrs. Parveen Zafar	Member
--------------------	--------

Auditors

On the recommendation of Audit Committee, the Board of Directors has proposed to appoint M/s. Gardezi & Co., Chartered Accountants to carry out the audit of accounts for the year ended September 30, 2004 in place of M/s. Hyder Bhimji Co. Chartered Accountants, who have not offered their services due to application of the provisions of Code of Corporate Governance.

COMMUNICATION

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them regularly. There is also an opportunity for individual shareholders to attend and ask questions at the annual general meeting.

SAFETY AND ENVIRONMENT

The company follows the safety and environment rules and regulations.

ACKNOWLEDGEMENT

In the end we wish to express special thanks to our Bankers for their support and cooperation. We would also like to thank all our suppliers and customers for rendering their valuable patronage to this Company.

For and on behalf of
BAIG SPINNING MILLS LIMITED

DR. MIRZA IKHTIAR BAIG

CHAIRMAN&CEO.

Karachi: January 5, 2004

BAIG SPINNING MILLS LIMITED

KEY OPERATING AND FINANCIAL RESULTS

FROM 1998 TO 2003

Operating Data	2003	2002	2001	2000	1999	1998
	RUPEES IN MILLION					
Sales	567.65	471.208	491.009	433.914	432.935	409.825
Cost of Goods Sold	525.553	419.518	431.213	379.532	395.454	382.181
Gross Profit	42.098	51.69	59.796	54.382	37.481	27.644
Operating Profit	34.016	44.088	52.208	44.799	27.025	17.402
Profit Before Taxation	1.273	5.531	14.697	11.168	-9.676	-27.835
Profit After Taxation	3.093	7.945	12.027	8.998	-11.841	-30.072
FINANCIAL DATA						
Paid up Capital	91	91	91	91.000	91	91.000
Fixed Assets	355.107	350.017	310.375	171.805	182.242	171.444
Current Assets	91.434	89.224	146.955	90.27	116.998	79.862
Current Liabilities	120.799	150.769	167.034	58.721	80.945	78.426
KEY RATIO						
Gross Margin	7.42%	10.97%	12.18%	12.53%	8.66%	6.75%
Operating Margin	5.99%	9.36%	10.63%	10.32%	6.24%	4.25%
Net Profit/(Loss)	0.54%	1.69%	2.45%	2.07%	-2.74%	-7.34%
Current Ratio	0.76	0.59	0.88	1.54	1.45	1.02
Earning per Share (Rupees)	0.34	0.87	1.32	0.99	-1.3	-3.3
Cash Dividend	-	-	-	3.50%	-	-
STATISTICS						
Number of Spindles	15,192	15,192	15,192	14,560	14,560	12,816
Number of Rotors	648	648	-	-	-	-
Production into 20/s Count (in million Kgs.)						
Ring Yarn	4.310 Kgs.	4.373 Kgs.	4.606 Kgs.	4.481 Kgs.	4.432 Kgs.	3.782 Kgs.
Production into 16/s Count (in million Kgs.)						
Autocoro Yarn	1.158 Kgs.	0.385 Kgs.	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE

CODE OF CORPORATE GOVERNANCE

YEAR ENDED SEPTEMBER 30, 2003.

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director and none representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring if any in the Board are filled up by the remaining directors within 30 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', signed and adopted by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee has been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and has appointed internal auditors who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

DR. MIRZA IKHTIAR BAIG

Chairman & CEO
Karachi: January 5, 2004

NIC No. 42301 -0393741 -1

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 Baig Spinning Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi: January 5, 2004

HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/s. Baig Spinning Mills Limited, as at September 30, 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, evidences 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 reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i. the balance sheet and profit and loss account together with the notes

thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the 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 September 30, 2003 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.

Karachi : January 5, 2004

HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
CAPITAL & LIABILITIES			
SHARE CAPITAL			
Authorised			
10,000,000 Ordinary Shares of Rs. 107- Each.		100,000,000	100,000,000
Issued, Subscribed and Paid up:			
9,100,000 Ordinary Shares of			
Rs. 107- each fully paid in cash		91,000,000	91,000,000
CAPITAL RESERVE		16,000,000	16,000,000
ACCUMULATED (LOSS)		-106,099,102	-136,335,216
		900,898	-29,335,216
SURPLUS ON REVALUATION			
OF FIXED ASSETS	4	72,532,218	121,261,122
SUBORDINATED LOAN	5	37,700,000	37,700,000
REDEEMABLE CAPITAL	6	197,325,729	224,094,377
LIABILITY AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	7	4,939,904	14,250,797
DEFERRED LIABILITY - Gratuity	8.1	1,637,146	2,289,574
- Deferred Tax	8.3	12,061,454	-4,769,975
		13,698,600	-2,480,401
CURRENT LIABILITIES			
Short Term Finance utilized under			
Mark-up arrangements	9	73,234,302	25,811,775
Custom Debentures	10	4,995,590	4,995,590
Current Portion of Redeemable Capital		30,954,588	27,953,878
Current Portion of Liabilities againsts			
Assets Subject to Finance Leases		1,628,530	10,776,960
Creditors, Accrued and other Liabilities	11	9,985,640	16,156,033
Provision for Taxation less payments		-	474,984
		120,798,650	86,169,220
CONTINGENCIES	12	-	-
		447,895,999	451,659,899
	Note	2003 Rupees	2002 Rupees
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating Fixed Assets	13	355,107,473	350,016,990
CAPITAL WORK IN PROGRESS	14	-	2,076,535
LONG-TERM DEPOSITS	15	1,354,882	10,342,583
CURRENT ASSETS			
Stores, Spares and Loose Tools	16	8,365,633	7,360,168
Stock in Trade	17	28,848,733	41,234,918
Trade Debts	18	35,130,912	27,191,344
Loans, Advances, Prepayments			

