

GHAZI FABRICS INTERNATIONAL LIMITED ANNUAL REPORT 2003

CONTENTS

COMPANY PROFILE

VISION STATEMENT, MISSION STATEMENT
STATEMENT OF ETHICS & BUSINESS PRACTICES
NOTICE OF ANNUAL GENERAL MEETING
DIRECTORS'REPORT
DETAIL OF PATTERN OF SHAREHOLDING
SUMMARY OF LAST SIX YEAR
STATEMENT OF COMPLIANCE
REVIEW REPORT TO THE MEMBERS ON STATEMENT
OF COMPLIANCE WITH BEST PRACTICES OF CODE OF
CORPORATE GOVERNANCE
AUDITORS' REPORT TO THE MEMBERS
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
CASH FLOW STATEMENT
STATEMENT OF CHANGES IN EQUITY
NOTES TO THE ACCOUNTS

COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE MR. MUHAMMAD ARSHAD CHAUDHRY

DIRECTORS

MRS. AZRA YASMIN
MR. MUHAMMAD TARIQ
MR. KAMRAN ARSHAD
MISS. FAREEHA ARSHAD
MISS. WAJEEHA ARSHAD
MST. REHMATBIBI

SECRETARY

MR. MANSOOR AHMAD KHAN

AUDIT COMMITTEE

MR. MUHAMMAD TARIQ Chairman
MR. KAMRAN ARSHAD Member
MISS. FAREEHA ARSHAD Member

CHIEF FINANCIAL OFFICER

MR. ABID RAFI

INTERNAL AUDITOR

MR. TAJAMMAL RASHID

AUDITORS

M/S. M. HUSSAIN CHAUDHRY & CO.
Chartered Accountants
Lahore

LEGAL ADVISOR

M/S. RAJA MUHAMMAD AKRAM & CO.
Advocates & Legal Consultants

BANKERS

HABIB BANK LIMITED

REGISTERED OFFICE

8-C, BLOCK E-III,
GULBERG - III, LAHORE -54660
PH: (042) 5764026 - 28
FAX: (042) 5764032
EMAIL: ghazii@brain.net.pk

PROJECT

46-K.M. MULTAN ROAD,
BHAIPHERU,

STATEMENT OF ETHICS AND BUSINESS PRACTICES

It is a strong belief of the management of Ghazi Fabrics International Ltd. that a clear vision, a positive mission and fully spelled out code of ethics and business practices is a pre-requisite to good corporate governance.

Therefore Ghazi fabrics International Ltd. in addition to the adherence of its mission statement shall observe the compliance of following codes of ethics and best business practices.

1) ETHICS

a) Discipline

It shall be the joint and several responsibility of management and every employee of the company to maintain the discipline in the company.

b) Coordination among staff

The management shall provide a conducive environment for the effective coordination among the members of the staff and management.

c) Conflict of Interest

All the management and employees of the company are hereby committed not to engage in any activity which is against the interests of the company. Staff members shall not conduct personal business in the company premises and with the use of facilities provided by the company for official use. If an employee has a direct relationship with any organization dealing with the company he should disclose it immediately to the company.

d) Confidentiality

All the management and employees of the GFIL are hereby committed to the confidentiality of the business information of the GFIL to any outsider of the company unless it is required by a competent authority having jurisdiction to the affairs of the company. Even if they leave the company shall not loose the confidentiality of the company secrets.

e) Kick Backs/undue favour or unwarranted gifts

No employee or member of the board of management shall accept any personal gift, favour or kick back from any organization dealing with the company. In case this favour is considered to be for the purpose of the company the same should be disclosed to the management of the company immediately.

2) BUSINESS PRACTICES

a) Environment

i) Pollution Free Environment

GFIL shall not engage in any business or production process, which does not meet the International Standards of Environment Protection.

ii) Drugs Free Environment

The use of drugs shall be strictly banned in the premises of GFIL and GFIL shall not employ any person apparently engaged in the trafficking of drugs or appears to be an addict of drugs.

b) Health and Safety

Health and safety of all the staff and employees and particularly of society in general is a great concern for the Management of GFIL and therefore the management of GFIL shall take every measure to protect the health and safety of its employees.

c) Commitment

A bi-lateral commitment with employees, with management, with shareholders, suppliers and buyers will be of prime importance in every instance. All the management and

employees of GFIL shall not make any commitment, the compliance of which is beyond their control and if they commit, every effort shall be made to fulfill the commitment.

