

BHANERO TEXTLE MILLS LIMITED ANNUAL REPORT 2004

BOARD OF DIRECTORS	Mr. Mohammad Salim Mr. Mohammad Sharif	Chief Executive / Director Director
COMPANY SECRETARY	Mr. Mohammad Shaheen Mr. Mohammad Shakeel	Director Director
CHIEF FINANCIAL OFFICER	Mr. KhUrran Safim	Director
AUDIT COMMITTEE	Mr Bilal Sharif Mr. Mohammad Amin	Director Director

AUDITORS	Bilal Sharif Khurram Salim Mohammad Shakeel	Chairman Member Member
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LEGAL ADVISOR	Mr. Aisf Mahmood M/s. Mushtaq & Company Chartered Accountants 407, Commerce Centre Hasrat Mohani Road Karachi. Mr. Shahfd Pervaiz Jami, Advocate
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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
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REGISTERED OFFICE:	Umer Chambers, 10/2, Bilmoria Street, Off. I.I. Chundrigar Road, Karachi. Tel: (021) 2635916-17 Fax:(021)263-7826 E-mail: khioff@umergroup.com Website: www.umergroup.com
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LIAISON / CORRESPONDENCE OFFICE:	6-K, Main Boulevard, Gulberg II, Lahore. Tel: (042) 5770001-3(111-130-130) Fax:(042)5770015 E-mail: lhroff@umergroup.com Website: www.umergroup.com
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MILLS AT:	Unit I, is situated at Kotri, - Dirstrict Dadu, Ph: 0221-870013 Unit II is situated at Feroz Watwan, Sheikhupura; Punjab Ph: 0496-731728
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STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

1. The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 19 of 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to reach the shareholder by post.

Keeping in view of the above, following Special Resolution is proposed to be passed, if deem fit, with or without modification;

"RESOLVED THAT the Company is hereby authorized to place its quarterly accounts on its website in compliance of information to its members as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004."

The directors of the company have no interest in the above resolution that would need a further disclosure.

2. The Chief Executive and a Director are getting gross salary of Rs. 23,500/= (per month) each. It's been proposed by the Board of Directors to increase the directors' remuneration being full time working directors of the company. The approval of the shareholders is being sought by passing special resolution in this regard.

The members are accordingly requested to pass with or without modification the following resolution, if deem fit.

The draft resolution is set out below.

"RESOLVED THAT the following gross monthly remuneration be paid to the following full time working directors of the company as recommended by the Board of Directors mention below :-

Name	Designation	Remuneration
Mohammad Salim	Chief Executive	Rs. 80,000/=
Khurram Salim	Director	Rs. 80,000/=

DIRECTORS REPORT TO THE SHARE HOLDERS

I, on behalf of the Board of directors, welcome the members at the 25th Annual General Meeting and pleased to present the audited financial statements with the auditors report there on for the year ended September 30, 2004 for your consideration and approval.

General:

The principal activity of the company is manufacturing and sale of yarn with a production capacity of 45,504 spindles and 192 Rotors. The company has two production units, which are located at Kotri, Sindh and Sheikhpura, Punjab.

Financials and Appropriations:

By the grace of Allah the Almighty we have entered into 25th year of our operations and achieved a considerable growth in size of Balance Sheet Allahumdullilah, your company is maintaining the pace of regular improvement in all areas and by the grace of Almighty Allah, your company continued to perform well and posted a profit after tax of Rs. 85.534 million (2003: Rs.104.981 million). The consistent planning and proactive approach has led us to unprecedented growth. The balance sheet as on September 30, 2004 indicates total assets of Rs. 1.354 billion with a growth of about 47.98 % over the previous year. The allocation of profits for the year before tax is summarized as under:

	Rupees
Profit before taxation	56,275,558
Taxation	
Current year	14,680,337
Deferred	-35,989,130
Prior year	-7,949,735
	-29,258,528
Profit after taxation	85,534,086
Un appropriated profit brought forward	75,043,645
Available for appropriation	160,577,731
APPROPRIATIONS	
Transferred to General Reserve	100,900,000
Unappropriated profit carried forward	59,677,731
Earnings per share	28.51

Human Resource

the management of your company believes that the organization cannot 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.

Environment, Health and Safety.

The company remains committed to meet the environmental standards and achieving excellence in this area. Your company assigns high priority to safety aspects in all area of operations. Up gradation of safety equipments is a continuous process to meet international safety standards. Continuous efforts are being made for further improvement in safety systems. The overall health, safety and environment performance at the plants was satisfactory throughout the year.