and other Receivables	19	11,186,829	4,825,632
Cash and Bank Balances	20	7,901,536	8,611,729
		91,433,644	89,223,791
		447,895,999	451,659,899

NOTE : The annexed notes form an integral part of these accounts.

DR. MIRZA IKHTIAR BAIG

M. ISHTIAQ BAIG

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
Sales	21	567,650,481	471,208,302
Cost of Sales	22	-525,552,894	-419,518,354
Gross Profit		42,097,587	51,689,948
Operating Expenses			
Administrative	23	-5,115,083	-5,000,475
Selling and Distribution	24	-2,966,375	(2,601,625)
		-8,081,458	-7,602,100
Operating Profit		34,016,129	44,087,848
Other Income	25	90,250	64,506
Net Profit before charging the following:		34,106,379	44,152,354
Financial Charges	26	-32,766,608	-38,330,485
Worker's Profit Participation Fund		-66,989	(291,093)
		-32,833,597	-38,621,578
Net Profit before Taxation		1,272,782	5,530,776
Provision for Taxation	27	1,819,852	2,413,933
Net Profit after Taxation		3,092,634	7,944,709
Accumulated (Loss) brought forward		-136,335,216	-144,279,925
Accumulated (Loss) carried forward to statement of changes in Equity		-133,242,582	-136,335,216
Earning per share		0.34	0.87

Note : The annexed notes form an integral part of these accounts.

DR. MIRZA IKHTIAR BAIG

M. ISHTIAQ BAIG

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
CASH INFLOW FROM OPERATING ACTIVITIES			
Net profit before taxation		1,272,782	5,530,776
Adjustment for : Depreciation		24,033,302	25,084,319
: Financial Charges		32,766,608	38,330,485
Provision for WPPF		66,989	291,093
Provision for Gratuity		907,200	725,413
Cash generated from operations before working capital changes		59,046,881	69,962,086
Changes in Working Capital			
(Increase) / Decrease in Current Assets			
Stores, Spares and Loose Tools		-1,005,465	-1,051,106
Stock-in-Trade		12,386,185	51,224,648
Trade Debts		-7,939,568	6,320,648
Loans, Advances, Prepayments and other Receivables		-5,618,336	2,576,774
Increase in Short-Term Finance		47,422,527	392,655
(Decrease) / Increase in Creditors, Accrued and other Liabilities		-5,930,648	-22,283,289
		39,314,695	37,180,330

Cash inflow from operations	98,361,576	107,142,416
Financial Charges Paid	-32,772,201	-40,466,339
Payment of Income Tax	-4,151,988	-3,197,343
(Increase) / Decrease in Long Term Deposits	8,987,701	-2,540,559
Payment of Gratuity	-1,559,628	-1,185,690
Payment of WPPF	-301,142	-773,513
Net Cash inflow from operating activities	68,564,318	58,978,972

Note	2003	2002
	Rupees	Rupees

CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditures	-27,047,250	-54,417,538
Net Cash from Investing Activities	-27,047,250	-54,417,538
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from Directors	-	7,500,000
Redeemable capital obtained	-	7,300,000
Payment of Redeemable capital	-23,767,938	-20,794,903
Lease Finance obtained	11,800,000	11,468,800
Lease Finance Repaid	-30,259,323	-8,261,009
Net Cash (outflow) from financing activities	-42,227,261	-2,787,112
Net (Decrease) / Increase in Cash and Bank Balances	-710,193	1,774,322
Cash and bank balances at beginning of the year	8,611,729	6,837,407
Cash and bank balances at the end of the year	7,901,536	8,611,729

DR. MIRZA IKHTIAR BAIG
Chief Executive

M. ISHTIAQ BAIG
Director

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

Particulars	Share Capital and Reserve	Accumulated Loss	Total Net Equity
Balance as at September 30, 2001	107,000,000	-144,279,925	-37,279,925
Profit after taxation for the year ended September 30, 2002	-----	7,944,709	7,944,709
Balance as at September 30, 2002	107,000,000	-136,335,216	-29,335,216
Profit after taxation for the year ended September 30, 2003	-----	3,092,634	3,092,634
incremental Depreciation on surplus on revaluation of fixed assets transferred to Accumulated Loss - Prior year	107,000,000	-133,242,582	-26,242,582
- Current	-	20,053,130	20,053,130
Balance as at September 30, 2003	107,000,000	-106,099,102	900,898

THIS REPRESENTS TRANSFER OF INCREMENTAL DEPRECIATION CHARGED INTERMS
OF NOTIFICATION NO. SRO 45(1)72003.