d) Financial Discipline and Books of Accounts

Compliance with all the generally accepted accounting principles, rules and procedures shall be followed at all the time. All transactions if duly authorized shall be properly and fully recorded. All the payments made shall be for the purpose of the business of the company. Books of accounts shall reflect a true and fair position of all the assets, liabilities and funds. Company shall not maintain any undisclosed, unrecorded funds or liability account.

e) Relationship with Govt. Officials, Suppliers, Customers and Agents

Only the concerned and knowledgeable members of the relevant field of the company shall conduct dealing with Govt. officials, suppliers, customers and agents. The dealing member shall always maintain the integrity and reputation of the company.

f) Training

Training of the employees shall be an important part of business practices. The management shall take that training of every employee is ensured from his joining to the retirement.

g) Child/Forced Labour

It is a policy of the GFIL not to employ child labour or forced labour directly or indirectly.

h) Equality Policy

There is absolutely no discrimination in GFIL on basis of race, caste, national origin, religion, disability gender or political affiliation. Corporal punishment, mental or physical coercion and verbal abuse of workers is strictly forbidden.

The Management of the Company will ensure implementation of the above, regular monitoring and review for modification/addition wherever necessary.

NOTICE OF 14TH/ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the shareholders of GHAZI FABRICS INTERNATIONAL LIMITED will be held on Monday the 26th January, 2004 at 11.00 a.m. at Qasr-e-Noor, 9-E-2, Gulberg-III, Lahore to transact the following business:-

1. To confirm the minutes of 13th Annual General Meeting of the Shareholders held on Monday the 20th January, 2003.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' Reports thereon for the year ended September 30, 2003.
3. To appoint Auditors and fix their remuneration for the year 2003-2004. The retiring auditors M/S. M. Hussain Chaudhury & Co., Chartered Accountants, being eligible offer themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

BY ORDER OF THE BOARD

LAHORE

(MANSOOR AHMAD KHAN)

January 03, 2004

COMPANY SECRETARY

NOTES:

I. The Share Transfer Book of the Company will remain closed from January 12, 2004 to January 26, 2004 (both days inclusive).

II. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly signed and affixed revenue stamp

of Rs. 57- must be deposited at the Registered Office of the Company, 8-C, E-III, Gulberg - III, Lahore-54660 not less than 48 hours before the time fixed for holding the meeting.

III. Shareholders are requested to promptly notify the Company of any change in their addresses.

DIRECTORS' REPORT

The Directors of the Company are pleased to welcome you to the 14th Annual General Meeting of the Company and present their report together with the audited accounts of the Company for the year ended 30th September, 2003.

Notes	2003 (Rupees in thousands)	2002
Operating and Financial Results	-26,519	-6,428
Operating loss	-21,667	-42,100
Financial charges	-48,186	-48,528
	4,501	1,958
Other income	-43,685	-46,570
Loss before tax	60,084	-5,790
Provision for taxation	16,399	-52,360
Profit/ (loss) after tax	-536,934	-484,574
Loss brought forward	-520,535	-536,934
Accumulated loss available for appropriation		
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation.	316,778 .	
Prior years	43,707 -	
Current year net of deferred tax	360,485 -	
	-160,050	-536,934
Accumulated loss transferred to Balance sheet		

The company has performed better operationally, however the economic conditions of the country did not support the business environment in the country. Financial results could not be improved because of expansion in the weaving unit caused the weaving mills to stop for some time, therefore the anticipated results could not be achieved.

STATEMENT OF COMPLIANCE ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The management is fully aware of its responsibility to comply with requirements of Code of Corporate Governance as incorporated in the additional listing regulations of the Lahore and Karachi Stock Exchanges. Following are the major areas where company considers necessary to disclose the compliance on corporate and financial reporting framework.

Presentation of Financial Statements

The financial statements prepared by the management of the Company, present fairly, its state of affairs, the results of its operations, cash flow and changes in equity.

Books of Accounts

The company at the registered office has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement except for change in accounting policy regarding staff retirement benefits and deferred taxation. It was changed due to the application of IAS-12 and IAS-19. The impact of change in policy has been disclosed in note No. 27 to the financial statements as per alternative treatment.

Compliance with International Accounting Standards

International Accounting Standards, made applicable by the SECP from time to time has been followed in preparation of financial statements and there has been no departure from them.

