

# BENGAL FIBRE INDUSTRIES LIMITED

## ANNUAL REPORT 2004

### Company Information

#### BOARD OF DIRECTORS

Mr. Shaikh Shehzad Iqbal

Chairman

Mr. Muhammad Farooq

Chief Executive

Mr. Tanveer Iqbal

Mr. Tahir Iqbal

Mr. Asim Iqbal

Mr. Murad Iqbal

Mr. Ahmed

Mr. Muhammad Asif

Mr. Muhammad Saleem Patel

#### BOARD OF AUDIT COMMITTEE

Mr. Asim Iqbal

Chairman

Mr. Tahir Iqbal

Member

Mr. Muhammad Asif

Member

Mr. Muhammad Idrees

Secretary

#### CHIEF FINANCIAL OFFICER

Mr. Karamatullah Khan

#### COMPANY SECRETARY

Mr. Muhammad Iqbal Moon

#### AUDITORS

M/s . Gangat & Company

Chartered Accountants

#### BANKERS

Askari Commercial Bank Limited

Bolan Bank Limited

#### REGISTERED OFFICE & FACTORY

Plot No. 53&S4, Sector 15,

Korangi Industrial Area,

Karachi, Phone No. 5063593

### Directors Report

- 2) Proper books of account have been maintained.
- 3) Appropriate Accounting Policies have been consistently applied in the preparation of financial statements.
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- 5) The system of internal control of the company is in place and is sound in design and is effectively monitored.
- 6) The going concern assumption in the preparation of financial statements is appropriate.
- 7) The company has endeavoured its full to follow the best practices of corporate governance as detailed in the listing regulations.
- 8) During the year eight Board meetings were held. Attendance by each director was as under:-

#### Directors Resigned

Mr. Abdul Sattar Bengali

Mr. Ali Muhammad Bengali

Mr. Noor Muhammad

Mr. RaufW. Tabbani

Mr. Yunus Hashim Bengali

Mr. Faisal G. Bengali

Mr. Khizar Hyat Aamir(SLIC)

#### Directors Co-opted

Mr. Tanveer Iqbal

Mr. Tahir Iqbal

Mr. Murad Iqbal

Mr. Asim Iqbal

Mr. Ahmed

Mr. Muhammad Asif

Mr. Muhammad Saleem Patel

#### NAME OF DIRECTORS

#### NO. OF MEETINGS ATTENDED

Mr. Shaikh Shehzad Iqbal

8

Mr. Muhammad Farooq

Mr. Tanveer Iqbal

3

Mr. Tahir Iqbal

3

Mr. Murad Iqbal

3

Mr. Ahmed

3

Mr. Asim Iqbal

7

Mr. Muhammad Asif	7
Mr. Mohammad Saleem Patel	3
Ex-Directors:	
Mr. Ali Muhmmad Bengali	1
M. Abdul Sattar Bengali	1
Mr. Yunus Hashim Bengali	1
Mr. Faisal G. Bengali	1
Mr. Noor Muhammad Abubaker	1

## FINANCIAL RESULTS

	2004	2003
	Rupees	Rupees
Operating Loss	-21,819,867	-22,924,958
Financial & other charges	-8,949,080	-5,645,092
Loss before Taxation	-30,768,947	-28,570,050
Taxation	-9,340	6,220,470
Loss after Taxation	-30,778,287	-22,349,580
Accumulated Loss brought forward	-26,025,813	-3,676,233
Accumulated Loss carried forward	-56,804,100	-26,025,813
Loss per share	-4.55	-3.31

## REVIEW OF RESULTS

Pursuant to a Fact Finding Report by an Independent professional firm, the Board of Directors of the company decided to shut down the plant and related production facilities in March 2003. This closure was necessitated by the losses being suffered by the company due to adverse fiscal policy and higher costs, eventually resulting in a gross loss of Rs. 0.321 million in 2002.

During the year the Company has applied for de-listing and buy back of shares at a price @ Rs. 20.40 per share duly approved by the Karachi Stock Exchange (Guarantee) Limited. The final approval/confirmation from stock exchange for de-listing is awaited.

## RESERVATION IN AUDITORS' REPORT TO MEMBERS &amp; FUTURE OUTLOOK

As a result of sale of sponsor/institutional shares the new management took charge w.e.f. August 22, 2003. The management is considering a number of options for restructuring the production facilities and running the Company and if this is not viable may consider sell off whole or part of assets. The management believes they will have no difficulty in obtaining new working capital and fixed financing, as the assets of the Company are free of charge after the repayment of loan and lease liabilities. As such the management feels that the company is a going concern.