DR. MIRZA IKHTI
Chief Executive

M. ISHTIAQ BAIG
Director

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

1. STATUS AND NATURE OF BUSINESS

The company was incorporated on 12th August 1972, as a Private Limited Company and was converted into Public Limited Company on 4th September 1990. The Shares of the Company were quoted on Karachi Stock Exchange (Guarantee) Limited since October 15, 1995. The principal activity of the Company is manufacture and sale of Cotton Yarn.

2. STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with the Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Where-ever the requirements

of the Companies Ordinance, 1984 or directive 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

The accounts of the company have been prepared under historical cost convention except as modified by re-valuation of fixed assets as at stated in Note No. 13.1

3.2 Foreign Currency Transaction

Transactions in foreign currencies are translated into Pak rupees at the exchange rate prevailing on the date of transactions, while assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing on the balance sheet date except where exchange risk cover has been obtained for repayment of liabilities in which case the rate contracted for is used. Exchange differences are taken to profit and loss account.

3.3 **Employees Benefit Schemes**

3.3.1 Gratuity

The company operates an unfunded gratuity scheme for its employees. Provision is made annually to cover obligations under the scheme.

3.3.2 Compensated Absences

The company offers leave encashment to its employees. Provision is made against all leave encashment due on the date of balance sheet.

3.4 Taxation

3.4.1 Current

The provision for current income tax is made in accordance with the provisions of the Income Tax Ordinance, 2001 after considering admissible tax credit and rebates, if any, or half percent of turnover whichever is higher.

3.4.2 Deferred

The company accounts for deferred taxation on all material timing differences between carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes by using the liability method. Deferred tax assets is recognized only to the extent that it is probable that future taxable profit will be available against which these can be utilized.

3.5 Operating Assets

Fixed Assets:

These are stated at cost as modified by revaluation less accumulated depreciation except work in progress which is stated at cost.

Depreciation is provided on quarterly basis from the quarter in which asset is acquired or put to commercial operation. No depreciation is charged on deletion for the quarter in which the asset was deleted or retired. Depreciation is charged on systematic basis over the useful life of the assets using the reducing balance method which reflect the pattern in which asset's economic benefits are consumed by the company.

Minor renewals or replacement, maintenance, repairs, gain or losses on disposal of fixed assets are included in income currently. Major renewals and improvements are capitalized.

Accounting for Leases:

The company accounts for assets operated under financial lease by recording the assets and corresponding liability there against. The amount capitalized is determined on the basis of discounted value of total maximum lease payments. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is provided on reducing balance method at the rate specified in note no. 13 to write off the assets over its estimated useful life. Because of uncertainty of the ownership after lease terms in respect of tangible fixed assets held under operating lease, the annual lease rentals are charged to profit & loss account.

3.6 Stores, Spares and Loose Tools

Stores, Spares and Loose Tools are valued at moving average cost except those in transit which are valued at actual cost. Provision of slow moving and obsolete items is shown as deduction therefrom.

3.7 Stock-in-Trade

Stock in Trade is Valued at lower of cost determined on first in first out (FIFO) method or net realizable value. Work in process is valued at cost of materials plus proportionate overheads.

3.8 Trade Debts

All bad debts which are considered irrecoverable are written off where as provision is made against the debts which are doubtful of recovery.

3.9 Revenue Recognition

Sales : Sales are recorded on despatch of goods to customers.

Income/profit: Income/profit on investments/bank deposits, if any is recorded on accrual basis.

Dividend : Dividend income if any recorded when the right to receive the same is established.

3.10 Provisions

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

3.11 Borrowing Costs

Borrowing cost are recognized as an expense in the period in which they are incurred except to the extent that they are directly attributable to the assets acquired from the proceeds of such borrowing in which case these are capitalized for the period till the asset is commissioned for commercial use.

3.12 Related Party Transaction

The company enters into the related party transactions at arm's length prices determined in accordance with comparable uncontrolled price method.

3.13 Financial Instruments

Financial instruments carried on the balance sheet include receivables, cash and bank balances, trade creditors and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each financial instruments.

3.14 Offsetting of Financial Assets and Liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

	Note	2003 Rupees	2002 Rupees
4. SURPLUS ON REVALUATION OF FIXED ASSETS			
Revaluation Surplus		121,261,122	121,261,122
Incremental Depreciation on surplus on revaluation of fixed assets taken to statement of changes in equity.		-27,143,480	-
	Note	2003 Rupees	2002 Rupees
Deferred Tax @ 35% being the timing difference effect on the revaluation surplus.		-21,585,424	-
Balance as at September 30, 2003		72,532,218	121,261,122
SUBORDINATED LOAN (Un Secured)			
Loan from Directors		37,700,000	37,700,000

This represent interest free loan received from directors of the company. The terms of repayments will be finalized after fulfilling requirement of the lending banks and other financial institutions.