Internal Control System

The company has always emphasized on a sound internal control system and for the effective implementation and monitoring of Internal control system, an internal audit department has been established which is fully equipped with proper staff and is headed by a qualified experienced Chartered Accountant.

Going Concern

There is no significant doubt upon the ability of the Company to continue as a going concern.

Best Practices of Corporate Governance

The statement of compliance with the code of corporate governance is enclosed with this report and this report was found to be in order, after review by the directors.

Key Financial Data of Last Six Years

Key operating and financial data of last six years is annexed.

Gratuity Funds

The Company operates an un-funded gratuity scheme for its permanent employees. The consultant M/s. Nauman Associates as per the requirements of IAS-19 estimated the deferred liability of gratuity.

Dividend

Keeping in view the loss generated by the company for the year and accumulated balance of Losses, Company is not in a position to declare dividend.

Outstanding Statutory Dues

The Company is regular payer of all Government dues and previous record is quite evident and clear in this regard.

Significant Plans and Decisions

As part of its balancing, modernization and replacement plan, the Company has added a total number of 6,192 spindles, two Auto cones machines and 36 air jet looms, to increase the existing production capacity.

Meetings of the Board of Directors

During the year seven number of meetings of the Board of Directors of the Company were held and attendance by each Director in the meetings is as follows:

Name of Director	Meetings Attended
Mr. Muhammad Arshad Chaudhry	7
Mrs. Azra Yasmin	7
Mr. Kamran Arshad	7
Mr. Muhammad Tariq	7
Miss Fareeha Arshad	7
Miss Wajeeha Arshad	4
Mst. RehmatBibi	4

Leave of absence was granted to the Directors who could not attend the meetings of the Board.

AUDIT COMMITTEE

The Board has established an Audit Committee and the following directors are its members:

Name of Member	Status	Meetings attended
Mr. Muhammad Tariq	Chairman	6
Miss. Fareeha Arshad	Member	7
Mr. Kamran Arshad	Member	5

A total number of seven meetings were held during the year. External Auditors were present in six out of seven meetings. Two directors out of three are non-executive directors.

AUDITORS

The present auditors M/S. M. Hussain Chaudhury & Co. Retire and being eligible have offered themselves for reappointment. The audit committee has recommended their reappointment.

PATTERN OF SHAREHOLDING

Pattern of shareholding is annexed to the directors' report.

TRADING IN COMPANY'S SHARES

The Directors, CEO, CFO, Company Secretary and their spouse and minor children have not traded in the Shares of the Company during the year under review.

ACKNOWLEDGEMENT

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard work and dedication. We would also like to express our gratitude to our valued shareholders.

For and on behalf of the board

LAHORE: (MUHAMMAD ARSHAD CHAUDHRY)

December 29, 2003 CHIEF EXECUTIVE

FORM — 34

PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

NUMBER OF SHAREHOLDERS	HOLDINGS FROM	TO	TOTAL SHARES HELD
909	1	100	90,900
9,218	101	500	4,226,800
442	501	1,000	425,300
495	1,001	5,000	1,294,100
101	5,001	10,000	787,300
22	10,001	15,000	271,600
17	15,001	20,000	292,600
10	20,001	25,000	232,900
4	25,001	30,000	111,100
2	30,001	35,000	66,400
4	35,001	40,000	151,100
2	40,001	45,000	84,000
1	45,001	50,000	50,000
2	55,001	60,000	115,600
3	65,001	70,000	200,900
1	75,001	80,000	77,000
1	80,001	85,000	84,100
1	85,001	90,000	85,500
1	120,001	125,000	124,500
1	135,001	140,000	139,000
2	145,001	150,000	298,800
1	240,001	245,000	240,700
1	420,001	425,000	420,900
1	3,220,001	3,225,000	3,222,000
1	3,225,001	3,230,000	3,230,000
1	16,310,001	16,315,000	16,312,500
11,244			32,635,600

DETAIL OF PATTERN OF SHAREHOLDING

S.No.	CATEGORY	NAME	NUMBER OF SHARE-HOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
1	Individuals		11,225	15,750,300	48.2611
2	ICP	Investment Corp. of Pakistan	1	240,700	0.7375
3	Chief Executive	Mr. Muhammad Arshad Chaudhry	1	16,312,500	49.9838
4	Director	Mrs. Azra Yasmin	1	1,000	0.0031
5	-Do-	Mr. Kamran Arshad	1	1,000	0.0031
6	-Do-	Mr. Muhammad Tariq	1	1,000	0.0031
7	-Do-	Miss. Fareeha Arshad	1	1,000	0.0031