Economy

Since 2001, the economy of. the country is showing an upward trend in GOP and improvement in other key indicators. There is an effective control on inflation, reduction in fiscal deficits and domestic & external debts, increase in foreign remittances. The only negatives, which remain to be tackled as yet, are situation of law and order, unemployment and poverty incidence, which in my view are real threats to the socio political stability of the country.

Related Party Transactions & Transfer pricing.

The company had adopted comparable uncontrolled price method for pricing of transactions with related parties. The Board of directors has approved the transfer pricing policy for a related party transaction, which is uncontrolled price method for pricing of transactions with related parties. 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.

Change in Accounting Year.

The textile industry was restricted to follow the accounting year which ended at September 30 each year as a special year through SR0134(R) / 68 dated July 31, 1968 and the textile industry has to file its income tax return on next year September. The annual budget announces in June for the year ahead and due to finalization of accounts before the announcement of budget, the strategic planning for tax and other matters was not possible.

In view of the above the matter was discussed in a meeting at All Pakistan textile MHI Association (APTMA) to approach to the relevant authorities for change in accounting year. The Central Board of Revenue vide SRO 684(0/2004 dated August 10, 2004 has excluded textile industry from the preview of the SRO 134. It has been clarified by the CBR that the textile industry shall prepare the first annual accounts after the change for nine months ending on June 30, 2005. The Securities and Exchange Commission of Pakistan has also clarified that consequent upon change of financial year from September to June the first and second interim accounts ended on 31.12.2004 and 31.3.2005 shall be prepared and circulated in routine. As regards to the interim accounts subsequent to the year 30.6.2005, the cycle will start from annual accounts ending on 30.6.2005 and accordingly the companies shall have to prepare their first, second and third quarters accounts for the period ended 30.9.2005, 31.12.2005 and 31.3.2006 respectively.

Advance given for purchase of office.

The auditors have emphasized without qualifying the opinion that the advance for purchase of office was presented in non current assets in the second quarterly accounts ended on March 31, 2004. The company has given advance for purchase of office and the developer had given assurance that the office will be handed over to the company by September 30, 2004 subsequently due to disagreement on some matters the deal could not materialized and still under settlement. The management feels that in case of disagreements continue, the company will cancel the deal and would preferred for refund of advance. In view of the above, the advance given for purchase of office is shown under current assets.

Current Maturity of the Long Term Finances

The auditors have also emphasized without qualifying the opinion that the current maturity of the long-term loans has not been appropriately classified. The management is of the view that the next accounts of the company will close on June 30, 2005 (after the amendment in SRO 134(R)/68 dated July 31, 1968) and change of accounting year as discussed herein above, the current maturity of long term loan would be calculated on the basis of next financial year i.e. till June 30, 2005 on which the accounts of the next year will close.

Corporate & Financial Reporting Framework:

Your directors support and endorse the implementation of Code of Corporate Governance for the listed companies and believe that this will further strength the corporate sector of the country in line with the Global trends. 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 judgment.
- 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, NBFIs 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

	2004	2003	2002	2001	2000	1999
Spindles Installed	45,504	45,504	40,080	40,080	39,360	39,360

Spindles Worked	45,504	45,504	40,080	40,080	36,360	39,360
No. Of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count. (Kgs.)	15,537,833	15,319,544	13,103,594	13,103,594	12,828,900	12,828,900.00
Actual Production after conversion into 20/s Count (Kgs.)	14,958,487	[14,528,675	12,711,407	12,502,799	12,576,599	12,224,807

YEAR WISE FINANCIAL DAT

	2004	2003	2002	2001	2000	1999
	Rupees In	Rupees In	Rupees In	Rupees In	Rupees In	Rupees In
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Fixed Assets	719,949,	500,829	472,431	426,982	341,804	330,809
Investments, Long Term						
Loans & Deposits	29,279.00	10,542	14,501	14,497	10,905	6,185
Current Assets	604,783	404,468	408,613	335,049	519,464	595,664
Share Holders Equity	563,677	478,143	403,163	371,167	325,041	234,826
Redeemable Capital	-	-	-	-	8,818	16,240
Long Term Liabilities	208,436	113,436	76,056	82,019	52,081	82,188
Deferred Liabilities	45,085	82,753	81,098	64,071	44,096.00	16,688
Current Liabilities	536,811	241,517	335,234	259,271	442,137	582,719
Turnover (Net)	1,530,174	1,426,008	1,285,217	1,439,058	1,308,310	1,226,323
Gross Profit	138,606	221,702	201,73	199,948	370,133	180,069
Operating Profit	88,353	159,552	128,756	134,606	300,039	128,780
Financial Charges	31,250	31,808	52,355'	71,253	64,147	52,849
Profit Before Taxation	56,275	136,614	72,677	83,140	224,111	64,744
Profit After Taxation	85,534	104,981	46,996	61,126	165,215	48,925
Cash Dividend	-	30,000	15,000	15,000	75,000	24
Transfer To Reserves	100,900	-	32	46.1	90.2	24,900
Profit C/F	59,678	74,995	63	67	40	26

Change in the Board.