>. REDEEMABLE CAPITAL (Secured)			
Long Term Finance			
From Habib Bank Limited			
Demand Finance (Note: 6.1)		71,366,705	96,880,638
Term Finance (Note: 6.2)		4,250,000	7,300,000
Less: Current portion shown under			
Current maturity		-30,954,588	-27,953,878
		44,662,117	76,226,760
Deferred Mark-up (Note: 6.3)		88,463,612	83,267,617
		133,125,729	159,494,377
Long Term Finance from			
Mashreq Bank Pakistan Ltd.			
Term Finance (Note: 6.4)		64,200,000	64,600,000
		197,325,729	224,094,377

6.1 This represents a consolidated Demand Finance created by Habib Bank Limited (Central Branch Karachi) by converting outstanding Demand Finance, Long Term Loan and accrued mark-up as of 31-03-1999. The finance is secured by 1st charge by way of equitable mortgage over present and future fixed assets of the company, floating charge on the entire moveable assets of the company and personal guarantees of all directors of the company.

The finance carries mark-up @ 14.235% p.a payable quarterly. The outstanding amount of the Finance is payable in 10 quarterly installment of Rs. 8.862 M each on annuity basis including mark-up.

6.2 This represents a Term Finance obtained from Habib Bank Limited (Central Branch Karachi) and utilized for import of textile machinery. The finance is secured against parri passu charge by way of equitable mortgage over present and future fixed assets of the company and personal guarantees of all directors of the company. The finance carries mark-up on 300 basis points plus base rate (SBP's discount rate) with floor @ 14%p.a

The outstanding balance of the finance is repayable over a period of 21 months in 7 equal quarterly installments.

6.3 This represents amount of mark-up deferred by Habib Bank Limited (Central Branch Karachi) out of the outstanding mark-up relating to the Demand Finance referred in note: 6.1 above. The liability is secured against 1st charge by way of equitable mortgage over present and future fixed assets of the company, floating charge on the entire assets of the company and personal guarantees of all directors of the company.

The ultimate amount of the Deferred mark-up is repayable in 9 quarterly installment commencing from March 31, 2006 of Rs. 8.862 M each and 10th installment of balance amount.

6.4 This represent Long Term Finance from Mashreq Bank Pakistan Limited Karachi secured against outstanding letter of credit issued by Al-Barka Islamic Bank in favor of Mashreq Bank Pakistan Limited and personal guarantees of the directors. The finance carries mark-up @ 4.25% p.a. The repayment term of the finance is 15 month roll over basis. 1st roll overdue on 31st December, 2004.

7. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments discounted at 10.34% p.a. are as follows:

	2003 Rupees		2002 Rupees	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Within one year	2,151,240	1,628,530	13,008,600	10,776,960
After one year but more than five years	5,441,020	4,939,904	14,939,250	14,250,797
Total minimum lease payments	7,592,260	6,568,434	27,947,850	25,027,757
Less: Amount representing finance charges	-1,023,826	-	-2,920,093	-
Present value of minimum lease payments	6,568,434	6,568,434	25,027,757	25,027,757
Less: Current maturity shown undercurrent liabilities	-1,628,530	-1,628,530	(10,776,960)	(10,776,960)
	4,939,904	4,939,904	14,250,797	14,250,797

The amount of future rental and the period in which they full due are:

Year ending 30th September, 2003	-	13,008,600
Year ending 30th September, 2004	2,151,240	4,931,850
Year ending 30th September, 2005	2,151,240	1,387,080
Year ending 30th September, 2006	2,151,240	-
Year ending 30th September, 2007	358,540	-
	6,812,260	19,327,530
Add : Security Deposits	780,000	8,620,320
Less: Financial charges pertaining to future period	-1,023,826	-2,920,093
Present Value	6,568,434	25,027,757

7.1 The above leases envisage purchase options at the end of lease term against adjustments of security deposits.

8. DEFERRED LIABILITY

8.1 GRATUITY

Balance brought forward	2,289,574	2,749,851
Less: Payments during the year	-1,559,628	-1,185,690
	729,946	1,564,161
Add: Provision for the year	907,200	725,413
Balance carried forward	1,637,146	2,289,574

8.2 The actuarial valuation of the above liability has not been undertaken as the same is not material. The cost of valuation is also consider unviable when compared with the volume and benefit.

8.3 DEFERRED TAX LIABILITY/(ASSET)

On accelerated depreciation rates	44,401,179	37,712,105
On assets obtained under finance lease	415,123	3,146,684
On surplus on revaluation of fixed assets	21,585,424	-
On unabsorbed tax losses	-54,340,272	-45,628,764
	12,061,454	-4,769,975

9. SHORT TERM FINANCE - Secured

Running Finance - Note : 9.1	16,003,591	15,206,654
------------------------------	------------	------------

Running Finance - Note : 9.2	628,927	2,994,858
Cash Finance - Note : 9.3	11,484,864	-
Term Finance - Note : 9.4	35,000,000	-
Cash Finance - Note : 9.5	10,116,920	7,610,263
	73,234,302	25,811,775

9.1 This represent Running Finance from HBL(Central Branch Karachi) secured against 1st charge on assets and properties of the company and hypothecation of stock-in-trade. The finance carries mark-up@ 6% p.a. The finance is renewable on maturity falling within one year.