8	-Do-	Miss. Wajeeha Arshad	1	500	0.0015
9	-Do-	Mst. RehmatBibi	1	1,000	0.0031
10	Public Sector Companies	(Joint Stock Companies)	3	149,800	0.459
11	Non Banking Financial Institutions	(Investment Banks)	3	36,100	0.1106
12	Insurance Companies		3	130,900	0.4011
13	Modarabas		2	9,800	0.03
			11,244	32,635,600	100

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE
Mr. Mohammad Arshad Chaudhry	16,312,500	49.9838
	16,312,500	49.9838

SUMMARY OF LAST SIX YEARS KEY FINANCIAL RESULTS

DESCRIPTION	2003	2002	2001	2000	1999	1998
Sales -Net	1,448,000	1,149,490	1,230,272	1,352,886	1,461,264	1,493,281
Cost of Sales	1,434,169	1,116,963	1,211,249	1,127,652	1,444,838	1,376,540
Gross Profit	13,831	32,527	19,023	225,234	16,426	116,741
Admin. & Selling Expenses	40,350	38,956	37,220	47,204	38,711	49,071
Operating Profit/ (Loss)	-26,519	-6,429	-18,197	178,030	-22,285	67,670
Financial Charges	21,667	42,100	97,974	95,376	122,436	120,647
	-48,186	-48,529	-116,171	82,654	-144,721	-52,977
Other income	4,501	1,959	1,800	1,798	1,342	3,187
	-43,685	-46,570	-114,371	84,452	-143,379	-49,790
W.P.P.F	-	-	-	4,223	-	-
Profit/(Loss) before tax	-43,685	-46,570	-114,371	80,229	-143,379	-49,790
Tax for the year	60,084	-5,790	-6,197	-6,876	-7,492	-17,703
Profit/(Loss) After tax	16,399	-52,360	-120,568	73,353	-150,871	-67,493
Paid up capital	326,356	326,356	326,356	326,356	326,356	326,356
Current assets	229,255	156,924	255,894	234,993	281,503	192,073
Current liabilities	162,518	88,988	180,429	195,233	380,120	227,714

STATEMENT OF COMPLIANCE WITH

THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2003

This statement is being presented to comply with the code of corporate governance in regulation No. 37 of listing regulations of Karachi stock exchange, clause 45 (Chapter XIII) of the listing regulations of the Lahore stock exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed with the best practices of corporate governance.

The company has applied the principles contained in the code of corporate governance in the following manner:

1. The company encourages the representation of independent directors, non-executive directors and directors elected from minority interest, at present board consists of one chief executive and one unpaid whole time director assisting the chief executive and five non executive directors. However there are expectations of independent directors' coming on the board in the next election of directors.
2. No director of GFIL is on the board of directors of more than ten companies.
3. All the directors of the company are regular taxpayers and none of them has ever defaulted in payment of any loan to any banking company, development financial institution or non-banking financial institution. None of the directors of the company is a member of the stock exchange on which shares of the company are traded.
4. The company has prepared a statement of ethics and business practices which has been signed by all the directors and employees of the company.
5. The company has adopted a vision/mission statement and over all corporate strategy. A complete record of all the significant policies approved and adopted has been maintained.

6. All the powers of the board have been exercised by the board's especial approval of material transactions, appointment and the terms and condition of the employment of CEO, executive director, CFO, Company Secretary and other executives of the company.
7. All the meetings of the board was presided over by the chairman and the board met at least once in every quarter. Written notice of the board meetings along-with agenda and working papers were issued at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
8. The board arranged an orientation course for its directors during the year to aquatint them of their duties and responsibilities.
9. The company secretary and CFO were appointed prior to the implementation of code of corporate governance. However their appointment confirms the requirements of code of corporate governance.
10. The directors' report has been prepared in compliance with the requirements of code of corporate governance and all the salient matters required to be disclosed have been spelled out properly.
11. The financial statements prepared and circulated, were duly endorsed by the CFO and CEO of the company prio to the approval from the board.
12. The directors, CEO, and other executives of the company do not hold any interest in the company other than thatdisclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting framework requirements.
14. The board has formed an audit committee comprising three directors, of whom two are non-executive directors. The audit committee met every quarter prior to the approval of accounts, once they met with the external auditors without CFO.
15. The board has setup an effective internal audit function headed by a whole time suitably qualified person.
16. We confirm that all the material principles laid down in the code of corporate governance has complied with.

