

Bhanero Textile Mills Limited Annual Reports 2003

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Salim	Chief Executive / Director
	Mr. Mohammad Sharif	Director
	Mr. Mohammad Shaheen	Director
	Mr. Mohammad Shakeel	Director
	Mr. Khurram Salim	Director
	Mr. Bilal Sharif	Director
	Mr. Hasan Mahmood	Director (Resigned on April 17,2003)
	Mr. Iqbal Mehboob	Director (Appointed on April 17,2003)

COMPANY SECRETARY Mr. Asif Mahmood
FCA, FCIS, FITM, FICS, APA

CHIEF FINANCIAL OFFICER Mr. Anwar Hussain, FCA

AUDIT COMMITTEE Bilal Sharif Chairman
Khurram Salim Member
Mohammed Shakeel Member

AUDITORS M/s Mushtaq & Company
Chartered Accountants
407, Commerce Centre
Hasrat Mohani Road
Karachi.

LEGAL ADVISOR Mr. Shahid Pervaiz Jami,
Advocates

BANKERS ABN Amro Bank
Citi Bank, N.A.
Hong Kong and Shanghai Banking Corporation
Standard Chartered Bank
Muslim Commercial Bank Limited
United Bank Limited
Faysal Bank Limited

REGISTERED OFFICE Umer Chambers,
10/2, Bilmoria Street,
Off. 1. 1. Chundrigar Road,
Karachi.
Tel: (021) 263591 6- 17
Fax:(021)263-7826
E-mail : khioff@umergroup.com
website : www.umergroup.com

LIAISON/CORRESPONDENCE OFFICE :
6-K, Main Boulevard,
Gulberg II, Lahore.
Tel: (042) 5770001 -3
Fax:(042)5770015
E-mail : lhroff@umergroup.com
Website : www.umergroup.com

MILLS AT Unit I, is situated
at Kotri,
District Dadu,
Ph: 0221 -87001 3
Unit II, is situated at

Feroz Watwan,
Shaikhupura, Punjab
Ph: 0496-731 728

Dividend

Your directors have pleasure in recommending a final cash dividend of 100 % i.e. Rs. 10.00 per share (2002: 50% i.e. Rs. 5.00 per share) for the approval of shareholders at forthcoming the Annual General Meeting.

YEAR UNDER REVIEW

The year under review was a good year in terms of profits although the prices of raw cotton remained high. The quality of crop was comparatively better. The low mark up rate was the only support.

FUTURE OUTLOOK

The prices of cotton remained high as compared to the previous year, which is mainly due to the reports of the heavy damage to cotton crop. The severe pest attack is the main cause. The un-official projection on the size of crop is close to about 8.5 to 9 million bales. Despite heavy damage to the crop in many areas of cotton growing belt owing to heavy rains and later severe pest attacks, the officials are hoping that cotton production may not reach the target of 10 million bales. The prices of cotton in the international market are also in high tone due to shortage of cotton in china.

The cotton requirements of our textile industry are growing at a fast pace. There has been large scale balancing and modernization of the textile industry apart from the addition of new spindlage in the recent past which has considerably raised the consumption of cotton in the country. According to the trade circles, the mill consumption of cotton has gone up from 9.4 million bales in 1999-2000 to 11.0 million bales in 2002-2003. The mill consumption of cotton is growing at a rate of about half a million bales per year during the last four years. The cotton requirements of the mills are being placed at 12 million bales in the current cotton season and around 15 million bales after the year 2005. Keeping in view of the above facts I am not so hopeful about the future of the textile industry in Pakistan especially for the spinning sector.

Expansion Plan

The management of your company is striving hard for continues balancing & modernization of the machinery with the latest technology. The management is also focusing on the post WTO scenario of 2005.

The company has replaced the 12 existing chine ring frames form Unit-I that resulted in increase in the production capacity of Unit-I from 19,200 spindles to 19,584 spindles. The spindles of Unit-II have also increased from 20,880 spindles to 25,920 spindles. Thus the total production capacity of your company is now 45,504 spindles. The management has planned to add 2 auto conners and 3 simplex to meet the production requirement of the above expansion. It is expected that the above replacement and addition will improve the production and as well as quality of yarn. Your management has also installed an open-end machine having 192 rotors.

Human Resource

The management of your company believes that the organization can not be successful in the absence of motivated and professional human resources. Keeping in view, your company has embarked on a serious effort of upgrading its manpower through induction of qualified staff.

Corporate & Financial Reporting Framework:

The board of directors is mindful of its responsibilities as established by the Code of Corporate Governance by Stock Exchanges and the Securities and Exchange Commission of Pakistan. Your company is always committed to the standards of corporate governance and continually seeking improvements in the existing system. However, we are pleased to report that your company has taken necessary steps to comply with the provisions of Code of Corporate Governance as incorporated in the listing rules of the Stock Exchanges.

We give below our statement on Corporate and Financial Reporting Framework:

- a) The financial statements, presented by the management of the company, present fairly its state of affairs, the result of its operations and cash flow & changes in equity.
- b) Proper books of accounts of the Company have been maintained.

- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgement.
- d) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements and departure there from, 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 is ongoing and any emerging weaknesses in control will be addressed effectively.
- 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 of Stock Exchanges.
- h) The key operating and financial data of last six years has been provided in the summarized form.
- i) The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
- j) All the directors of the company are registered as taxpayer and none of the company's directors are in default of payment of any dues to a banking company, DFI, NBFI or Stock Exchanges.
- k) None of the directors of the company are serving on the Board of 10 or more listed companies.