## CODE OF CORPORATE GOVERNANCE

The directors hereby confirm the following as required by clause (xix) of the code;

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

## Statement of Compliance with the code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of 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 board comprises nine directors, including the CEO, two executive and seven non-executive directors. The company encourages representation of independent non-executive directors on its board.

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 non of them has defaulted in payment of any loan to a banking company, a DPI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4) Seven casual vacancies occurred in the Board during the current year and the same were filled up within thirty days.

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

6) The board has developed a vision/mission statement. However overall corporate strategy and significant policies of the company are under formulation.

- 7) All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
- 8) The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings unless condoned. The minutes of the meetings were appropriately recorded and circulated.
- 9) The appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit and their remunerations and terms and conditions have been approved by the Board.
- 10) The directors' report has been prepared in compliance with the requirements of the code and fully describes the salient matter required to be disclosed.
- 11) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 12) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

#### 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 BENGAL FIBRE INDUSTRIES LIMITED, to comply with the Listing Regulations No. 37 and 38 (Chapter XI) of the Karachi Stock Exchange and clause 49 (Chapter XIII) of Lahore Stock Exchange where the Company is listed.

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

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

Based on our review except for non compliance with clause (xiv) of the Code relating to the orientation courses for directors, 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.

The company has complied with all the corporate and financial reporting requirements of the code. The Board has formed an audit committee. It comprises of three members. All the members are non-executive directors.

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 term of reference of the committee have been formed and advised to the committee for compliance.

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

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 are or any of the partners of 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 (IF AC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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 IF AC guidelines in this regard.

The Company has fully complied with the best practices on transfer pricing as contained in the listing Regulation No . 3 8 of the Karachi Stock Exchange .

We confirm that all other material principals contained in the Code have been complied with.

Balance Sheet  
**for the year ended 30 June 2004**

	Note	2004 Rupees	2003 Rupees
<b>ASSETS</b>			
Non-Current Assets			
Tangible fixed assets			
Operating assets			
Long Term Deposits	3	145,877,800	162,427,280
Current Assets			
Stores and spares	4	276,310	6,880,145
Stock-in-trade	5	26,270,911	31,586,956
Trade debts - unsecured, considered good	6	2,251,749	6,414,585
Advances, deposits, prepayments and other receivables		400,113	4,333,455
Cash and bank balances	7	10,721,595	13,518,259
	8	93,762	8,059,685
<b>TOTAL ASSETS</b>		<b>39,738,130</b>	<b>63,912,940</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital and Reserves			
Authorised share capital			
10,000,000 ordinary shares of Rs. 10/- each			
Issued, subscribed and paid-up ,		100,000,000	100,000,000
Capital reserve - share premium	9	67,581,620	67,581,620
Accumulated Loss		27,840,933	27,840,933
		-56,804,100	-26,025,813
Deferred Income		38,618,453	69,396,740
Non-Current Liabilities			
' Long term loans-unsecured	10	-	789,279
Liabilities against assets subject to finance lease	11	118,988,348	-
Deferred liability	12	-	24,161,229
Current Liabilities			
Loan from director-unsecured	13	21,638,919	21,638,919
Short term finances - secured	14	-	15,000,000
Current portion of lease liabilities	15	-	60,326,607
Creditors, accrued and other liabilities	16	-	18,563,628
Unclaimed dividend	17	6,562,527	23,259,970
		83,993	83,993
Contingencies and commitments		6,646,520	117,234,198
<b>TOTAL EQUITY AND LIABILITIES</b>	18	<b>-</b>	<b>-</b>
		<b>185,892,240</b>	<b>233,220,365</b>

**Auditors Report To The Members**

We have audited the annexed Balance Sheet of BENGAL FIBRE INDUSTRIES LIMITED as at June 30, 2004 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 -

1. As referred in note 1.2 these financial statements have been prepared on a going concern basis. The Company has shut down its operations effective from March, 2003. The continuous losses, net liability position and closure of operations lead us to believe that the use of going concern assumption for the preparation of these financial statements is not appropriate. Consequently assets and liabilities should have been stated at their realisable and settlement values respectively.