For and on behalf of the board

(MUHAMMAD ARSHAD CHAUDHRY)

Chief Executive

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 GHAZI FABRICS INTERNATIONAL LIMITED, to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi Stock Exchange and Lahore 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 the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2003.

Lahore

M.HUSSAINCHAUDHURY&Co.

Dated: December 29, 2003

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHAZI FABRICS INTERNATIONAL 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 account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for changes in accounting policies as referred in Notes 2.3 and 2.6 to the accounts, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the company as at September 30, 2002 were audited by another auditor whose report dated December 04, 2002 expressed an unqualified opinion on those financial statements.

Lahore

M.HUSSAINCHAUDHURY&Co.

Dated: December 29, 2003

CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT SEPTEMBER 30, 2003

	Notes	2003 (Rupees in thousands)	2002
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2002: 40,000,000)			
Ordinary shares of Rs. 10/-each		400,000	400,000
Issued, subscribed and paid up capital	3	326,356	326,356
ACCUMULATED LOSS		-160,050	-536,934
		166,306	-210,578
SURPLUS ON REVALUATION			
OFFIXEDASSETS	4	430,812	975,832
LONG TERM LOANS	5	172,500	46,367
LOAN FROM DIRECTORS	6	420,414	420,414
DEFERRED LIABILITIES	7	227,148	9,295
CURRENT LIABILITIES			
Current maturity of Long-term loans	8	45,800	35,900
Short-term finances	9	86,920	5,150
Creditors, accrued and other liabilities	10	54,414	70,305
Unclaimed dividend		1,453	1,481
Provision for Taxation - Net	11	19,731	12,053
		208,318	124,889
Contingencies And Commitments	12	-	-
		1,625,498	1,366,219

	Notes	2003 (Rupees in thousands)	2002
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating Fixed Assets	13 1	,295,097	1,188,656
Capital work-in-progress	14	100,658	20,638
	1	,395,755	1,209,294
Long Term Deposit		490	490
CURRENT ASSETS			
Stores, spares and Loose tools	15	18,562	18,462
Stock in trade	16	103,415	69,831
Trade debts	17	50,174	12,176
Advances, deposits, prepayments & other Receivables	18	49,408	55,139
Cash and bank balances	19	7,694	827
		229,253	156,435
		1,625,498	1,366,219

The annexed notes (1-35) form an integral part of these accounts.

(MUHAMMAD ARSHAD CHAUDHRY)

(KAMRAN ARSHAD)

CHIEF EXECUTIVE

DIRECTOR

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

	Notes	2003 (Rupees in thousands)	2002
Sales -net	20	1,448,000	1,149,490
Cost of sales	21	1,434,169	1,116,963
Gross profit		13,831	32,527
Operating expenses:			
Administrative and general	22	30,854	26,853
Selling and distribution	23	9,496	12,102
		40,350	38,955
Operating Loss		-26,519	-6,428
Other income	24	4,501	1,958
Financial charges	25	-21,667	-42,100
Loss before taxation		-43,685	-46,570
Provision for taxation	26	60,084	-5,790

Profit/ (Loss) after taxation		16,399	-52,360
Accumulated losses brought forward		-536,934	-484,574
Accumulated Loss		-520,535	-536,934
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation			
- Prioryears		316,778	-
- Currentyear- Net of deferred tax		43,707	-
		360,485	-
Accumulated Loss Transferred to Balance Sheet		-160,050	-536,934
EARNING PER SHARE - BASIC (Rupees per share)	28	0.5	-1.6

The annexed notes (1-35) form an integral part of these accounts.