During the year under review the Mr. Iqbal Mehboob resigned from the Board on May 27,2004, which was accepted in the board meeting, held on the above date. The board appointed Mr. Mohammad Amin in place of retiring director to fill the casual vacancy till the remaining term.

Election of directors

The present term of the Board is going to expire on March 29, 2005 whereas the Annual General Meeting is schedule to be held on December 31, 2004. The election of directors for the next term is now schedule to be held in the forthcoming Annual General Meeting, hence the next term of the board shall commence from December 31, 2004.

The Board compliments the teamwork of all the Board members, which has contributed to the success of the company immensely. The Board has fixed the number of director to be elected for the next term at eight.

The current members of the Board are listed on Page No. 2. Five Board meetings were held during the year. The attendance by each director is appended hereunder:

Name of directors	No. of meetings attended
Mr. Mohammad Safim	4
Mr. Mohammad Sharif	4
Mr. Mohammad Shaheen	5
Mr. Mohammad Shakeel	5
Mr. Khurram Salim	4
Mr. BSal Sharif	3
Mr. Iqbal Mehboob (resigned on 27-05-2004)	2
Mr. Mohammad Amin (appointed on 27-05-2004)	2

Audit Committee

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

Shareholding Pattern

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

Auditors:

In terms of paragraph Xii of the Code of Corporate Governance and the listing Regulations of Stock Exchanges the existing auditors M/s Mushtaq & Company Chartered Accountants have completed the period of five years as prescribed in the Code of Corporate Governance, thus stand retired and are ineligible for re appointment as auditors of the company for the year ending June 2005. Accordingly, the board of directors on the recommendation of audit committee has proposed the name of M. Yousuf Adil Saleem & Company, Chartered Accountants for consideration and appointment as auditors of the company for the next term.

Thanks & Gratitude

Your directors are pleased to put on record their appreciation and gratitude to 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, regulators, external auditors, bankers and our shareholders. The success of the company is owned to them all.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE YEAR ENDED 30TH SEPTEMBER 2004

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange. Chapter XIII of the Listing Regulation of the Lahore Stock Exchange and Chapter XI of the Listing Regulation of the Islamabad Stock Exchange for the purpose of establishing a framework of good corporate governance. Whereby a listed company is managed in compliance With the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board. 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 directors filled up one casual vacancy occurring in the Board in May 2004 within 30 days thereof.
6. The Board of Directors and the Audit Committee 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, and in his absence by a director elected by the Board for this purpose.
7. The minutes of the meeting were appropriately recorded and circulated as required by the Code of Corporate Governance and Companies Ordinance, 1984.
8. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DPI or an NBFIs or being a member of the stock exchange, has been declared as defaulter by the stock exchange.
9. The Board arranged one orientation course 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.
10. The director's report has been in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
12. 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 board meeting.
13. 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.
14. The quarterly un-audited financial statements of the company are published and circulated along with the Director's review.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The Financial Statements for the year ended September 30, 2004 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.
17. Significant issues and policies are always placed before the Board for their consideration and approval.
18. 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.

19. The company has complied with all the corporate and financial reporting requirements of the Code.
20. 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,
21. 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 of ethics as adopted by Institute" of Chartered Accountants of Pakistan (ICAP).
22. : 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 the 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, 2004.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bhanero Textile Mills Limited as at September 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:

- (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, 2004 and of the profit, its cash flows and changes in equity

(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	2004 RUPEES	2003 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	30,900,000
General reserves		474,000,000	373,106,000
Unappropriated profit		59,677,731	75,043,645
		563,677,731	478,143,645
LONG TERM FINANCE AND MORABAHA	6	110,681,518	98,090,909
LIABILITIES AGAINST ASSETS SUBJECT TO			
FINANCE LEASES	7	94,243,367	2,246,694
EXCISE AND CUSTOM DUTY			
PAYABLE	8	3,511,453	13,099,110
DEFERRED LIABILITIES	9	45,085,585	82,753,270
CURRENT LIABILITIES			
Short term bank borrowings	10	331,648,102	89,067,614
Current maturity of long term liabilities	11	61,694,950	34,009,855
Creditors, accrued and other liabilities	12	128,772,527	88,439,125
Provision for taxation		14,696,165	
Proposed dividend			30,000,000
		536,811,744	241,516,594
CONTINGENCIES AND COMMITMENTS	13		
		1,354,011,698	915,850,222