YEAR WISE OPERATING DATA

	2003	2002	2001	2000	1999	1998
Spindle Installed	45,504	40,080	40,080	39,360	39,360	34,560
Spindles Worked	45,504	40,080	40,080	39,360	39,360	34,560
No. of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversation into 20/s Count. (Kgs.)	15,319,544	13,103,594	13,103,594	12,828,900	12,828,900	11,264,400
Actual Production after conversation into 20/s Count	14,528,675	12,711,407	12,502,799	12,576,599	12,224,807	11,990,976

YEAR WISE FINANCIAL DATA

	2003 Rupees in thousands	2002 Rupees in thousands	2001 Rupees in thousands	2000 Rupees in thousands	1999 Rupees in thousands	1998 Rupees in thousands
FIXED ASSETS	500,829	472,431	426,982	341,804	330,809	295,365
INVESTMENTS						
LONG TERM LOANS & DEPOSITS	10,542	14,501	14,497	10,905	6,188	12,433
CURRENT ASSETS	404,468	408,613	335,049	519,464	595,664	459,514
SHARE HOLDERS EQUITY	508,157	403,163	371,167	325,041	234,826	218,451
REDEEMABLE CAPITAL		—	-	8,818	16,240	22,487
LONG TERM LIABILITIES	113,436	76,050	82,019	52,081	82,188	41,694
DEFERRED LIABILITIES	82,753	81,098	64,071	44,096	16,688	14,526

CURRENT LIABILITIES	211,502	335,234	259,271	442,137	582,719	470,154
TURNOVER (NET)	1,426,008	1,285,217	1,439,058	1,308,310	1,226,323	1,157,488
GROSS PROFIT	221,702	201,730	199,948	370,133	180,069	211,458
OPERATING PROFIT	159,567	128,756	134,606	300,039	128,780	153,473
FINANCIAL CHARGES	31,808	52,355	71,253	64,147	52,849	104,814
PROFIT BEFORE TAXATION	136,629	72,677	83,140	224,111	64,744	46,627
PROFIT AFTER TAXATION	104,995	46,996	61,126	165,215	48,925	36,271
CASH DIVIDEND	30,000	15,000	15,000	75,000	24,000	14,550
TRANSFER TO RESERVES		32,000	46,100	90,200	24,900	30,450
PROFIT C/F	74,995	63	67	40	26	1

The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out as at September 30, 2003. The projected unit credit method is used to determine the actuarial values as specified by the IAS 19.

Board of Directors
Change in the Board .

During the year under review the nominee director of NIT Mr. Hasan Mehmood resigned from the directorship on April 17, 2003, which was accepted in the board meeting, held on the above date. The board appointed Mr. Iqbal Mehboob in place of retiring director to fill the casual vacancy till the remaining term. The board appreciated the performance of the retiring director and welcomes the newly appointed director.

The current members of the Board are listed on Page No. 2. Following meetings of the Board of Directors were held during the year, which were attended by the Directors as follows:

NAME OF DIRECTORS	MEETINGS ATTENDED
Mr. Mohammad Salim	5
Mr. Mohammad Sharif	4
Mr. Mohammad Shaheen	5
Mr. Mohammad Shakeel	5
Mr. Khurram Salim	5
Mr. Bilal Sharif	5
Mr. Farrukh Salim	5
Mr. Iqbal Mehboob (Appointed in place of Mr. Hasan Mahmood on April 17, 2003).	3
Mr. Hasan Mehmood (Nominee of NIT resigned on April 17, 2003).	1

Leave of absence was granted in case the directors were not able to attend the Board meetings.
Audit Committee

The company has already constituted an audit committee as required by the Code of Corporate Governance, which comprise of three members as mentioned in the corporate information. The meeting of audit committee were held in accordance with the code of corporate governance and the financial statements (quarterly / annual) were reviewed by the audit committee before issue.

Credit Rating

The management of your company is pleased to inform you that JCR-VIS Credit Rating Company limited has assigned a credit rating i.e. A/ A-1 for the year 2003.

Transfer Pricing.

The Stock Exchanges have added a new chapter in the listing regulation in respect of "Transfer Pricing" which was further revised on October 28, 2003. The Board of directors has approved the transfer pricing policy for a related party transaction, which is on arms length basis. There were no transactions with related party, which are other than on arms length basis. The company has fully complied with the best practices

on Transfer pricing as contained in the listing regulation No. 38 of the Karachi Stock Exchange.

Shareholding Pattern:

A statement reflecting the pattern of shareholding as required by the Code of Corporate Governance is attached with this report.

Auditors:

The present auditors M/s Mushtaq & Company, chartered accountants retiring at the Annual General Meeting being eligible offer themselves for re-appointment.

Thanks & Gratitude

Your directors would like to place their appreciation of the hard work and dedication shown by the executives, officers, staff members and workers of the company in performance of their duties. Your directors would also like to put on record their profound and sincere gratitude to valued customers and bankers, whose continuous support is a great source of strength to the company. Your directors do hope that it will be continued in future.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the code of corporate governance contained in regulation No. 37 of listing regulation of Karachi Stock Exchange for purpose of establishing framework of good corporate governance, whereby a listed company is managed in compliance with best practices.

The company applies the principles contained in the Code in following manner.

1. The Board of Directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in ten or more listed companies.
3. The company has prepared a mission statement, statement of ethics and business practices and overall corporate strategy. The significant policies are in process of finalization.
4. The Board is mindful of its responsibilities to the shareholders for the performance of theirs as directors.
5. The Board of Directors and the Audit Committees have normally met four times in the year and notices of the meetings, agendas and related papers are normally circulated at least seven days before the meeting except in case where an emergent meeting is to be held. The Chairman of the Board is normally present and always presides over the meeting of the Board.
6. All the directors of the company are registered as taxpayers and non of them has defaulted in payments of any loan to a banking company, a DFi or an NBFi or, being a member of a stock exchange, has been declared as defaulter by the stock exchange.
7. The Board arranged orientation courses for its directors during the year apprised them of their duties and responsibilities and briefed them regarding amendments in the Companies Ordinance, 1984 and other corporate laws.
8. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the Board.
10. The Board has the audit committee with its terms of reference. The audit committee ensures the independence of the internal audit function and the independence and objectivity of the external auditors. The audit committee meets regularly before Board meetings and committee report is presented to the full meeting.
11. The Board of Directors has implemented an organizational structure for the company and has appointed the Chief Executive, Chief Financial Officer, Head of Internal Audit and the Company

Secretary to manage the affairs of the company in accordance with the Code of Corporate Governance.

12. The quarterly un-audited financial statements of the company are published and circulated along with the Director's review.

13. All material information as described in clause (XXiii) of the Code of Corporate Governance is disseminated to the stock exchange and Securities & Exchange Commission of Pakistan in time.