9.2 This represent Running Finance from ABL (SITE Branch Karachi) secured against 2nd charge on fixed assets of the company and hypothecation of stock-in-trade. The finance carries mark-up @ 9% p.a. The finance is renewable on maturity falling within one year.

9.3 This represent Cash Finance from HBL (Central Branch Karachi) secured against pledge of raw cotton. The finance carries mark-up @ 6% p.a. The finance is renewable on maturity falling within one year.

9.4 This represent Term Finance from Bank Al-Falah Limited, Karachi secured against hypothecation charges over co's current assets and personal guarantees of the directors. The finance carries mark-up @ 4.5% p.a. The finance is renewable on maturity falling within one year.

9.5 This represent Cash Finance from Saudi Pak Commercial Bank Limited Karachi secured against hypothecation charges over co's current assets, pledge of raw cotton and personal guarantees of the directors. The finance carries mark-up @ 8% p.a. The finance is renewable on maturity falling within one year.

	2003	2002
	Rupees	Rupees
1 0. CUSTOM DEBENTURES - Secured	4,995,590	4,995,590

This represents deferred amount of custom duties and taxes on textile machinery imported by the company payable to Collector of Custom Karachi with 11% per annum surcharge. The Debentures are secured by Bank guarantees issued by Habib Bank Limited Central Branch in favour of Collector of Custom Karachi which in turn is secured by 1st charge by way of equitable mortgage over present and future fixed assets of the company, floating charge on the entire moveable assets of the company and personal guarantees of all directors of the company. This amount of custom duty is in dispute with Collector of Custom Karachi for which company has filed appeal before the Collector of Custom appraisal and same is pending for his judgment. However the company has accounted for full amount of custom duties in dispute amounting Rs. 4,995,590 and surcharge thereon in these account.

	Note	2003	2002
		Rupees	Rupees
1 1 . CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		199,875	3,080,235
Accrued Expenses		4,092,705	3,852,203
Mark-up accrued on Short-Term Finance		1,288,325	1,853,481
Surcharge on Custom Debentures		4,050,715	3,501,200
Sales Tax payable		-	2,920,557
Worker's Profit Participation Fund - Note: 1 1 . 1		66,989	291,093
Income Tax deducted at source		125,380	657,264
Retention money		161,651	-
		9,985,640	16,156,033
11.1 Worker's profit participation fund			
Balance brought forward		291,093	773,513
Allocation for the year		66,989	291,093
Interest credited		10,049	81,219
		368,131	1,145,825
Amount paid during the year		-301,142	-854,732
		66,989	291,093

12. CONTINGENCIES

12.1 Letter of guarantee issued by Mashreq Bank Pakistan Limited on behalf of the company in favor of M/s. Sui Southern Gas Company Limited of Rs. 5,366,0007-

12.2 Letter of guarantee issued by Saudi Pak Commercial Bank on behalf of the company in favor of M/s. Sui Southern Gas Company Limited of Rs. 5,254,0007-

13. TANGIBLE FIXED ASSETS

PARTICULARS	COST				Rate	DEPRECIATION				Written Down Value as on 30-09-2003
	As on 01-10-2002	Addition During the Year	Adjustment	Total as on 30-09-2003		As on 01-10-2002	For the Year	Adjustment	As on 30-09-2003	
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
Assets Owned:										
LEASE HOLD LAND										
COST	96,800	-	-	96,800	-	-	-	-	-	96,800
REVALUATION	32,445,000	-	-	32,445,000	-	-	-	-	-	32,445,000
FACTORY BUILDING ON LEASE HOLD LAND										
COST	14,025,892	3,330,153	-	17,356,045	10%	202,361	1,500,143	-	1,702,504	15,653,541
REVALUATION	16,707,063	-	-	16,707,063	10%	3,879,611	1,282,745	-	5,162,356	11,544,707
PLANT AND MACHINERY										
COST	199,908,179	13,658,632	42,468,800	256,035,611	7%	19,209,703	15,683,334	4,450,516	39,343,553	216,692,058
REVALUATION	70,191,808	-	-	70,191,808	7%	7,578,961	4,382,899	-	11,961,860	58,229,948
GODOWN, LABOR COLONY & ADMIN BLOCK										
COST	4,869,793	-	-	4,869,793	5%	-102,862	248,633	-	145,771	4,724,022
REVALUATION	1,555,754	-	-	1,555,754	5%	480,556	53,760	-	534,316	1,021,438
ELECTRIC INSTALLATIONS										
COST	10,094,544	335,000	-	10,429,544	10%	5,435,946	490,985	-	5,926,931	4,502,613
REVALUATION	333,069	-	-	333,069	10%	90,235	24,283	-	114,518	218,551
FURNITURES AND FIXTURES										
COST	1,463,355	-	-	1,463,355	10%	822,904	64,045	-	886,949	576,406
REVALUATION	21,780	-	-	21,780	10%	5,930	1,585	-	7,515	14,265
OFFICE EQUIPMENTS										
COST	2,491,785	-	-	2,491,785	10%	1,272,496	121,929	-	1,394,425	1,097,360
REVALUATION	6,648	-	-	6,648	10%	1,802	485	-	2,287	4,361
MOTOR VEHICLES-COST	2,841,313	-	-	2,841,313	20%	2,176,434	132,976	-	2,309,410	531,903
TOTAL RUPEES 2003	357,052,783	17,323,785	42,468,800	416,845,368	-	41,054,077	23,987,802	4,450,516	69,492,395	347,352,973
SUMMARY										
COST	235,791,661	17,323,785	42,468,800	295,584,246	-	29,016,982	18,242,045	4,450,516	51,709,543	243,874,703
REVALUATION	121,261.12	-	-	121,261,122	-	12,037,095	5,745,757	-	17,782,852	103,478,270
TOTAL	357,052,783	17,323,785	42,468,800	416,845,368	-	41,054,077	23,987,802	4,450,516	69,492,395	347,352,973
Assets Under Lease:										
PLANT & MACHINERY	38,468,800	11,800,000	-42,468,800	7,800,000	7%	4,450,516	45,500	-4,450,516	45,500	7,754,500
TOTAL RUPEES 2003	395,521,583	29,123,785	-	424,645,368	-	45,504,593	24,033,302	-	69,537,895	355,107,473
TOTAL RUPEES 2002	330,795,125	64,726,458	-	395,521,583	-	20,420,274	25,084,319	-	45,504,593	350,016,990