- in our opinion, proper books of account have been kept by the Company as required by the companies Ordinance, 1984;
- in our opinion :

- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for change stated in note 2.2 with which we concur;
- ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in view of paragraph 1 above, 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 do not 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 do not give a true and fair view of the state of the Company's affairs as at June 30, 2004 and of the loss, 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 (XVIII of 1980). The financial statements of the Company for the year ended June 30, 2003 were audited by another firm of auditors, whose report dated August 15, 2003 expressed an adverse opinion.

#### Cash Flow Statement

For the Year Ended 30 June 2004

	2004 Rupees	2003 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	-30,768,947	-28,570,050
Adjustments for :		
Depreciation	16,441,873	18,768,654
Amortization of deferred income	-789,279	-263,093
Financial charges	756,261	17,103,448
Provision against assets	10,165,767	-
Liabilities written back	-1,210,097	-
Profit on sale of fixed assets	-436,893	-11,059,435
	24,927,632	24,549,574
Loss before working capital changes	-5,841,315	-4,020,476
(Increase) / decrease in current assets:		
Stores and spares	316,045	3,257,409
Stock-in-trade	1,685,200	72,728,594
Trade debts-unsecured considered good	3,933,342	13,600,023
Loans, advances, prepayments and other receivables (excluding advance tax)	160,490	6,841,212
	6,095,077	96,427,238
Increase/(decrease) in current liabilities:		
Creditors, accrued and other liabilities	-14,692,524	-42,749,893
Net cash (used in) / generated from operations	-14,438,762	49,656,869
Income tax paid	-61,297	-2,384,010
Net cash (outflow)/inflow from operating activities	-14,500,059	47,272,859
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	-	-2,990,878
Proceeds from disposal of fixed assets	544,500	11,977,760
Long-term deposits	642,535	589,794
Net cash generated from investing activities	1,187,035	9,576,676
	-13,313,024	56,849,535
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans-unsecured	118,988,348	-
(Repayment of)/proceeds from loan from director-unsecured	-15,000,000	15,000,000
Lease rentals paid	-37,088,316	-19,917,380
Financial charges paid	-1,226,324	-10,680,913
Repayment of long term loan and financial arrangements		-10,000,000
Net cash inflow/(outflow) from financing activities	65,673,708	-25,598,293
Net increase in cash and cash equivalents	52,360,684	31,251,242
Cash and cash equivalents at the beginning of the year	-52,266,922	-83,518,164
Cash and cash equivalents at the end of the year	93,762	-52,266,922

#### Profit and Loss Account

For The Year Ended 30 June 2004

Note	2004	2003
------	------	------

		Rupees	Rupees
Sales	18	1,426,311	257,670,924
Cost of sales	19	1,668,777	257,991,942
Gross Loss		-242,466	-321,018
Administrative expenses	21	2,438,988	9,377,080
Selling expenses	21	-	4,590,974
Post operation closure cost	22	19,138,413	8,635,886
		21,577,401	22,603,940
Operating loss		-21,819,867	-22,924,958
Other Income / (Charges)			
Other income	23	1,262,851	13,631,470
Financial charges	24 •	-756,261	-17,103,448
Other charges / reversals	25	-8,955,670	-2,173,114
Delisting and buyback of shares	26	-500,000	-
		-8,949,080	-5,645,092
Loss before taxation		-30,768,947	-28,570,050
Taxation	27	9,340	-6,220,470
Loss after taxation		-30,778,287	-22,349,580
Accumulated loss brought forward		-26,025,813	-3,676,233
Accumulated loss carried forward		-56,804,100	-26,025,813
Loss per share	28	-4.55	-3.31

## Notes to the Financial Statements

For The Year ended 30 June 2004

### I. THE COMPANY AND ITS OPERATIONS

approval/confirmation from stock exchange for de-listing is awaited.

1.2 The Company closed down its manufacturing operations in March, 2003. This closure was necessitated by the losses being suffered due to fiscal policies of the Government adversely affecting locally manufactured polyester yarn.

The new management has taken charge w.e.f August 22, 2003. The management are considering a number of options for restructuring the production facilities and running the Company and if this is not viable may consider to sell off whole or part of assets. The management believes they will have no difficulty in obtaining new working capital and fixed financing as the assets of the Company are free of charge after the repayment of loan and lease liabilities. As such the management feels that the company is a going concern.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation and accounting convention

These financial statements have been prepared in accordance with the requirements 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 Companies Ordinance, 1984 or the requirements of the said directives take precedence.