14. The Financial Statements for the year ended September 30, 2003 were presented before the Board duly signed by the CEO and CFO and the board after consideration and approval authorized the signing of the financial statements for issuance and circulation.

15. Significant issues and policies are always placed before the Board for their consideration and approval.

16. 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.

17. We confirm that all material principles contained in the code have been complied with except few towards which responsible progress is being made by the company to seek compliance by the end of the next financial accounting year.

18. The Board has set-up effective internal audit function with suitable qualified and experienced personnel which are involved in the internal audit function on full time basis.

19. The auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with international Federation of Accountants (IFAC) guidelines on Code ethics as adopt by Institute of Chartered Accountants of Pakistan (ICAP).

20. 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.

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 Bhanero Textile Mills Limited to comply with the Listing Regulation No. 37, Chapter No. XIII and Section No. 36 of the Karachi, Lahore and Islamabad Stock Exchange respectively 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 extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision 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 statement 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 to Board's statement on internal control covers all control and effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statements 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, as applicable to the Company for the year ended September 30 2003,

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bhanero Textile 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, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of 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 accounts 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 standard 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 zakat deductible at source under the zakat and ushr ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

BALANCE SHEET

	NOTE	2003 RUPEES	2002 RUPEES
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
6,000,000 Ordinary shares of Rs. 10 each		60,000,000	60,000,000
Issued, subscribed and paid up capital	5	30,000,000	30,000,000
General reserves		373,100,000	373,100,000
Unappropriated profit		75,043,645	62,600
		478,143,645	403,162,600
LONG TERM LOANS	6	98,090,909	44,090,909
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASES	7	2,246,694	18,860,357
EXCISE AND CUSTOM DUTY			
PAYABLE	8	13,099,110	13,099,110
DEFERRED LIABILITIES	9	82,753,270	81,097,904
CURRENT LIABILITIES			
Short term bank borrowings	10	89,067,614	153,942,068
Current maturity of long term liabilities	11	34,009,855	61,733,637
Creditors, accrued and other liabilities	12	88,439,125	81,960,496
Provision for taxation		-	22,598,311
Proposed dividend		30,000,000	15,000,000
		241,516,594	335,234,512
CONTINGENCIES AND COMMITMENTS	13	915,850,222	895,545,392

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

	NOTE	2003 RUPEES	2002 RUPEES
PROPERTY AND ASSETS			
TANGIBLE ASSETS			
Operating fixed assets	14	481,316,200	418,512,285
Capital work in progress	15	19,513,070	53,919,226
		500,829,270	472,431,511
LONG TERM LOANS	16	8,566,540	7,243,051
LONG TERM INVESTMENTS	17	275,000	300,000
LONG TERM DEPOSITS		1,711,076	6,958,076
CURRENT ASSETS			
Stores, spares and loose tools	18	15,732,563	11,799,639
Stock in trade	19	162,762,136	183,469,356
Trade debts	20	161,482,588	135,634,627
Loans and advances	21	40,945,023	65,338,672
Deposits, and other receivables	22	12,210,124	3,154,623
Cash at Bank	23	11,335,902	9,215,837
		404,468,336	408,612,754
	t	915,850,222	895,545,392

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

	NOTE	2003 RUPEES	2002 RUPEES
Sales - Net	24	1,426,008,047	1,285,216,712
Cost of sales	25	1,204,305,837	1,083,486,802
Gross profit		221,702,210	201,729,910
Administrative expenses	26	41,777,661	35,334,056
Selling and distribution expenses	27	20,372,431	37,639,501
		62,150,092	72,973,557
Operating profit		159,552,118	128,756,353
Other income	28	16,263,266	101,421
		175,815,384	128,857,774
Financial charges	29	31,807,810	52,355,423
Other charges	30	7,393,179	3,825,118
		39,200,989	56,180,541
Profit before taxation		136,614,395	72,677,233
Taxation	31		
Current year		23,337,959	18,013,770
Deferred		-1,669,986	12,190,276
Prior year		9,965,377	-4,522,636
		31,633,350	25,681,410
Profit after taxation		104,981,045	46,995,823
Unappropriated profit brought forward		62,600	66,777
Available for appropriation		105,043,645	47,062,600
Appropriation			
Proposed dividend @ 100% Rs. 10 per share (2002 § 50% Rs. 5.00)		30,000,000	15,000,000
Transferred to general reserves		-	32,000,000
		30,000,000	47,000,000
Unappropriated profit carried forward		75,043,645	62,600
EARNINGS PER SHARE - BASIC	32	34.99	15.67

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

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

	SHARE CAPITAL	GENERAL UNAPPROPRIATED RESERVES	PROFIT	TOTAL RUPEES
Balance as at October 1, 2001	30,000,000	341,100,000	66,777	371,166,777

Net profit for the year	-	-	46,995,823	46,995,823
Proposed dividend	-	-	-15,000,000	-15,000,000
Transferred to general reserve	-	32,000,000	-32,000,000	-
Balance as at Sept 30, 2002	30,000,000	373,100,000	62,600	403,162,600
Net profit for the year	-	-	104,981,045	104,981,045
Proposed dividend	-	-	-30,000,000	-30,000,000
Transferred to general reserve	-	-	-	-
Balance as at September 30, 2003	30,000,000	373,100,000	75,043,645	478,143,645

BHANERO TEXTILE MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	2003	2002
	RUPEES	RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations (Note: 33)	215,095,648	68,513,994
Taxes paid	-30,377,191	-43,257,080
Gratuity paid	-2,554,540	-1,714,111
Financial charges paid	-33,565,184	-52,207,172
Long term loans	-1,323,489	-913,600
Long term deposits	5,247,000	909,800
Net cash from/(used in) operating activities	152,522,244	-28,668,169
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-82,915,279	-91,699,363
Proceeds from disposal of fixed assets	2,715,000	385,000
Net cash used in investing activities	-80,200,279	-91,314,363
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	-	-8,818,025
Proceeds from sales and lease back	-	8,457,000
Receipt of long term loan	71,500,000	48,500,000
Proceeds of long term loan	-38,347,026	-57,542,540
Repayment of liability against assets subject to finance lease	-23,490,419	-21,143,444
Short term bank borrowings	-64,874,454	153,942,068
Dividend paid	-14,990,001	-15,003,665
Net cash (used in)/ from financing activities	-70,201,900	108,391,394
Net increase / (decrease) in cash and cash equivalents	2,120,065	-11,591,138
Cash and cash equivalents at beginning of the year	9,215,837	20,806,975
Cash and cash equivalents at ending of the year (Note: 23)	11,335,902	9,215,837

BHANERO TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2003

1. STATUS AND ACTIVITIES

The company was incorporated in Pakistan as a public limited company on March 30, 1980. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in manufacturing and sale of yarn.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention, as modified by

adjustments of exchange rate fluctuations.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 **Staff retirement benefits** **Defined benefit plan**

The company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from September 30, 2003 using the Projected Unit Credit Method.