Note 2003
Rupees 2002
Rupees

DEPRECIATION:

Cost of Sales	23,845,258	24,875,381
Administrative Expenses	188,044	208,938
	24,033,302	25,084,319

Note: 13.1

Surplus on revaluation of Fixed assets as at February 28,2001 of Lease hold land, Factory building, Godowns, Labour Colony, Admin Block and Plant and Machinery has been arrived by the Valuer amounting to Rs. 90,644,080 which have been incorporated in these accounts making total Surplus of Rs. 121,251,122.

Name of Valuers:

M/s. Joseph Lobo (Pvt) Limited - Karachi.
M/s. Yousuf Adil Saleem and Company
Chartered Accountants Karachi.

CAPITAL WORK IN PROGRESS		
Plant and Machinery - Under erection	-	2,076,535
LONG-TERM DEPOSITS		
Security Deposits		
Finance Lease	780,000	9,443,320
Utilities & Others	574,882	899,263
	1,354,882	10,342,583
STORES, SPARES AND LOOSE TOOLS		
Stores	1,248,889	1,241,260
Spares	6,971,209	5,942,639
Loose Tools	543,862	386,671
	8,763,960	7,570,570
Less: Provision for Slow moving/obsolete items	-398,327	-210,402
	8,365,633	7,360,168

Note	2003	2002
	Rupees	Rupees

17.	STOCK-IN-TRADE		
	Raw Material	23,962,773	29,098,396
	Work-in Process	1,775,836	2,544,430
	Finished Goods	2,009,158	9,116,990
	Packing Materials	362,918	475,102
	Lycra	738,048	-
		28,848,733	41,234,918
18.	TRADE DEBTS - Considered Good		
	Local - Un Secured	35,130,912	27,191,344
19.	LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
	Loan to Employees	21,000	80,283
	Advance against Expenses	1,615,382	1,414,798
	Prepayments	1,726,041	1,974,009
	Other Receivables	2,500,000	1,356,542
	Income Tax refundable net to provision	742,861	-
	Refundable Sales Tax	4,581,545	-
		11,186,829	4,825,632
20.	CASH AND BANK BALANCES		
	Cash in Hand	449,812	81,205
	Balance with Banks - in Current Accounts	7,451,724	8,530,524
		7,901,536	8,611,729
21.	SALES		
	Local Sales of Yarn	567,650,481	471,126,852
	Export Sales of Yarn	-	81,450
		567,650,481	471,208,302
22.	COST OF SALES		
	Raw Cotton Consumed		
	Opening Stock	29,098,396	69,772,828
	Purchases	409,459,517	290,558,775
	Closing Stock	-23,962,773	-29,098,396
		414,595,140	331,233,207

Note	2003	2002
	Rupees	Rupees

	Packing Materials	4,388,536	3,652,903
	Salaries, Wages/Allowances & Gratuity Note 22.1	27,679,476	22,965,827
	Stores and Spares Consumed	9,844,160	7,644,379
	Power, Water and Fuel	30,179,833	25,644,614
	Insurance	2,862,652	2,260,554
	Repairs and Maintenance	970,127	820,563
	Packing, Loading and Unloading	2,220,205	1,896,079
	Other Manufacturing Expenses	1,091,081	1,034,597
	Depreciation	23,845,258	24,875,381
		103,081,328	90,794,897
	Work in Process - Opening Stock	517,676,468	422,028,104
	Closing Stock	2,544,430	2,029,338
		-1,775,836	-2,544,430
		768,594	-515,092