These financial statements have been prepared under the historical cost 'convention', unless otherwise disclosed.

#### 2.3 Fixed assets

##### Owned

Fixed assets are stated at cost less accumulated depreciation except for leasehold land and capital work-the remaining number of year in lease expiry i.e. 62 years. Had there been no change the net loss for the year and accumulated loss would have decreased by Rs. 8,683.

Borrowing costs relevant to acquisition of assets are capitalised until assets commence commercial production. Depreciation is charged on reducing balance method at rates stated in respective note to the financial statements, except refitting of generators being depreciated on straight-line basis over a period of five years commencing from the date of refitting .

Depreciation on assets is calculated after adjustment of exchange gains and losses arising from repayments of installments and conversion of outstanding foreign currency loan into Pak Rupees at balance sheet date.

During the period, the Company changed its accounting estimate for charging depreciation from the month of acquisition and upto the month of disposal. Upto last year the company used to charge depreciation on additions for the whole year except significant additions where charge for depreciation was made with reference to the date of use of such assets and no depreciation was charged on deletions. There has been no effect on the profit and loss account for the period as a result of this change.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on disposal



of fixed assets are recognized in the period of disposal.

Statement of Changes in Equity  
for the Year Ended 30 June 2004

	Share Capital Rupees	Capital Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at 01 July 2002	67,581,620	27,840,933	-3,676,233	91,746,320
Loss for the year	—	—	-22,349,580	(22,349,580)
Balance as at 30 June 2003	67,581,620	27,840,933	-26,025,813	69,396,740
Loss for the year	—	—	-30,778,287	-30,778,287
Balance as at 30 June 2004	67,581,620	27,840,933	-56,804,100	38,618,453

Notes to the Financial Statements  
For The Year Ended 30 June 2004

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which these can be utilized.

2.9 Foreign exchange transactions

Transactions in foreign currencies are accounted for in rupees at the rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in which the rates contracted are applied. Exchange differences in respect of foreign currency loans obtained for requisition of fixed assets are incorporated in the cost of relevant fixed assets.

All other exchange gains and losses are recognized currently.

2.10 Revenue recognition

Revenue from sales is recognised upon passage of title to the customers, which generally coincides with physical delivery.

2.11 Deferred income

Gain arising on sale and lease back of asset is credited to profit and loss account over the period of lease commencing from the date of asset is put into operation.

2.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances net of short-term finances. The cash and cash equivalents are subject to insignificant risk of changes in values.

2.13 Financial instruments

All financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on derecognition of financial assets and financial liabilities are taken to profit and loss currently.

2.14 Off-setting of financial assets and financial liabilities

All financial assets and financial liabilities are 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 asset and settle the liability simultaneously.

2.15 Other financial assets and liabilities

Other financial assets and other financial liabilities are carried at amortized cost. The fair value of these approximate their carrying amount.

Notes to the Financial Statements  
For The Year Ended 30 June 2004

Leased assets

Assets held under finance lease are stated at the lower of present value of minimum lease payment under

assets. Depreciation of leased assets is charged to income. The related obligations of leased assets are accounted for as liabilities.

The finance charge is calculated at interest rate implicit in the lease and is charged to the profit and loss account

Stores and spares

moving items. Items specifically considered to be obsolete are retired and written-off. .

Stock-in-trade .

Raw materials, work-in-process and finished goods are valued at lower of weighted average cost and net realisable value.

Items-in-transit are valued at cost, comprising invoice value plus other charges paid and accrued thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade debts

Trade debts are stated net off provision for doubtful debts, if any. Provision for doubtful debts is based on management's assessment of customers' outstanding balances and credit worthiness. Known bad debts, if any, are written off as and when identified.

Impairment

The carrying amounts of the fixed assets of the Company are reviewed at each balance sheet date to

Retirement benefit

a) Defined contribution provident fund

The Company operates approved provident fund (defined contribution) schemes, each for administrative employees and factory workers. Equal contributions are made to the schemes by the Company and the employees / workers.

b) Employees' compensated absences

Accruals on account of compensated absences of employees are made using their current salary levels.

During the year no benefits have been accrued in respect of retirement benefits. The company has applied for de-registration of provident fund.'

Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits available, if any or the minimum tax under section 113 of the Income Tax Ordinance, 2001 whichever is higher.