Actuarial gain or loss is recognized in the period in which it occurs.

Compenstated Absence

The Company accounts for these benefits in the period in which the absences accrue.

4.2 Taxation Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. 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.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

4.3 Trade and other payables

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

4.4 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.5 Fixed assets Tangible - owned

These are stated at cost less accumulated depreciation and impairment, if any.

Exchange differences in respect of foreign currency transaction relating to fixed assets are incorporated in the cost of the relevant assets.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. Rates of depreciation are designed to write off the cost over the estimated useful lives of the assets.

Full year depreciation has been charged in the year of addition whereas no depreciation has been charged in the year of deletion.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized and included in the cost of respective fixed assets.

Gain or loss on disposal of fixed assets is included in the current profit and loss account.

Tangible - assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting

period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or lease assets are depreciated on the same basis and on the same rate as owned assets.

Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that a tangible fixed asset may be impaired. If such indication exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, assets are written down to the recoverable amount.

4.6 Investments

Investments in securities are recognised on trade date basis and are initially measured at cost inclusive of transaction cost. After initial recognition, investments held for trading are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

Investments which could not be classified as held for trading or held for maturity are classified as available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Any impairment loss including that had been recognised directly in equity is removed from equity and recognised in the profit and loss account for the period.

The fair value of those investments representing listed equity and other securities are determined on the basis of year end bid prices obtained from the stock exchange quotations.

4.7 Stores, spares and loose tools

These are valued at cost determined on weighted average basis. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

4.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost in relation to raw and packing material is calculated on the weighted average basis. Cost of work in process and finished goods include direct material, labor, and appropriate production overheads.

Net realizable value is arrived at by calculating the estimated selling price in the ordinary course of business less cost of completion and less costs necessary to be incurred in order to make the sale.

4.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

4.10 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalent comprise of cheques in hand, cash and bank balances.

4.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

4.12 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 legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously,

4.13 Revenue recognition

Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

Income from bank deposits, loans, and advances is recognised on accrual basis. Dividend income is recognized when the right to receive payment is established.

4.14 Borrowing cost

All markup, interest and other charges are charged to profit and loss account on an accrual basis.

4.15 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities in foreign currency are translated into Rupees at the rates of exchange prevailing at the date of transaction. Exchange gains and losses in respect of non-monetary assets and liabilities are incorporated in the cost of relevant assets. All other exchange gains and losses are included in income currently.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2003	2002		2003	2002
No of shares			Rupees	Rupees
1,762,500	1,762,500	Ordinary shares of Rs. 10 each fully paid in cash	17,625,000	17,625,000
1,237,500	1,237,500	Ordinary shares of Rs. 10 each fully paid as bonus shares	12,375,000	12,375,000
3,000,000	3,000,000		30,000,000	30,000,000

6. LONG TERM LOANS

Secured from banking companies

	Morahaba Financing	Term Finance	Mid Term Loan	2003	2002
	Rupees				
As at October 1 ,	48,500,000	13,333,332	20,604,603	82,437,935	91,480,475
Add: Received during the year	71,500,000			71,500,000	48,500,000
Less: Paid during the year	120,000,000	13,333,332	20,604,603	153,937,935	139,980,475
	-4,409,091	-13,333,332	-20,604,603	-38,347,026	(57,542,540)
	115,590,909	-	-	115,590,909	82,437,935
Less: Current maturity					

shown under current liability (Note: 11)	17,500,000	-	-	17,500,000	38,347,026
As at September 30,	98,090,909	-	-	98,090,909	44,090,909

6.1 The Morahaba arrangement is made with a banking company for the purpose of BMR amounting to Rs.120 million for a period of 6 years. The principal amount is payable in 11 equal installments with six months grace period commencing from September 2003. The arrangements are secured by way of 1st pari passu charge over plant and machinery and equitable mortgage of land and building of Unit-2 to the extent of Rs.172 million. The mark up rate is five years Pakistan Investment Bond plus 2% with a floor of 7% per annum and mark up is payable in 12 semi-annual installments in arrears .

6.2 It represents term finance facility obtained from a banking company. The principal amount is repayable in 6 half yearly installments commencing from August 7, 2000 and expiring on May 8, 2003. The implicit rate of mark up is 25% per annum which may be reduced to 13.25% by availing prompt payment bonus and rebate, if the installment of principal and mark up is repaid as stipulated by the bank. The above loan is secured against first pari passu charge on plant and machinery of Unit-II of the company. It represents medium term finance facility obtained from a banking company. The facility was commenced from June 30, 2001 and expires on December 31, 2002. The principal amount is payable in 3 equal semi-annually

' installments. The loan has been fully paid during the year.

6.3 It represent the medium term finance facility from a banking company. The facility commenced from June 30, 2001 and expire on December 31,2002. The principal amount is repayable in 3 semi annual equal installments. The markup rate is State Bank's Discount rate + 2% per annum and is payable quarterly in arrears. The pricing to be re-determined and fixed at the beginning of each quarter (in line with any change in SBP's Discount Rate). The loan is secured by first pari passu hypothecation charge on plant and machinery of the company for Rs.93.50 million. The loan has been fully paid during the year.