AS AT SEPTEMBER 30, 2004

	NOTE	2004 RUPEES	2003 RUPEES
PROPERTY AND ASSETS			
TANGIBLE ASSETS			
Operating fixed assets	14	558,110,173	481,316,200
Capital work in progress	15	161,838,918	19,513,070
		719,949,091	500,829,27
LONG TERM LOANS	16	9,711,593	8,566,540
LONG TERM INVESTMENT	17	277,500	275,000
LONG TERM DEPOSITS		19,289,876	1,711,076
CURRENT ASSETS			
Stores, spares and loose tools	18	15,725,753	15,732,563
Stock in trade	19	363,042,352	162,762,136
Trade debts	20	132,885,996	161,482,588
Loans and advances	21	71,064,538	40,945,023
Deposits and other receivables	22	15,829,580	12,210,124
Cash at bank	23	6,235,419	11,335,902
		604,783,638	404,468,336
		1,354,011,698	915,850,222

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30,2004

	NOTE	2004 RUPEES	2003 RUPEES
Sales - Net	24	1,530,174,712	1,426,008,047
Cost of sales	25	1,391,568,582	1,204,305,837
Gross profit		138,606,130	221,702,210
Administrative expenses	26	35,371,126	41,777,661
Selling and distribution expenses	27	14,881,964	20,372,431
		50,253,090	62,150,092
Operating profit		88,353,040	159,552,118
Other income	28	2,373,410	16,263,266
		90,726,450	175,815,384
Financial charges	29	31,250,227	31,807,810
Other charges	30	3,200,665	7,393,179
		34,450,892	39,200,989
Profit before taxation		56,275,558	136,614,395
Taxation	31		
Current year		14,680,337	23,337,959
Deferred		-35,989,130	-1,669,986

Prior year		-7,949,735	9,965,377
		-29,258,528	31,633,350
Profit after taxation		85,534,086	104,981,045
Unappropriated profit brought forward		75,043,645	62,600
Available for appropriation		160,577,731	105,043,645
Appropriation			
Transferred to Genral Reserve		100,900,000	-
Proposed dividend @ Rs. 5 per share (2003: Rs. 10) per	32	-	30,000,000
		100,900,000	30,000,000
Unappropriated profit carried forward		59,677,731	75,043,645

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30,2004

	SHARE CAPITAL RUPEES	GENERAL RESERVES	UNAPPROPRIATED PROFIT	TOTAL
Balance as at October 1, 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
Balance as at Sept 30, 2003	30,000,000	373,100,000	75,043,645	478,143,645
Net profit for the year	-	-	85,534,086	85,534,086
Transferred to general reserves	-	100,900,000	-100,900,000	-
Balance as at Sept. 30, 2004	30,000,000	474,000,000	59,677,731	563,677,731

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30,2004

	2004 RUPEES	2003 RUPEES
CASH FLOW FROM OPERATING ACTIVITY		
Cash (used in)/ generated from operations (Note: 34)	-2,512,943	215,095,648
Taxes paid	-16,149,607	(30,377,191)
Gratuity paid	-6,124,047	-2,554,540
Financial charges paid	-30,654,817	-33,565,184
Long term loans	-1,145,053	-1,323,489
Long term deposits	-17,578,800	5,247,000
Net cash from/(used in) operating activities .	-74,165,267	152,522,244
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-277,418,156	-82,915,279
Proceeds from disposal of fixed assets	1,612,500	2,715,000
Net cash used in investing activities	-275,805,656	-80,200,279
CASH FLOW FROM FINANCING ACTIVITIES		
Receipt of long term loan	60,000,000	71,500,000
Repayment of long term loan	-32,500,000	-38,347,026
Proceeds of finance lease	128,000,000	-
Repayment of liability against assets subject to -finance lease	-23,227,323	-23,490,419
Short term bank borrowings	242,580,488	-64,874,454
Dividend paid	-29,982,725	-14,990,001
Net cash (used in)/ from financing activities	344,870,440	-70,201,900
Net increase / (decrease) in cash and cash equivalents	-5,100,483	2,120,065
Cash and cash equivalents at beginning of the year	11,335,90	9,215,837
Cash and cash equivalents at ending of the year (Note: 23)	6,235,419	11,335,902

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

COMPANY AND ITS OPERATION

The company was incorporated in Pakistan as a public limited company on January 31,1985. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in 'manufacturing and sale of yarn and woven fabrics.

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 provisions 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.

BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, as modified .by adjustments for exchange rate fluctuations.

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, 2004 using the Projected Unit Credit Method.

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

Compensated absences

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 rate after taking into account tax rebate 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.

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.

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.

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.

The full rate of depreciation is applied on the additions during the year. No depreciation is charged on assets deleted or retired during the year.

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 lease 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 exists, the carrying amount 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.

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.