## Notes to the Financial Statements

For The Year Ended 30 June 2004

	Note	2004 Rupees	2003 Rupees
4. LONG -TERM DEPOSITS			
Deposits against assets subject to finance lease		-	5,961,300
Others		276,310	918,845
		276,310	6,880,145
5. STORES AND SPARES			
Spare parts		26,824,166	26,824,166
General stores		3,957,367	4,028,850
Cops held by other parties		489,378	733,940
		31,270,911	31,586,956
Less: Provision against obsolete and slow moving item!		-5,000,000	-
		26,270,911	31,586,956
6. STOCK-IN-TRADE			
Raw materials		2,751,749	4,436,949
Work-in-process		1,977,636	1,977,636
		4,729,385	6,414,585
Less : Provision against obsolete and slow moving items		-500,000	-
Work-in-process written off		-1,977,636	-
		-2,477,636	-
		2,251,749	6,414,585
7. ADVANCES, DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
To employees			55,889
To suppliers			78,550
Sales tax - net	7.1	5,098,103	5,098,965



Others	4,365	4,633
Income tax refundable	8,222,728	8,170,771
Prepayments	-	17,393
Receivable from provident fund	-	7,528
Other receivables	84,530	84,530
	13,409,726	13,518,259
Less : Provision against advances and other receivable	-2,688,131	-
	10,721,595	13,518,259

For The Year Ended 30 June 2004

12.1 Represents finance lease agreements entered into with the leasing companies for plant and machinery and vehicles including sales and lease back arrangement for plant and machinery. The total lease rentals due under the various lease agreements was payable in equal monthly installment latest by 2006.

During the year the management decided to repay the entire dues before time.

12.2 The future minimum lease payments and their present value, to which the Company was committed under lease agreements were:

	2004		2003	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
			----- (Rupees) -----	
Within one year	-	-	23,099,606	18,563,628
After one year but not more than five years	-	-	28,197,794	24,161,229
	-	-	51,297,400	42,724,857
Less: Financial charges for future period	-	-	-8,572,543	-
	-	-	42,724,857	42,724,857
			2004 Rupees	2003 Rupees
DEFERRED LIABILITY				
Deferred taxation			21,638,919	21,638,919
13. 1 Deferred tax balance represents				
Accelerated tax depreciation				27,700,700
Assets subject to finance lease				4,058,950
Carry forward losses				-10,120,731
				21,638,919

Notes to the Financial Statements  
For The Year Ended 30 June 2004

	Note	2004 Rupees	2003 Rupees
CASH AND BANK BALANCES			
Cash in hand		8,716	12,538
With banks in current accounts		85,046	8,047,147
		93,762	8,059,685
ISSUED, SUBSCRIBED AND PAHMJP CAPITAL			
Fully paid ordinary shares of Rs. 10/- each			
4,293,014 ordinary share of Rs. 10/- each fully paid in cash		42,930,140	42,930,140
197,460 ordinary shares of Rs. 10/- each fully paid up issued to PICIC on loan conversion		1,974,600	1,974,600
2,267,688 ordinary shares of Rs. 10/- each fully paid up issued as bonus shares		22,676,880	22,676,880
		67,581,620	67,581,620
DEFERRED INCOME			
Profit on sale and lease back arrangement		789,279	1,052,372
Less: Transferred to profit and loss account		-789,279	263,093
		-	789,279

10.1 The entire amount has been recognised during the year due to early settlement of lease liabilities during the year.

## LONG TERM LOANS-UNSECURED

. Directors	111,038,348	-
Shareholders	7,950,000	-
	118,988,348	-

11.1 These are interest free and the same will not be demanded from the company in next two years.

## LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance at the beginning of the year	42,724,857	54,860,564
Addition during the year	-	820,000
	42,724,857	55,680,564
Less : Repayments/adjustment during the year	42,724,857	12,955,707
	-	42,724,857
Less : Current maturity	-	18,563,628
	-	24,161,229

Notes to the Financial Statements  
For The Year Ended 30 June 2004

## 18. CONTINGENCIES AND COMMITMENTS

18.1 Guarantees issued by bank on behalf of the Company

18.2 During the year 1999, the Company had received several notices of demand from the Sales Tax authorities in respect of various cases relating to prior years aggregating to Rs. 5,067,0437- out of which Rs. 69.309/- were allowed to be refunded, hence net undecided amount comes to Rs. 4,997,7347-. The Company had paid the amounts so demanded, under protest, and had preferred appeals before the respective appellae authorities. As a matter of prudence provision of 50% has been made during the year.