	2003 RUPEES	2002 RUPEES
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Minimum lease payments		
Up to one year	17,219,301	26,937,351
More than one year but less than five years	2,303,786	19,626,897
	19,523,087	46,564,248
Less: Financial charges not yet due		-
Up to one year	709,446	3,550,742
More than one year but less than five years	57,092	766,538
	766,538	4,317,280
Present value of minimum lease payments		
Up to one year	16,509,855	23,386,609
More than one year but less than five years	2,246,694	18,860,359
	18,756,549	42,246,968
Less: Current portion shown under current liabilities (Note: 11)	-16,509,855	-23,386,611
	2,246,694	18,860,357

7.1 This represents finances obtained under the various leasing arrangements. The total minimum lease payment are payable in 36 equal monthly installments. The internal rate of return is 12.50 to 17.00 (2002:13.50 to 17.00) percent per annum are used as discounting factor. Taxes, repairs and insurance cost are to be born by lessee. The lessee can exercise purchase option at the end of the lease term by adjusting the deposit amount. These are secured by personal guarantee of the directors.

	2003 RUPEES	2002 RUPEES
8. EXCISE AND CUSTOM DUTY PAYABLE		
Excise duty payable (Note: 8.1)	9,587,657	9,587,657
Custom duty payable (Note: 8.2)	3,511,453	3,511,453
	13,099,110	13,099,110

8.1 This represents central excise duty payable on bank loans. The matter has been decided in the Sindh High Court in favor of the company. However the provision would be continued as the

Federation of Pakistan has filed an appeal before the Supreme Court of Pakistan against the said orders of the Sindh high Court.

8.2 This represents disputed amounts with custom authorities against import of machinery. The matter is subjudice.

	2003 RUPEES	2002 RUPEES
9. DEFERRED LIABILITIES		
Deferred tax (Note: 9.1)	54,546,468	56,216,454
Gratuity (Note: 9.2 to 9.5)	28,206,802	24,881,450
	82,753,270	81,097,904
9.1 Deferred Tax		
The liability for deferred taxation comprises temporary difference relating to		
Taxable temporary differences		
Accelerated tax depreciation allowance	72,349,730	65,867,119
Deductible temporary differences		
Provision for gratuity	9,872,381	8,708,508
Lease rental	6,564,792	-
Provision for doubtful debts	1,366,089	942,157
-	17,803,262	9,650,665
	54,546,468	56,216,454
9.2 Movement in the net liability recognized in the balance sheet		
Opening net liability	24,881,450	20,044,623
Expense for the year (Note 9.3)	5,879,892	6,550,938
	30,761,342	26,595,561
Contribution paid	-2,554,540	-1,714,111
Closing net liability	28,206,802	24,881,450
9.3 Expense recognized in the profit and loss account		
Current service cost	4,685,562	3,790,164
Interest cost	1,126,024	1,560,961
Net actuarial loss recognized in the year	68,306	1,199,813
	5,879,892	6,550,938

9.4 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

9.5 Principal actuarial assumption

Following is the few important actuarial assumption used in valuation

	2003 %	2002 %
Discount rate	7.5	9
Expected rate of increase in salary	7.5	9

10. SHORT TERM BANK BORROWINGS

Aggregate financing facilities of Rs.1.575 billion (2002: Rs.1.575 billion) are available from various commercial banks at mark up rates ranging between 1.6% to 7.5% per annum. These facilities are expiring on different dates and are renewable. The arrangements are secured by pari passu hypothecation charge, pledge of stocks, lien on export bills under collection, and by way of personal guarantees of sponsoring directors of the company.

	2003 RUPEES	2002 RUPEES
1.1 CURRENT MATURITY OF LONG TERM LIABILITIES		
Long term loans (Note: 6)	17,500,000	38,347,026
Liabilities against assets subject to finance leases (Note: 7)	16,509,855	23,386,611
	34,009,855	61,733,637
1.2 CREDITORS, ACCRUED AND OTHER		

LIABILITIES		
Creditors	26,389,371	26,314,387
Accrued expenses	30,201,527	33,980,987
Accrued mark up on		
Long term secured loans	2,508,552	1,723,929
Shsft tef rrt secured- loans -----	340,958	--- 2,720,122
Lease finance charges	87,807	250,640
	2,937,317	4,694,691
Workers' profit participation fund (Note: 12.1)	16,600,093	11,342,460
Workers Welfare Fund	30,956	2,290,588
Sales tax payable	11,954,285	3,094,602
Unclaimed dividend	193,876	183,877
Others	131,700	58,904
	88,439,125	81,960,496

2003 2002
RUPEES RUPEES

12.1 WORKERS' PROFIT PARTICIPATION FUND

Opening balance	11,342,460	11,893,127
Interest credited during the year (Note: 29)	3,381,012	2,065,006
	14,723,472	13,958,133
Contributions for the year	7,368,179	3,825,118
	22,091,651	17,783,251
Less: Payments during the year	5,491,558	6,440,791
	16,600,093	11,342,460

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies:-

a) Appeal filed by the Government of Sindh in the Supreme Court of Pakistan against judgement of the High Court of Sindh at Karachi allowing the petition challenging the levy and collection of professional tax on limited companies is pending.

b) The company has issued indemnity bonds amounting to Rs. 4.602 million (2002 : Rs.36.131 million in favor of collector Of customs in lieu of custom levies against various statutory notifications and the indemnity bonds furnished by the company are likely to be released after fulfillment of the terms of related SROs.

13.2 Commitments

a) The capital commitments under irrevocable letters of credit were Rs. 0.800 million (2002: Rs.85.70 million).

b) Commitment for construction work in progress were Rs. 29.690 million (2002 : Rs 12 million).