(MUHAMMAD ARSHAD CHAUDHRY)

(KAMRAN ARSHAD)

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Notes	2003 (Rupees in thousands)	2002 (Rupees in thousands)
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		-43,685	-46,570
Adjustments for:			
Depreciation		131,912	121,132
(Gain) / Loss on disposal of operating fixed assets		-18	448
Gratuity		2,954	3,863
Financial charges		21,667	42,100
		156,515	167,543
Operating profit before Working Capital Changes		112,830	120,973
Decrease / (increase) in current assets			
Stores, spares and loose tools		-100	2,439
Stock in trade		-33,584	135,470
Trade debts		-37,998	1,567
Advance, deposits, prepayments and other receivables		12,455	-41,960
(Decrease) / increase in current liabilities			
Creditors, accrued and other liabilities		-17,490	24,773
		-76,717	122,289
Cash generated from operations		36,113	243,262
Gratuity paid		-2,592	-1,125
Income Tax paid		-6,724	-
Financial charges paid		-20,068	-69,073
Net cash from operating activities		6,729	173,064
CASHFLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-238,128	-70,291
Capital work in progress		-80,020	-20,638
Proceeds from disposal of operating fixed assets		20	1,261
Net Cash used in Investing Activities		-318,128	-89,668
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term loans		171,833	463,185
Payments of long-term loans		-35,800	-453,400
Deferred liabilities		100,491	-
Short term finances		81,770	-94,214
Dividend paid		-28	-420
Net cash from Financing activities		318,266	-84,849
Net increase / (Decrease) in cash and cash equivalents		6,867	-1,453
Cash and cash equivalents at the beginning of the year		827	2,280
Cash and cash equivalents at the end of the year		7,694	827

(MUHAMMAD ARSHAD CHAUDHRY)

(KAMRAN ARSHAD)

CHIEF EXECUTIVE

DIRECTOR

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

(RUPEES IN THOUSAND)

	Share Capital	Accumulated Loss	Total
Balance as at September 30, 2001	326,356	-484,574	-158,218
Loss for the year after taxation	-	-52,360	-52,360
Balance as at September 30, 2002	326,356	-536,934	-210,578
Profit for the year after taxation	-	16,399	16,399
Transfer from surplus on revaluation of fixed assets on incremental depreciation charged to:			
Prior years	-	316,778	316,778
Current year - Net of deferred tax	-	43,707	43,707
Balance as at September 30, 2003	326,356	-160,050	166,306

(MUHAMMAD ARSHAD CHAUDHRY)

(KAMRAN ARSHAD)

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2003

01. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on April 30, 1989 as a Private Limited Company and converted into Public Limited Company on January 07, 1990. Its shares are quoted on Karachi and Lahore Stock Exchanges. The main activities of the Company are textile manufacturing, production of cotton and PC. yarn and grey cloth that are marketed within and outside Pakistan.

02. SIGNIFICANT ACCOUNTING POLICIES

02.1 Basis of preparation

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

02.2 Accounting convention

These accounts have been prepared under the historical cost convention without any adjustment for the effect of inflation or current values, except certain fixed assets that are stated at revalued amounts.

02.3 **Staff retirement benefits****Defined benefit plan**

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation has been carried out as at September 30, 2003. Basing upon this actuarial valuation the Company accounts for the provision for gratuity and current service cost.

The future contribution rates of this plan include allowances for deficit and surplus. As per actuarial valuation, the following significant assumptions were used for calculation of this plan.

Discount Rate	8%
Expected rate of s	7%
Average expected	5 years
Actuarial valuation	Projected unit credit method

During the year, the Company has adopted the projected unit cost method as prescribed by IAS - 19 (Employee Benefits). This has resulted in charge in accounting policy that has been applied under the allowed alternative treatment suggested by IAS - 8 (Net Profit or Loss

for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in accounting policy, profit before taxation for the year would have been reduced by Rs. 0.432 million. The pro forma information has been given in Note 27.

02.4 Provisions

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

02.5 Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost that 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.

02.6 Taxation

Current

The charge for current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS - 12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

During the year the Company has adopted IAS-12 (Income Taxes) that became applicable during the current year. Previously the Company was using the liability method on timing differences. The Company now also accounts for deferred tax liability on surplus on revaluation of fixed assets that is adjusted against the related surplus.

The change in policy has resulted in reduction in after tax loss by Rs. 67.535 million and surplus on revaluation of fixed assets by Rs. 167.538 million. Pro forma comparative information has been given in note 27.

02.7 Foreign currency translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

02.8 Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and grid station & generators are stated at revalued amounts less accumulated depreciation.

Depreciation on fixed assets has been provided for on reducing balance method at the rates specified in Note 13. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. Gains or losses on disposal of fixed assets, if any, are shown in profit and loss account.