Cost of Goods manufactured	518,445,062	421,513,012
Finished Goods - Opening Stock	9,116,990	7,122,332
Closing Stock	-2,009,158	-9,116,990
	7,107,832	-1,994,658
	525,552,894	419,518,354

22.1 The amount includes employees gratuity amounting Rs. 907,500 and 2002: Rs. 725, 413.

23. ADMINISTRATIVE EXPENSES		
Director's Remuneration	737,500	727,500
Salaries, Allowances and Gratuity	1,695,763	1,536,511
Printing and Stationery	171,652	184,644
Telephone, Telefax and Postage	349,404	352,003
Legal and Professional Charges	73,000	96,500
Vehicle Running Expenses	628,479	664,560
Rent, Rates and Taxes	138,870	63,402
Fees and Subscription	263,394	289,181
Insurance Premium	337,602	307,711
Conveyance and Travelling	126,267	117,953
Entertainment	23,283	57,441
Audit Fee	75,000	75,000
Advertising	56,240	25,825
General Expenses	250,585	293,306
Depreciation	188,044	208,938
	5,115,083	5,000,475

Note 2003 2002
Rupees Rupees

24. SELLING AND DISTRIBUTION EXPENSES		
Salaries, Allowances and Gratuity	444,728	428,641
Commission on Sales	2,348,385	1,744,184
Other Expenses	173,262	428,800
	2,966,375	2,601,625
25. OTHER INCOME		
Export Sale of Denim Fabric	2,040,994	19,062,071
Less: Cost of Sales of Denim Fabric	-1,950,744	-18,997,565
	90,250	64,506
26. FINANCIAL EXPENSES		
Mark-up on Redeemable Capital	12,632,129	15,008,844
Mark-up on Short Term Finance	15,521,829	19,067,831
Mark-up on Leased Asset	2,808,615	3,360,511
Surcharge on Custom Debenture	549,515	549,515
Interest of WPPF	10,049	81,219
Bank Charges	1,244,471	262,565
	32,766,608	38,330,485
27. PROVISION FOR TAXATION		
Current- Note 27.1	-2,838,252	-2,356,042
Deferred	4,753,995	4,769,975
Prior	-95,891	-
	1,819,852	2,413,933

27.1 This represent provision of minimum tax @ 1/2% of the total turnover of the year as required under the Income Tax Ordinance 2001.

28. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2003				2002			
	Directors	Chief Executive	Executives	Total	Directors	Chief Executive	Executives	Total
Remuneration	-	480,000	1,207,680	1,687,680	-	480,000	1,259,700	1,739,700
Allowances	-	240,000	603,840	843,840	-	240,000	629,900	869,900
Meeting Fees	14,500	3,000	-	17,500	5,500	2,000	-	7,500
	14,500	723,000	1,811,520	2,549,020	5,500	722,000	1,889,600	2,617,100
Number of Persons	6	1	8	15	6	1	8	15

28.1 The Chief Executive, Directors and certain Executives are provided with free use of company car.

29. FINANCIAL INSTRUMENTS & RELATED DISCLOSURE

PARTICULARS	INTEREST/ MARK-UP	INTEREST/MARK-UP BEARING		SUB	NON-INTEREST/MARK-UP BEARING		SUB	TOTAL (A+B)
	RATES (%)	MATURITY UPTO ONE YEAR	MATURITY AFTER ONE YEAR	TOTAL (A)	MATURITY UPTO ONE YEAR	MATURITY AFTER ONE YEAR	TOTAL (B)	
FINANCIAL ASSETS								
Long Term Deposits	-	-	-	-	-	1,354,882	1,354,882	1,354,882
Trade Debtors	-	-	-	-	35,130,912	-	35,130,912	35,130,912
Other Receivables	-	-	-	-	2,500,000	-	2,500,000	2,500,000
Loan to Employees	-	-	-	-	21,000	-	21,000	21,000
Cash & Bank Balances	-	-	-	-	7,901,536	-	7,901,536	7,901,536
TOTAL RUPEES - 2003	-	-	-	-	45,553,448	1,354,882	46,908,330	46,908,330
TOTAL RUPEES - 2002	-	-	-	-	37,159,615	10,342,583	47,502,198	47,502,198
FINANCIAL LIABILITIES								
Subordinated Loan								
Redeemable Capital	-	-	-	-	-	37,700,000	37,700,000	37,700,000
HBL - Demand Finance	14.235	28,514,588	42,852,117	71,366,705	-	-	-	71,366,705
HBL - Term Finance	14	2,440,000	1,810,000	4,250,000	-	-	-	4,250,000
HBL - Deferred Mark-up	-	-	88,463,612	88,463,612	-	-	-	88,463,612
Mashreq Bank - Term Finance	4.25	-	64,200,000	64,200,000	-	-	-	64,200,000
Liability against assets - Lease								
Finance	10.34	1,628,530	4,939,904	6,568,434	-	-	-	6,568,434
Short Term Finance	4.5 to 9	73,234,302	-	73,234,302	-	-	-	73,234,302
Custom Debentures	11	4,995,590	-	4,995,590	-	-	-	4,995,590
Creditors, Accrued & Other								
Liabilities	-	-	-	-	9,985,640	-	9,985,640	9,985,640
TOTAL RUPEES - 2003	-	110,813,010	202,265,633	313,078,643	9,985,640	37,700,000	47,685,640	360,764,283
TOTAL RUPEES - 2002	-	134,138,203	173,745,174	307,883,377	15,700,183	39,989,574	55,689,757	363,573,134