14. OPERATING FIXED ASSETS

PARTICULARS	COST			RATE %	DEPRECIATION			AS AT 30.09.2003	W.D.V.ASAT 30.09.2003
	AS AT 01.10.2002	ADDITIONS/ (DISPOSAL)	TRANSFER IN/ (OUT)		AS AT 30.09.2003	AS AT 01.10.2002	FOR THE ADJUSTMENT YEAR		
Own assets									
Leasehold land	433,414			433,414	-	-	-		433,414
Freehold land	3,916,726	4,120,374	-	8,037,100	-	-	-		8,037,100
Factory building on leasehold land	64,687,975			64,687,975	10	30,093,549	3,459,443	33,552,992	31,134,983
Factory building on freehold land	57,669,950	-	3,854,918	61,524,868	10	34,872,888	2,665,198	37,538,086	23,986,782
Office premises on leasehold land	17,348,578	-		17,348,578	5	3,767,231	679,067	4,446,298	12,902,280
Office premises on freehold land	15,562,841			15,562,841	5	6,099,961	473,144	6,573,105	8,989,736
Plant and machinery	564,117,300		106,605,634	563,344,146	10	305,616,645	1,205,957	36,299,769	336,646,223
		-7,378,788					-6,476,148		326,697,923
Factory equipment	14,782,024		-	14,782,024	10	9,636,883	514,514	10,151,397	4,630,627
Office equipment	13,035,330	646,695		13,682,025	10	6,994,023	792,700	7,786,723	5,895,302
Furniture and fixture	3,956,137	47,668	-	4,003,805	10	2,103,828	189,998	2,293,826	1,709,979
Vehicles	19,203,600	6,496,146	1,080,500	25,205,353	20	10,545,148	527,284	3,034,974	13,065,456
		-1,574,893					-1,041,950		12,139,897
	774,713,875	11,310,883	111,541,052	888,612,129		409,730,156	1,733,241	48,108,807	452,054,106
		-8,953,681					-7,518,098		436,558,023

Leased assets										
Plant and machinery	64,907,000		-4,450,000	60,457,000	10	11,931,650	-1,205,957	4,973,130	15,698,823	44,758,177
Vehicles	1,080,500		-1,080,500	-		527,284	-527,284	-		-
	65,987,500		-5,530,500	60,457,000		12,458,934	-1,733,241	4,973,130	15,698,823	44,758,177
TOTAL RUPEES 2003	840,701,375	11,310,883	106,010,552	949,069,129		422,189,090		53,081,937	467,752,929	481,316,200
		-8,953,681					-7,518,098			
TOTAL RUPEES 2002	794,997,750	12,069,510	43,222,731	M0,701,375		377,071,394		15,949,798	422,189,090	418,512,285
		-9,588,625					-832,102			

			2003	2002
			RUPEES	RUPEES
14.1. Depreciation for the year has been allocated to as follows :				
Cost of sales (Note: 25)			49,064,265	42,769,813
Administrative expenses (Note: 26)			4,017,672	3,179,985
			53,081,937	45,949,798

14.2. DETAIL OF DISPOSAL OF FIXED

ASSETS - BY NEGOTIATION

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/(Loss)	Sold to
VEHICLES						
ACX-357	755,065	368,471	386,594	680,000	293,406	E.F.U. General Insurance Limited
TOYOTA COROLLA- 2000						805, 8th Floor, Business Plaza
						Mumtaz Hassan Road,
						Off: I.I. Chundrigar Road,
						Karachi.
AAF-402	480,977	380,108	100,869	130	29,131	MUHAMMAD IQBAL ALI
SUZUKI MARGALA-1996						R/O B-54, BLOCK-L,
						NORTH NAZIMABAD, KARACHI
W-1362	338,851	293,371	45,480	105,000	59,520	MUHAMMAD AAMIR
SUZUKI MARGALA-1993						B-428, SECTOR 11 /A,
						NORTH KARACHI.
MACHINERY						
RING FRAME (7 NOS)	4,304,293	3,777,753	526.54	1,050,000	523,460	TOP TEX ENTERPRISES
						SATTAR TEXTILE MILLS LIMITED
						WESTRIDGE - RAWALPINDI
RING FRAME (5 NOS)	3,074,495	2,698,395	376,100	750,000	373,900	SPINTEX ENTERPRISES
						BLOCK P-5, 1ST FLOOR, SITARA MARKET
TOTAL RUPEES	8,953,681	7,518,098	1,435.58	2,715,000	1,279,417	MARKAZ G-7, ISLAMABAD.

PARTICULARS	C O S T			AS ON 30.9.2003
	AS ON 110 2002	ADDITION	TRANSFER (OUT)	
Factory Building	5,007,067	15,530,038	-3,854,918	16,682,187
Plant and machinery	48,912,159	56,074,358	-102,155,634	2,830,883
TOTAL RUPEES 2003	53,919,226	71,604,396	-106,010,552	19,513,070
TOTAL RUPEES 2002	9,055,104	88,086,853	-43,222.73	53,919,226

		2003	2002
		RUPEES	RUPEES
16. LONG TERM LOANS			
Unsecured - considered good			
Loans to staff			
Executive (Note: 16.1)		8,731,273	7,672,473
Others		5,366,254	4,165,631
		14,097,527	11,838,104
Current maturity shown under current assets (Note: 21)		-5,530,987	-4,595,053
		8,566,540	7,243,051

16.1 The amounts represent interest free loans given to the executives and employees as per the terms of employment and are repayable over 2 to 5 years. Aggregate balance includes Rs. 4,174,284 (2002: Rs.1,810,762) outstanding for the period exceeding 3 years. The maximum amount outstanding at the month end balance due to executive was Rs.8,745,000 (2002: Rs. 7,685,000).