Investment in listed associated companies are stated at cost method as allowed by IAS - 28 "Accounting for Investment in Associates". Provision is made for impairment, if any, in the value of investment only if there is a permanent impairment in the value of investment.

Stores, spares and loose tools

These are valued at cost, determined on weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Items considered obsolete are carried at nil value.

Stock in trade

Stock in trade except those which are in transit are valued at lower of weighted average cost and net realizable value applying the following basis.

Raw material At weighted average cost except those in transit which are stated at

actual cost.

Work in process Cost of direct material and a proportion of manufacturing overhead based

and finished goods on normal capacity.

Waste At net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily incurred in order to make the sale.

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.

Cash and cash equivalent

Cash in hand, cash at bank and short term deposits, which are held to maturity, are carried at cost.

For the purpose of cash flow statements, cash equivalents are short term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

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 are 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.

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 recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

Revenue recognition

Sales are recognized on dispatch of goods to customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

Borrowing cost

The borrowing cost obtained for specific projects incurred before those assets are ready for their intended use are capitalized as cost of those assets and included in capital work in progress. All other borrowing cost are charge to current income on an accrual basis.

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.

Transfer Pricing

Transaction with related parties are priced at comparable uncontrolled market price. Parties are said to be related if they are able to influence the operating and financial decision of the company and vice versa.

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2004	2003	2004	2003
No. of shares			Rupees	Rupees
	1,762,500	1,762,500	17,625,000	17,625,000
	1,237,500	1,237,500	12,375,000	12,375,000
	3,000,000	3,000,000	30,000,000	30,000,000
			Ordinary shares of Rs. 10 fully paid in cash	
			Ordinary shares of Rs. 10 fully paid as bonus shares	

LONG TERM FINANCES AND MORABAHA

	Morahaba Financing	Medium Term Loan	2004	2003
	RUPEES			
As at October 1	115,590,909		115,590,909	82,437,935
Add: Received during the year	-	60,000,000	60,000,000	71,500,000
	115,590,909	60,000,000	175,590,909	153,937,935
Less: Paid during the year	-17,500,000	-15,000,000	-32,500,000	-38,347,026
	98,090,909	45,000,000	143,090,909	115,590,909
Less: Current maturity shown undercurrent liabilities (Note: 11)	17,409,091	15,000,000	32,409,091	17,500,000
As at September 30	80,681,818	30,000,000	110,681,818	98,090,909

	2004	2003
	RUPEES	RUPEES
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Minimum lease payments		
Up to one year	34,427,647	17,219,301
More than one year but less than five years	98,452,175	2,303,786
	132,879,822	19,523,087
Less: Financial charges not yet due		
Up to one year	5,141,788	709,446
More than one year but less than five years	4,208,808	57,092
	9,350,596	766,538
Present value of minimum lease payments		
Up to one year	29,285,859	16,509,855
More than one year but less than five years	94,243,367	2,246,694
	123,529,226	18,756,549
Less: Current portion shown undercurrent liabilities	-29,285,859	(16,509,855)
	94,243,367	2,246,694

EXCISE AND CUSTOM DUTY PAYABLE

Excise duty payable (Note: 8.1)		9,587,657
Custom duty payable (Note: 8.2)	3,511,453	3,511,453
	3,511,453	13,099,110

	2004	2003
	RUPEES	RUPEES
DEFERRED LIABILITIES		
Deferred tax (Note: 9.1)	18,557,338	54,546,468
Gratuity (Note: 9.2 to 9.5)	26,528,247	28,206,802
	45,085,585	82,753,270

DEFERRED TAX

The liability for deferred taxation comprises temporary

difference relating to		
Taxable temporary differences		
Accelerated tax depreciation allowance	45,384,613	72,349,730
Deductible temporary differences		
Provision for gratuity	4,649,871	9,872,381
Lease rental	21,652,202	6,564,792
Provision for doubtful debts	525,202	1,366,089
	26,827,275	17,803,262
	18,557,338	54,546,468
Movement in the net liability recognized in the balance sheet		
Opening net liability	28,206,802	24,881,450
Expense for the year (Note: 9.3)	4,445,492	5,879,892
	32,652,294	30,761,342
Contribution paid	-6,124,047	-2,554,540
Closing net liability	26,528,247	28,206,802
Expense recognized in the profit and loss account		
Current service cost	3,715,461	3,794,518
Interest cost	1,592,169	1,702,558
Net actuarial (gain)/ loss recognized in the year	-862,138	382,816
	4,445,492	5,879,892