02.9 Store, spares and loose tools

These are valued at moving average cost except for items in transit that are valued at cost comprising invoice value plus incidental charges paid thereon.

02.10	Stock in trade	
	Raw materials	At annual average cost.
	Work in process	At Annual average material cost plus Appropriate manufacturing costs.
	Finished goods	At lower of average manufacturing cost and net realizable value.
	Wastes -	At net realizable value.

Net realizable value signifies the estimated selling price at which goods in stock could be currently sold less any further costs that would be incurred to complete the sale.

Raw materials in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

02.11 Book debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

02.12 Financial Instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished. Any gain or loss on subsequent re-measurement /de-recognition is charged to income.

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

2.13 Borrowing cost

Borrowing costs are charged to income as and when incurred except to the extent that costs directly attributable to the acquisition, construction or production of a qualifying asset that are capitalised as part of the cost of asset.

2.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.15 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

2.16 Revenue recognition

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.

03. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2003	2002		2003	2002
No. of Shares			(Rupees in thousand)	
32,635,600	32,635,600	Ordinary shares of Rs. 1 0 each	326,356	326,356
		Fully paid in cash		
32,635,600	32,635,600		326,356	326,356

04. SURPLUS ON REVALUATION OF FIXED ASSETS

Land -freehold		31,521	31,521
Building on freehold land		133,126	133,126
Plant and machinery		774,315	774,699
Grid station and generators		36,870	36,870
		975,832	976,216
Incremental depreciation charged on revalued fixed assets in prior years transferred to retained earnings	4.1	-316,778	-
			976,216
Related deferred taxation		-184,535	-
		474,519	976,216
Incremental depreciation charged on revalued fixed assets in current year net off deferred taxation transferred to retained earnings		-43,707	-
Adjustment relating to assets disposed off during the year		-	-384
		430,812	975,832

4.1 The incremental depreciation charged on revalued assets during the year and in prior years has been transferred to retained earnings (unappropriated profit) to record realisation of surplus to the extent of incremental depreciation to comply with the amendment in section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of surplus arising on revaluation of fixed assets.

4.2 Revaluation was carried out as at September 30, 1998 on by M/s. Unicorn International Surveyors on the basis of market, replacement and current values and was certified by an independent firm of Chartered Accountants.

		2003	2002
		(Rupees in thousands)	
0.5.	LONG TERM LOANS -SECURED		
	<i>Habib Bank Limited</i>		
	Notes		
	Term finance	5.1	12,500
	Demand Finance -II	5.2	26,600
	Demand Finance -III	5.3	18,167
	Demand Finance - IV	5.4	-
	Fixed assets finance	5.5	25,000
		218,300	82,267
	Less: Current maturity	-45,800	-35,900
		172,500	46,367
5.1	Term finance		
	Opening balance	12,500	62,500
	Payments made during the year	-12,500	-50,000
		-	12,500

Term finance payable in sixteen equal quarterly installments starting from February 15,199S has been fully repaid during the year. The loan was secured against first equitable mortgage charge on fixed assets and personal guarantee of the Chief Executive of the Company.

5.2	Demand Finance -II		
	Opening balance	26,600	40,000
	Payments made during the year	-13,300	-13,400
		13,300	26,600

Habib Bank Limited converted export refinance loan facility to demand finance - II. The loan is payable in six half yearly equal instalments commencing from January 31, 2002. It is secured against first equitable mortgage charge on fixed assets of the company valuing Rs. 718.1 million and personal guarantee of Chief Executive of the Company.

5.3	Demand Finance -III		
	Opening balance	18,167	-
	Addition during the year	71,833	18,167
		90,000	18,167

Demand finance - III has been created to retire the letters of credit established to facilitate the import of ring frames / air jet looms. The finance is payable in five years from the date of first disbursement to the Company, including one year grace period, in eight equal half yearly installments commencing from February 25,2004. Interest is payable on quarterly basis. It is secured against first equitable mortgage charge on fixed assets of the Company valuing Rs. 718.1 million and personal guarantee of Chief Executive of the Company.