	Note	2003 Rupees	2004 Rupees
19. SALES			
Finished goods		9,729,000	295,659,446
Raw material		1,676,474	6,409,564
		1,676,474	302,069,010
Sales tax		250,163	44,398,086
		1,426,311	257,670,924

## 20. COST OF SALES

Raw materials			
Opening balance		4,436,949	17,095,751
Return / Purchases		-51,700	97,725,694
		4,385,249	114,821,445
Closing balance		-2,751,749	-4,436,949
Raw materials sold/consumed		1,633,500	110,384,496
Packing materials consumed			9,753,395
Production expenses	21		91,803,430
Work-in-process			
Opening		1,977,636	8,226,428
Written off			-1,977,636
Closing			-1,977,636
			6,248,792
Finished goods			
Opening balance			35,411,184
Closing balance			-
			35,411,184
Cost of outright sale of material		35,277	4,390,645
		1,668,777	257,991,942

Notes to the Financial Statements  
For The Year Ended 30 June 2004

	2004 Rupees	2003 Rupees
SHORT-TERM FINANCES - secured		
Running finances	-	59,865,849
Trust receipt finances	-	460,758

		-	60,326,607
15.1	These finances were obtained from commercial banks and were secured against hypothecation of stock, stores, book debts, equitable mortgage on fixed assets and personal guarantee of Directors. These were subject to markup ranging from 14 to 38 paisas per thousand rupees per day.		
	CURRENT PORTION OF LEASE LIABILITIES	-	18,563,628
	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Creditors	546,480	2,492,149
	Bills payable	-	5,233,858
	Accrued liabilities		
	Expenses	1,000,232	3,403,481
	Financial charges	-	2,004,919
	Workers' Profit Participation Fund	-	5,359
	Deposits from customers	17.1	3,691,205
	Sales tax	-	620,737
	Due to associate company	17.2	426,856
	Other liabilities		897,754
		6,562,527	23,259,970

Notes to the Financial Statements  
For The Year Ended 30 June 2004

	2004	2003
	Rupees	Rupees
23. OTHER INCOME		
Interest income	31,842	1,973
Gain on sale of fixed assets	436,893	11,059,435
Amortisation of gain on sale and lease back	789,279	263,093
Miscellaneous income	4,837	2,306,969
	1,262,851	13,631,470
24. FINANCIAL CHARGES		
Mark-up on short term finances	6,945	9,140,655
Mark-up on long term loans		788,014
Interest on Workers' profit participation fund	-	5,359
Financial charges on finance leases	324,759	6,961,673
Bank charges	424,557	207,747
	756,261	17,103,448
25. OTHER CHARGES /REVERSALS		
Work in process written off	1,977,636	-
Provision against slow moving and obsolete store and spares	5,000,000	-
Provision against slow moving and obsolete stock	500,000	-
Provision against doubtful receivables	2,688,131	-
Reversal of accrued markup no longer payable	-1,210,097	-
Provision for employees lay-off/ retirement	-	2,173,114
	8,955,670	2,173,114
26. This represents Rs. 300,000 paid upto balance sheet date and Rs. 200,000 accrued in respect of cost for delisting and buyback of shares.		
27. TAXATION		
Current	9,340	1,354,080
Prior	-	1,275,066
Deferred	-	(8,849,616)
	9,340	-6,220,470
27.1 Due to accumulated tax loss, turnover tax has been provided during the year. Assessment for the income year 2002-3 has been finalised. However while finalising the above income year, the assessing officer has disallowed certain expenses for which the company has preferred an appeal before the department.		
28. LOSS PER SHARE		
Net loss for tye year	-30,778,287	-22,349,580
Average ordinary share in issued during the year ended June 30, 2004: 6,758,162 (2003: 6,758,162)		
Loss per share	-4.55	-3.31

Notes to the Financial Statements  
For The Year Ended 30 June 2004

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 financial assets & liabilities	NON-INTEREST BEARING		Total Rupees 200*	Total Rupees 2003
	Within OIK Year	Above one Year		
Financial assets:	400,113	-	400,113	4,333,455
Trade debts-unsecured considered go	-	276,310	276,310	6,880,145
Long-term deposits	88,895	-	88,895	223,602
Advances, Prepayments other receive	93,762	-	93,762	8,059,685
Cash and bank balances	582,770	276,310	859,080	19,496,887
Financial liabilities:	-	118,988,348	5,988,348	-
Long-term loans-unsecured	-	-	-	42,724,857
Lease liabilities	-	-	-	15,000,000
Short term loan from director	-	-	-	60,326,607
Short term finances	6,562,527	-	5,562,527	22,630,137
Creditors, accrued and other liabilities	83,993	-	83,993	83,993
Unclaimed dividend	6,646,520	118,988,348	634,868	140,765,594

## Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its customers and does not have significant exposure to any individual customer.

## Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk.

## Fair Values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

This assessment is based on settlement / realisable value. During the year estimate provisions has been made against various assets to ensure their carrying amount does not exceed their realisable values / fair values.

## Other Risk

The company is not exposed to any market, liquidity and cash flow risk due to the fact that all loan and lease liabilities due to financial institutions have been paid during the year with the financial assistance provided by the directors.

## DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 16, 2004 by the Board of Directors of the Company.

## GENERAL

35.1 Number of employees at year end were 11 (2003: 169).

35.2 Some policies have been reworded and added, which were erroneously omitted.

35.3 Figures have been rounded off to the nearest rupee.

## Notes to the Financial Statements

For The Year Ended 30 June 2004

	2004 Rupees	2003 Rupees
<b>CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	93,762	8,059,685
Short term finances	-	-60,326,607
	93,762	-52,266,922
<b>CAPACITY AND PRODUCTION</b>	M. tons	M. tons
Normal capacity	2,500	2,500
Actual production	-	2,075

## DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES EMOLUMENTS

	Chief Executives	Directors	Executives	Total
Managerial remuneration	-	-	590,372	590,372
Provident fund contribution	-	-	-	-
Entertainment and medical	-	-	-	-
Utilities and telephone expenses	-	-	35,920	35,920

2004 Rupees	-	-	626,292	626,292
2003 Rupees	468,467	880,571	5,872,428	7,221,466
Number of persons				
2004	-	-	2	2
2003	1	2	6	9

Minor Children		10		
Mr. Shaikh Shehzad Iqbal (Director & Chairman)			4924574	72.8688
Mr. Muhammd Farooq (Director & CEO)			1178653	17.4404
Mrs. Noorunnisa W/o Muhammad Farooq			5000	0.074
. Mr. Tanveer Iqbal			115000	1.7016
Mr. Tahir Iqbal			500	0.0073
Mr. Asim Iqbal			243318	3.6003
Mr. Murad Iqbal			500	0.0073
Mr. Ahmed			121660	1.8002
Mr. Muhammad Asif			5000	0.074
Mr. Muhammad Saleem Patel			,5000	0.074
			6599205	97.6479
(4) Executives			NIL	NIL
(5) Public Sector Companies & Corporations			NIL	NIL
(6) Banks. Development Finance Institutions, Non-Banking Finance Institutions. Insurance Companies. Modarabas & Mutual Funds				
Habib Bank Limited		2	2685	0.0397
United Bank Limited			200	0.003
			2885	0.0427
(7) Shareholders Holding 10% or More Voting interest in the Listing, Company (Other than mentioned above)			NIL	NIL
(8) Individuals		1330	149397	2.2106
(9) Others				
Sarfaz Mehmoood (Pvt) Limited		6	43	0.0006
Zam Zam Limited			468	0.0069
Freedom Enterprise (Pvt) Ltd.			374	0.0055
Askari Securities Limited			138	0.002
Bawa Securities (Pvt) Limited			235	0.0034
Zillion Capital Securities (Pvt) Limited			5	0.0003
			1263	0.0187
TOTAL	1350		6758162	100

## PATTERN OF SHARE HOLDERS

NUMBER OF SHAREHOLDERS		AS AT 30-6-2004		TOTAL SHARES HELD		
958	From	1	To	100	Shares	17,927
294	From	101	To	500	Shares	66,554
49	From	501	To	1000	Shares	33,876
39	From	1001	To	5000	Shares	90,831
2	From	5001	To	10000	Shares	13,166
1	From	110001	To	115000	Shares	115,000
1	From	120001	To	125000	Shares	121,660
1	From	240001	To	245000	Shares	243,318
1	From	305001	To	310000	Shares	306,678
1	From	400001	To	405000	Shares	403,723
1	From	700001	To	705000	Shares	704,115
1	From	2305001	To	2310000	Shares	2,309,566
1	From	2330001	To	2335000	Shares	2,331,748
		1350				6,758,162