Principal actuarial assumption

Following are the few important actuarial assumption used in valuation

	2004	2003
	%	%
Discount rate	7.5	7.5
Expected rate of increase in salary	7.5	7.5

	2004	2003
	RUPEES	RUPEES
CURRENT MATURITY OF LONG TERM LIABILITIES		
Long term loans (Note: 6)	32,409,091	17,500,000
Liabilities against assets subject to finance leases (Note: 7)	29,285,859	16,509,855
	61,694,950	34,009,855

CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	74,010,888	26,389,371
Accrued expenses	28,853,444	28,854,549
Accrued mark up on		
Long term secured loans	2,3,17,915	2,508,552
Short term secured loans	762,946	340,958
Lease finance charges	451,866	87,807
	3,532,727	2,937,317
Workers' profit participation fund (Note: 12.1)	13,149,360	16,600,093
Workers Welfare Fund		30,956
Sales tax payable	7,058,054	11,954,285
Unclaimed dividend	211,151	193,876
Others	1,956,903	1,478,678
	128,772,527	88,439,125

	2004	2003
	RUPEES	RUPEES
WORKERS' PROFIT PARTICIPATION FUND		
Opening balance	16,600,093	11,342,460
Interest credited during the year (Note: 29)	4,537,076	3,381,012
	21,137,169	14,723,472
-Contributions for the year	3,200,665	7,368,179
	24,337,834	22,091,651
Less: Payments during the year	11,188,474	5,491,558
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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. The ultimate outcome cannot be presently determine.

b) The company has issued indemnity bonds amounting to Rs. 3.530 (2003: Rs.4.602 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.

c) In suit filed by the company in the High Court of Sindh at Karachi against the levy of infrastructure fee by the Sindh government, the Honorable High Court has been pleased to direct that the goods of the company shall be released against furnishing of Bank Guarantee during pending of the Suit. On the basis of instruction of High Court the company has furnished guarantee of Rs. 0.950 million to Collector of Customs.

d) There is a contingent liability of Rs. 9,587,657 against excise duty payable on bank loans. The matter has been decided in the Sindh High Court in favor of the company. However The Federation of Pakistan has filed an appeal before the Supreme Court of Pakistan against the said order of Sindh High Court.

13.2 Commitments

a) The company has established irrevocable letters of credit for Rs.4.000 million (2003: Rs. 0.80 million).

b) Capital commitment regarding plant and machinery (including open letter of credit) and building was Rs. 39.000 million (2003: Rs. 29.690 million).

	2004 RUPEES	2003 RUPEES
LONG TERM LOANS		
Unsecured - considered good		
Loan to employees and staff	13,958,393	14,097,527
Less: Current maturity shown under current assets (Note: 21)	-4,246,800	-5,530,987
	9,711,593	8,566,540
LONG TERM INVESTMENTS		
Available for sale		
Listed company		
Taha Spinning Mills Limited		
50,000 Ordinary shares of Rs. 10each (Note: 17.1)	500,000	500,000
Less: Provision for diminution in the value of investment	222,500	225,000
	277,500	275
STORES, SPARES AND LOOSE TOOLS		
Stores	5,540,050	4,168,542
Spares	10,119,437	11,505,270
Loose tools	66,266	58,751
	15,725.75	15,732,563
STOCK IN TRADE		
Raw material	292,479,290	116,411,299
Work-in-process	14,086.09	10,872.88
Finished goods	54,150,490	32,297,788
Waste	282,952	441,345
Packing material	2,043,530	2,738,823
	363,042,352	162,762,136
TRADE DEBTS		
Foreign secured against letter of credit	10,243,044	-
Unsecured - considered good	122,642,952	161,482.59
Considered doubtful	3,903,111	3,903,111
	136,789,107	165,385,699
Less: Provision for doubtful debts	3,903,111	3,903,111
	132,885,996	161,482,588
LOANS AND ADVANCES		
Unsecured -considered good		
Loans to staff (Note: 1 6)	4,246,800	5,530,987
Advances		
Income tax	40,511.06	16,395,889
Suppliers	10,143,361	3,408,555
For purchase of office (Note: 21 . 1)	15,449,592	15,449,592
Others	713,726	160,000
	66,817,738	35,414,036
	71,064.54	40,945,023

	2004 RUPEES	2003 RUPEES
DEPOSITS AND OTHER RECEIVABLES		
Unsecured - cdsiderer of good		
Trade deposits	2,272,556	5,503,312
Sales tax refundable	4,584,819	4,517,828
Octroi refi/ndable	499,259	499,259
Other receivables	7,801,574	850762
	15,829,580	12,210,154
Considered doubtful		
Other receivable	181,365	181 ;36
Less: provision for dobtful	181,365	181,365
	15,829,580	12,210,124
CASH AND BANK BALANCE		
In current accounts With banks	6,076,772	11,335,902
Foreign cuurrency account(US\$ 2,684)	158,647	
	6,235,419	11,335,902
SALES -NET		
Gross sales	1,751,618,531	1,621,173,715
Less: Sales tax	200,554,617	173,009,700
	1,551,063,714	1,448,164,015
Export		
Direct export sales	258,077,852	364,233,621
Indirect export sales	503,858,280	321,289,279
	761,935,132	685,522,900
Local		
Waste sales	765,707,254	745,789,375
	23,420,328	16,851,740
	1,551,063,714	1,448,164,015
Less: Commission and brokerage	20,889,002	22/155,968
	1,530,174,712	1,426,008,047