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair Values of Financial Assets and Liabilities

The carrying value of all financial assets and liabilities reflected in the Financial Statement approximate their Fair Value.

b) Concentration of Credit Risk

Credit risk represent the accounting loss that would be recognised at the reporting date if contracting parties failed completely to perform their contract. The company believe that it is not exposed to major concentration of credit risk.

c) Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivable and payable exits due to sale and purchase transactions with foreign undertakings. There is no such transaction made during the year.

d) Price Risk

The company is not exposed to price risk as sales and purchases are made on the basis of valid sale/purchase agreements.

e) Liquidity Risk

The company is not exposed to any liquidity risk as all the assets of the company can be converted into liquid assets.

	Note	2003 Rupees	2002 Rupees
30. EARNING PER SHARE			
Net profit for the year after taxation		3,092,634	7,944,709
Ordinary Shares issued (No. of shares)		9,100,000	9,100,000
Earning per share		0.34	0.87
31. CAPACITY AND PRODUCTION			

	Number of spindles installed	15,192	15,192
	Number of spindles operated	15,192	15,192
	Number of Rotors installed	648	0,648
	Number of Rotors operated	648	432
	Installed capacity Ring Yarn at 20 single count	4.700 (M) Kgs.	4.700 (M) Kgs.
	Actual production converted into 20 single count	4.310(M)Kgs.	4.373 (M) Kgs.
	Installed capacity Autocoro Yarn at 16 single count	1.225 (M) Kgs.	1.225 (M) Kgs.
	Actual production converted into 16 single count	1.158(M)Kgs	0.385 (M) Kgs.
32.	NUMBER OF EMPLOYEES	617	557
33.	TRANSACTION WITH ASSOCIATED UNDERTAKINGS		
	Goods Purchased	1,925,600	21,739,597
	Goods Sold	177,895,739	97,683,703

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized of issue on 5th January, 2004 by the board of directors of the company.

35. GENERAL

Figures have been rounded off to the nearest rupees.

DR. MIRZA IKHTIAR BAIG

M. ISHTIAQ BAIG

Chief Executive

Director

PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2003

Number of Share Holders		Share holdings		Total Shares Held	
147	From	101	To	500	Shares 73,500
4	From	2,001	To	3,000	Shares 10,420
3	From	25,001	To	30,000	Shares 82,470
1	From	30,001	To	35,000	Shares 30,130
1	From	45,001	To	50,000	Shares 50,000
1	From	110,001	To	115,000	Shares 113,750
1	From	170,001	To	175,000	Shares 171,500
1	From	260,001	To	265,000	Shares 264,820
1	From	395,001	To	400,000	Shares 397,230
4	From	660,001	To	665,000	Shares 2,648,200
1	From	2,540,001	To	2,545,000	Shares 2,543,240
1	From	2,710,001	To	2,715,000	Shares 2,714,740
166					9,100,000

Categories of Shareholders	Number of Share holders	Shares held	Percentage %
1. Individuals	159	5,676,000	62.37%
2. Commercial Banks	5	2,648,200	29.11%
3. Investment Corp. of Pakistan	1	662,050	7.27%
4. National Investment Trust	1	113,750	1.25%
	166	9,100,000	100.00%

Categories of Shareholders	Number of Shares holders	Shares held	Percentage %
NIT AND ICP:			
National Investment Trust	1	113,750	1.25
Investment Corporation of Pakistan	1	662,050	7.28
Directors, CEO and their Spouses and minor Children:			
Dr. Mirza Ikhtiar Baig	1	2,543,240	27.95
Mr. M. Ishtiaq Baig	1	2,714,740	29.83
Mr. Mirza Mukhtar Baig	1	30,130	0.33
Mrs. Nasreen Tahir	1	2,640	0.03
Mr. Mohammad Ali Aziz	1	2,640	0.03
Mrs. Parveen Zafar	1	2,640	0.03
Mrs. Noreen Baig	1	171,500	1.88

Public sector companies and corporations	-	Nil	Nil
Banks, DFIs, NDFIs:			
National Bank of Pakistan	1	662,050	7.28
Habib Bank Limited	1	662,050	7.28
United Bank Limited	1	662,050	7.28
Muslim Commercial Bank Limited	1	397,230	4.37
Allied Bank of Pakistan Limited	1	264,820	2.91
Individuals	152	208,470	2.29
GRAND TOTAL	166	9,100,000	100

SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST
IN THE COMPANY AS AT 30-9-2003

Directors. CEO, their spouses and minor children.

Dr. Mirza Ikhtiar Baig	2,543,240	27.95
M. Ishtiaq Baig	2,714,740	29.83