2003	2002
------	------

	RUPEES	RUPEES
16.2 Analysis of above is as follows:		
Outstanding for period exceeding three years	4,174,284	1,810,762
Others	4,392,256	5,432,289
	8,566,540	7,243,051
17. LONG TERM INVESTMENTS		
Available for sale		
Listed company		
Taha Spinning Mills Limited		
50,000 Ordinary shares of Rs. 10 each (Note: 17.1)	500,000	500,000
Less: Provision for diminution in the value of investment	225,000	200,000
	275,000	300,000
17.1 The market value of these shares was Rs.5.50 per share i.e. Rs. 275,000 as on 30 September 2003 (2002: Rs.300,000 @ 6.00)		
	2003	2002
	RUPEES	RUPEES
18. STORES, SPARES AND LOOSE TOOLS		
Stores	4,168,542	3,098,177
Spares	11,505,270	8,651,741
Loose tools	58,751	49,721
	15,732,563	11,799,639
19. STOCK-IN-TRADE		
Raw material (Note: 19.1)	116,411,299	143,949,618
Work-in-process	10,872,881	9,694,882
Finished goods	32,297,788	27,133,422
Waste	441,345	246,268
Packing material	2,738,823	2,445,166
	162,762,136	183,469,356
19.1 This includes stock in transit amounting to Rs. 12.895 million (2002: Nil).		
	2003	2002
	RUPEES	RUPEES
20. TRADE DEBTS		
Considered good		
Secured against letter of credit	-	14,480,215
Unsecured	161,482,588	121,154,412
	161,482,588	135,634,627
Considered doubtful	3,903,111	2,691,878
	165,385,699	138,326,505
Less: Provision for doubtful debts	3,903,111	2,691,878
	161,482,588	135,634,627
21. LOANS AND ADVANCES		
Unsecured - considered good		
Loans to staff (Note: 16)	5,530,987	4,595,053
Advances		
Income tax net of provision for taxation	16,395,889	41,920,345
Suppliers	3,408,555	1,953,121
For purchase of office	15,449,592	15,449,592
For purchase of vehicle		1,169,000
Others	160,000	251,561
	35,414,036	60,743,619
	40,945,023	65,338,672
22. DEPOSITS AND OTHER RECEIVABLES		
Unsecured - considered good		
Trade deposits	5,503,312	1,936,362
Balance with statutory authorities	21,692	21,692
Margin against letter of credit	817,271	96,731
Sales tax refundable	4,517,828	218,174
Octroi refundable	499,259	680,624
Other receivables	850,762	201,040
	12,210,124	3,154,623
Considered doubtful other receivable	181,365	-
Less : provision for doubtful	181,365	-
	12,210,124	3,154,623
23. CASH AT BANK		

	In current accounts	11,335,902	9,004,372
	Foreign currency account	-	211,465
		11,335,902	9,215,837
24	SALES - NET		
	Export		
	Direct export sales	364,233,621	583,734,176
	Indirect export	321,289,279	210,946,640
		685,522,900	794,680,816
	Local	745,789,375	497,363,917
	Waste sales	16,851,740	19,838,147
		1,448,164,015	1,311,882,880
	Less: Commission and brokerage	22,155,968	26,666,168
		1,426,008,047	1,285,216,712
		2003	2002
25.	COST OF SALES	RUPEES	RUPEES
	Raw material consumed (Note: 25.1)	694,903,974	643,851,300
	Packing material consumed	21,079,444	24,576,899
	Stores and spares consumed	65,799,323	50,843,498
	Salaries, wages and benefits (Note: 25.2)	100,144,546	87,895,214
	Processing charges	4,007,253	1,625,316
	Fuel and power	161,726,853	144,252,313
	Insurance	4,415,793	3,241,394
	Repairs and maintenance	5,390,730	2,758,099
	Travelling and conveyance	345,919	309,602
	Postage, telephone and facsimile	759,521	566,513
	Vehicles running and maintenance	1,513,597	1,614,854
	Rent, rates and taxes	1,092,982	584,061
	Depreciation (Note: 14.1)	49,064,265	42,769,813
	Other manufacturing expenses	1,136,972	998,017
		1,111,381,172	1,005,886,893
	Work in process		
	Opening	9,694,882	8,194,107
	Closing	-10,872,881	-9,694,882
		-1,177,999	-1,500,775
	Cost of goods manufactured	1,110,203,173	1,004,386,118
	Yarn purchased for export	99,462,107	59,709,620
	Finished goods and waste		
	Opening	27,379,690	46,770,754
	Closing	-32,739,133	-27,379,690
		-5,359,443	19,391,064
		1,204,305,837	1,083,486,802
25.1	RAW MATERIAL CONSUMED		
	Opening stock	143,949,618	55,932,212
	Purchase of raw material	732,308,601	733,500,253
		876,258,219	789,432,465
	Cost of raw cotton sold (Note: 28.1)	-77,838,102	-1,631,547
	Closing stock	-103,516,143	-143,949,618
		694,903,974	643,851,300
		2003	2002
26.	ADMINISTRATIVE EXPENSES	RUPEES	RUPEES
	Directors remuneration	564,000	564,000
	Salaries and other benefits (Note: 26.1)	17,310,569	14,343,325
	Travelling and conveyance	2,525,115	3,375,637
	Vehicles running and maintenance	2,154,091	2,101,033
	Postage, telephone and facsimile	5,195,026	4,568,479
	Legal and professional charges	1,007,003	969,359
	Fee and subscription	691,144	-
	Repair and maintenance	1,049,861	1,397,529
	Rent, rates and taxes	1,675,669	1,740,064
	Printing and stationery	1,211,961	1,270,784
	Computer expenses	235,360	122,370
	Auditors' remuneration (Note: 26.2)	160,000	110,000
	Charity and donations (Note: 26.3)	1,870,000	750,000
	Provision for doubtful debts	1,392,598	403,064