	2004 RUPEES	2003 RUPEES
COST OF SALES		
Raw material consumed (Note: 25.1)	924,902,442	694,903,974
Packing material consumed	20,549,026	21,079,444
Stores and spares consumed	64,088,612	6,579,323
Salaries; wages and benefits (Note: 25.2)	88;42936	106,144,546
Processing charges	6,317,784	657 ⁹ ,323
Fuel and power	169,130,617	161,726,853
Insurance	3,894,326	4,415,793
Repairs and maintenance	8,087,134	5,390,730
Travelling and conveyance	366,383	345,919
Postage, telephone and facsimile	761,814	759,521
Rent, rates and taxes	575,044	1,092,982
Depreciation (Note: 14.1)	52,934*079	759,521
Other manufacturing expenses	702,889	1,136,972
	1,342,650,952	1,111,381,172
Worklh prbcess		
Opening	10,872,881	9,694,882
Closing	-14,086,090	10,872,881
	-3,213,209	-1,177,999
Cost of goods manufactured	1,339,437,743	1,110,203,173
Yam purchased for export	73,825,148	99,462,107
Finishe'd goods and waste		
Opening	32,739,133	27,379,690
Closing	-54,433,442	(32,739,-133)
	-21,694,309	-5,359,443
	1,391,568,582	1,204,305,837.00
RAW MATERIAL CONSUMED		
Opening stock	103,516,143	143,949,618

Purchase of raw material	1,236,221,303	732,308,601
	1,339,737,446	876,258,219
Cost of raw cotton sold (Note: 28. 1)	(122,355,715).	-77,838,102
Closing stock	(292,479,1289)	(103^16143)
	924,902,442	694,903,974

	2004	2003
	RUPEES	RUPEES

ADMINISTRATIVE EXPENSES

Directors remuneration	564,000	564,000
Salaries and other benefits (Note: 26. 1)	14,915,097	17,310,569
Travelling and conveyance	3,632,888	2,525,115
Vehicles running and maintenance	2,436,388	2,154,091
Postage, telephone and facsimile	4,429,951	5,195,026
Legal and professional charges	499,670	1,007,003
Fee and subscription	210,965	691,144
Repair and maintenance	1,020,875	1,49,861
Rent, rates and taxes	1,521,378	1,675,669
Printing and stationery	1,042,691	1,211,961
Computer expenses	227,200	235,360
Auditors' remuneration (Note: 26.2)	175,000	160,000
Charity and donations (Note: 26.3)	746,000	1,870,000
Provision for doubtful debts	-	1,392,598
Depreciation (Note: 14.1)	3,607,600	4,017.67
Other expenses	341,423	717,592
	35,371,126	41,777,661

AUDITORS' REMUNERATION

Audit fee	140,000	125,000
Half yearly review	35,000	35,000
	175,000	160,000 .

SELLING AND DISTRIBUTION EXPENSES

Freight on export sales	6,049,702	9,924,878
Freight on local sales	7,894,440.00	9,507,735
Other export expenses	937,822	939,818
	14,881,964	20,372,431

	2004	2003
	RUPEES	RUPEES

28. OTHER INCOME

(Loss)/ Gain on disposal of fixed assets	-144,156	1,279,417
Interest income	2,534	4,616
(Loss)/ Profit on sale of cotton (Note: 28.1)	-7,057,928	14,979,233
Dividend income	15,000	-
Fair value adjustment of investment	2,500	-
Excise duty written back	9,555,460	-
	2,373,410	16,263,266

28.1 Profit / (Loss) on sale of cotton

Sale of raw cotton	115,297,787	92,817,335
Less: Cost of raw cotton sold (Note: 25.1)	122,355,715	77,838,102
	-7,057,928	14,979,233

29. FINANCIAL CHARGES

Interest on Workers' profit participation fund (Note: 12.1)	4,537,076	3,381,012,
Mark up/interest on		
Long term loans - secured	9,066,633	9,436,531
Short term loans - secured	12,940,517	12,366,190
Lease finance charges - secured	1,682,056	3,389,907
	23,689,206	25,192,628
Bank charges and commission	3,023,945	3,234,170
	31,250,227	31,807,810