	Depreciation (Note: 14.1)	4,017,672	3,179,985
	Other expenses	717,592	438,427
		41,777,661	35,334,056
26.1	Staff salaries and benefits includes Rs.1 ,469,973 (2002:Rs.1 ,392,948) in respect of gratuity.		
		2003	2002
		RUPEES	RUPEES
26.2	AUDITORS REMUNERATION		
	Audit fee	125,000	75,000
	Half yearly review	35,000	-
	Out of pocket expenses	-	35,000
		160,000	110,000
26.3	None of the directors or their spouses had any interest in the charity and donations paid during the year.		
		2003	2002
		RUPEES	RUPEES
27.	SELLING AND DISTRIBUTION EXPENSES		
	Freight on export sales	9,924,878	23,389,914
	Freight on local sales	9,507,735	11,395,974
	Other export expenses	939,818	2,853,613
		20,372,431	37,639,501
28.	OTHER INCOME		
	Gain on disposal of fixed assets	1,279,417	85,477
	interest income	4,616	15,944
	Profit on sale of cotton (Note: 28.1)	14,979,233	-
		16,263,266	101,421
28.1	Profit on sale of cotton		
	Sale of raw cotton	92,817,335	1,631,547
	Less: Cost of raw cotton sold (Note: 25.1)	77,838,102	1,631,547
		14,979,233	-
		2003	2002
		RUPEES	RUPEES
29.	FINANCIAL CHARGES		
	Interest on Workers' profit participation fund (Note: 12.1)	3,381,012	2,065,006
	Mark up/interest on		
	Redeemable capital	-	1,111,051
	Long term loans - secured	9,436,531	7,809,636
	Short term loans - secured	12,366,190	30,979,003
	Lease finance charges - secured	3,389,907	6,998,574
		25,192,628	46,898,264
	Bank charges and commission	3,234,170	3,392,153
		31,807,810	52,355,423
30.	OTHER CHARGES		
	Workers' profit participation fund	7,368,179	3,825,118
	Provision for diminution in the value of investment	25,000	-
		7,393,179	3,825,118
31.	TAXATION		
31.1	CURRENT		
	Provision for the current year has been made in these accounts on the basis of Income Tax Ordinance, 2001	23,337,959	18,013,770
		2003	2002
		%	%
31.2	TAX CHARGE RECONCILIATION		
	Applicable tax rate as per Income Tax Ordinance, 2001	35	35
	Tax effect of amount that are not deductible for tax purpose	26.87	35.28
	Deductible for tax purpose	-35.41	-12.79
	Chargeable tax at lower rates	-9.39	-3.38
	Effect of changes in prior year	-1.22	-6.22
	Effect of deferred tax charge	7.3	16.77
			64.66
32.	EARNINGS PER SHARE - BASIC		
	Profit for the year in rupees	104,981,045	46,995,823
	Weighted average number of ordinary shares	3,000,000	3,000,000
	Earnings per share in rupees	34.99	15.67
		2003	2002
		RUPEES	RUPEES

33. CASH GENERATED FROM OPERATION		
Profit before taxation	136,614,395	72,677,233
Adjustment for item involving non movement of fund		
Depreciation	53,081,937	45,949,798
Provision for gratuity	5,879,892	6,550,938
Financial charges	31,807,810	52,355,423
Provision for diminuation in value of investments	25,000	
Gain on disposal of fixed assets	-1,279,417	-85,477
	89,515,222	104,770,682
Operating profit before working capital changes	226,129,617	177,447,915
(Increase)/Decrease in current assets		
Stocks, stores and spares	16,774,296	-72,793,041
Trade debts	-25,847,961	-32,340,989
Loans and advances	-1,130,807	18,800,141
Deposits, prepayments and other receivables	(9,055,501)	3,786,353
(Decrease)/Increase in current liabilities	-19,259,973	-82,547,536
Creditors, accrued and other liabilities	8,226,004	-26,386,385
	215,095,648	68,513,994

34. FINANCIAL INSTRUMENT RELATED DISCLOSURE

34.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

34.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

34.3 Fair value of financial instruments

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

34.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies. Further the company discounted its export debtor during the year which also minimize the foreign currency risk.

35. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year ended September 30, for remuneration, perquisites and benefits in respect of chief executive, directors and executives of the company are as follows:

36. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

The associated undertaking comprises associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2003	2002
	RUPEES	RUPEES
Purchases	94,833,845	58,381,216
Sales	388,982,541	65,230,059
Processing charges paid	-	934,844
Processing charges receipts	16,887,529	14,177,705

Electric expenses	150,352,784	136,156,889
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All sales and purchase transaction with associated companies are at arms length basis.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Total numbers of spindles installed	45,504	40,080
Total numbers of rotors installed	192	-
Total numbers of spindles worked	45,504	40,080
Total numbers of rotors worked	192	-
Number of shifts worked per day	3	3
Installed capacity after conversion into 20's count (kgs)	15,319,544	13,103,594
Actual production after conversion into 20's count (kgs)	14,528,675	12,711,407

The installed and converted production is on estimated basis as actual capacity cannot be

determine due to production of various qualities of yarn. Shortfall is due to stoppage of machines owing to frequent changes of count and quality of yarn.

	2003	2002
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38 EMPLOYEES

Number of employees as on 30th September	1,205	1,346
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39 DATE OF AUTHORISATION FOR ISSUE

The Board of directors of the company authorised these financial statements for issue on December 08,2003.

40 GENERAL

a) Figures have been rounded off to the nearest rupee.

DETAILS OF ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES ARE GIVEN BELOW

ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES	NO. OF SHARES
ADMIRAL (PVT) LIMITED	496,600
NIT & ICP (NAME WISE DETAILS)	
NIL	
DIRECTORS & CEO AND THEIR SPOUSE AND MINOR CHILDREN	
Mr. Mohammad Salim	21 ,929
Mr. Mohammad Sharif	14,000
Mr. Mohammad Shaheen	42,780
Mr. Mohammad Shakeel	22,055
Mr. Khurram Salim	60,500
Mr. Farrukh Salim	60,600
Mr. Bilal Sharif	60,500
Mr. Iqbal Mehboob	500
Mrs. Yasmin Begum	29,872
Mrs. Anjum Begum	165,142
Mrs. Seema Begum	53,292
Mrs. Nazli Begum	50,482
Mrs.Amna Khurram	44,400
Mrs.Samia Bilal	334,283
Master Abdullah Bilal	10,000
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUL FUNDS	
Muslim Commercial Bank Limited	100
State Life Insurance Corporation of Pakistan	70,500
The Premier Insurance Co. of Pakistan Limited	1 1 ,000
DETAILS OF TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN	
NIL	NIL
SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST	

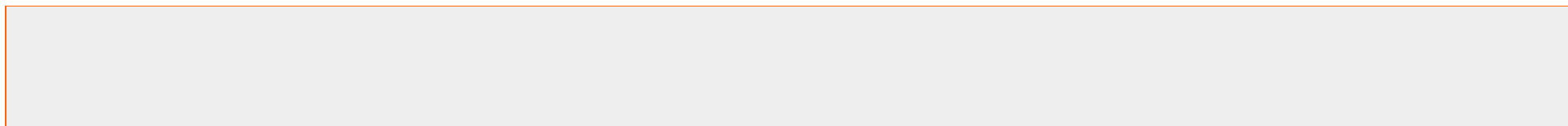
Mrs. Samia Bilal
Admiral (Pvt) Limited

334,283
496,600

11.14%
16.55%



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