30. OTHER CHARGES

Workers' profit participation fund	3,200,665	7,368,179
Provision for diminution in the value of investment	.	25,000
	3,200,665	7,393,179

31. TAXATION

31.1 CURRENT	14,680,337	23,337,959
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	2004	2003
	%	%

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	57.56	26.87
Deductible for tax purpose	-81.71	-35.41
Chargeable tax at lower rates	15.23	-9.39
Effect of change in prior year	-14.13	-122
Effect of deferred tax charge	-63.95	7.3
	-52	23.15

33. EARNINGS PER SHARE -BASIC

Profit for the year in rupees	85,534,086	104,981,045
Weighted average number of ordinary shares	3,000,000	3,000,000
Earnings per share in rupees	28.51	34.99

	2004 RUPEES	2003 RUPEES
CASH (USED IN)/ GENERATED FROM OPERATION		
Profit before taxation	56,275,558	136,614,395
Adjustment for item involving non movement of fund		
Depreciation	56,541,679	53,081,937
Provision for gratuity	4,445,492	5,879,892
Financial charges	31,250,227	31,807,810
Fair value adjustment in investment	-2,500	25,000
Excise duty written back	-9,587,657	-
Loss / (Gain) on disposal of fixed assets	144,156	-1,279,417
	82,791,397	89,515,222
Operating profit before working capital changes	139,066,955	226,129,617
(Increase)/Decrease in current assets		
Stocks, stores and spares	-200,273,406	16,774,296
Trade debts	28,596,592	-25,847,961
Loans and advances	-6,004,345	-1,130,807
Deposits, prepayments and other receivables	-3,619,456	-9,055,501
	-181,300,615	-19,259,973
Increase in creditors, accrued and other liabilities	39,720,717	87,226,004
	-2,512,943	215,095,648

PLANT CAPACITY AND ACTUAL PRODUCTION

	2004	2003
Total numbers of spindles installed	45,504	45,504
Total numbers of rotors installed	192	192
Total numbers of spindles worked	45,504	45,504
Total numbers of rotors worked	192	192
Number of shifts worked per day	3	3
Installed capacity after conversion into 20's count (kgs)	15,537,833	15,319,544
Actual production after conversion into 20's count (kgs)	14,958,487	14,528,675

causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparts 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 counterparts and continually assessing the creditworthiness of counterparts:

36.2 Fair value of financial instruments

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

36.3 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.,

36.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

36.5 Financial risk management objectives

The company's operations expose it to financial risk mainly due to changes in foreign exchange rates. Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering

36.6 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:

	2004	2003
	RUPEES	RUPEES
Purchases	120,078,982	94,833,845
Sales	418,335,297	388,982,541
Services availed	4,080,336	-
Services provided	17,806,176	16,887,529
Electric expenses	144,849,415,	150,352,784

PATTERN OF SHAREHOLDING AS AT 30-09-2004

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM TO	TOTAL SHARES HELD
134	000001-000100	13,400
	000101-000500	14,200
11	000501-001000	9,706
12	001001-005000	29,000
2	005001-010000	19,700
2	010001-015000	26,500
2	020001-025000	43,984
1	025001-030000	29,872
1	040001-045000	42,780
4	050001-055000	204,938
3	060001-065000	181,600
3	070001-075000	216,400
2	080001-085000	165,600
2	155001-160000	317,900
	165001-170000	165,142
	170001-175000	170,400
	250001-255000	250,176
	265001-270000	267,825
	330001-335000	334,283
	495001-500000	496,600
230		3,000,000

CATEGORIES OF SHAREHOLDING AS AT 30-09-2004

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
INDIVIDUALS	222	2,419,400	80.65
INVESTMENT COMPANIES	-	-	-
INSURANCE COMPANIES	2	80,200	2.67
JOINT STOCK COMPANIES	6	500,400	16.68
FINANCIAL INSTITUTION	-	-	-
MODARABA COMPANIES	-	-	-
FOREIGN INVESTORS	-	-	-
CO-OPERATIVE SOCIETIES	-	-	-
CHARITABLE TRUSTS	-	-	-
OTHERS	-	-	-
	230	3,000,000	100

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

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. Bilal Sharif	60,500
Mr. Mohammad Amin	159,500
Mrs. Yasmin Begum	29,872
Mrs. Anjum Begum	165,142
Mrs. Seema Begum	53,292
Mrs. Nazli Begum	50,482
Mrs. Amna Khurram	73,400
Mrs. Samia Bilal	334,283
Mrs. Fatima Amin	170,400

Master Abdullah Bilal 10,000

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST

Mrs. Samia Bilal	11.14%	334,283
Admiraf (Pvt) Limited	16.55%	496,600