		2003	2002
		(Rupees in thousands)	
5.4	Demand finance -IV		
	Notes		
	Addition during the year	100,000	-
<p>Demand finance - IV has been created to retire the letters of credit established to facilitate the import of spindles / looms. The finance is payable in five years from the date of first disbursement to the Company, including one year grace period, in eight equal half yearly installments commencing from December T5,2004. Interest is payable on quarterly basis. It is secured against first equitable mortgage charge on the fixed assets of the Company valuing Rs. 718.1 million and personal guarantee of Chief Executive of the Company.</p>			
5.5	Fixed assets finance		
	Opening balance	25,000	-
	Addition during the year	-	30,000
		25,000	30,000
	Payments made during the year	-10,000	-5,000
		15,000	25,000

Fixed asset finance is obtained for the import of 10 ring frames and 2 auto cone machines to increase the existing production capacity of the spinning unit. It is payable in three years in six half yearly equal installments commencing from June 30, 2002. It is secured against first equitable mortgage charge on the fixed assets of the Company valuing Rs. 718.1 million and personal guarantee of Chief Executive of the Company.

06. LOAN FROM DIRECTORS

This loan has been provided by the Chief Executive / Director for the repayment of long term loans and for the smooth operation of the Company. The finance is unsecured and interest free and terms of repayment have not yet been finalized due to the subordination loan agreement with Habib Bank Limited.

		2003	2002
		(Rupees in thousands)	
07.	DEFERRED LIABILITIES		
	Notes		
	Due to associated undertakings	7.1 100,491	-
	Deferred tax - net	7.2 117,000	-
	Gratuity payable	7.3 9,657	9,295
		227,148	9,295

7.1 The amount due to associated undertaking represents electricity bills payable that has been deferred for three years as a result of special resolution passed by the shareholders of the associated undertaking to assist in the liquidity position of the Company. The amount is unsecured and interest free.

		2003	2002
		(Rupees in thousands)	
7.2	Deferred tax - net		
	Notes		
	Credit/ (Debit) balance arising in respect of		
	- Accelerated tax depreciation	97,018	-
	- Surplus on revaluation of fixed assets	167,538	-
	- Recognised losses	-144,852	-
	- Staff retirement benefits	-2,704	-
		117,000	-
7.3	Gratuity Payable		
	The amounts recognised in the balance sheet are as follows		
	Present value of defined benefit obligation	10,456	9,295
	Unrecognised actuarial losses	-799	-
		9,657	9,295
	Balance sheet liability as at October 01 ,	9,295	6,557
	Amount recognised during the year	3,386	3,863
	Effect of change in accounting policy	-432	-
		2,954	3,863
		12,249	10,420
	Benefits paid during the year	-2,592	-1,125
	Balance sheet liability as at September 30,	9,657	9,295
08.	CURRENT MATURITY OF LONG TERM LOANS		
	Term Finance	-	12,500
	Demand Finance -II	13,300	13,400
	Demand Finance -III	22,500	-
	Fixed assets finance	10,000	10,000

45800 35,900

09. SHORTTERM FINANCES UTILISED UNDER MARK UP ARRANGEMENTS

Habib Bank Limited	Expiry date	Limit (Million)			
Cash finance	30-09-2003	250	9.1	7,034	5,150
Running finance	30-09-2003	100	9.2	79,886	-
				86,920	5,150

9.1 Cash finance facility has been obtained for the purchase of raw material. It carries markup @ ranging from 39 Paisas to 10 Paisas per Rupees one thousand per day and is secured against pledge of cotton bales and personal guarantee of sponsoring directors.

9.2 Running finance facility has been obtained for working capital requirements and carries markup @ ranging from 31.10 Paisas to 10 Paisas per Rupees one thousand per day. It is secured against first equitable mortgage charge on fixed assets of the Company valuing Rs. 718.1 million and personal guarantee of Chief Executive of the Company.

		2003	2002
		(Rupees in thousands)	
10.	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Creditors	36,140	13,751
	Due to associated undertakings	3,098	43,862
	Security deposits	680	171
	Advances from customers	422	335
	Accrued mark up on :		
	- Long term loans	4,048	2,979
	- Short term finances	735	205
	Accrued expenses	9,064	8,646
	Tax deducted at source	227	356
		54,414	70,305
11	PROVISION FOR TAXATION -NET		
	Opening balance	12,053	6,263
	Provision for current year	7,511	5,790
	Provision for prioryear	167	-
		7,678	5,790
		19,731	12,053

11.1 Provision made in these accounts for the tax liability represents half percent of sale value as per Section 113 of the Income Tax Ordinance, 2001 being the minimum tax payable due to losses incurred by the company.

11.2 Income tax assessments have been finalized upto the assessment year 2001-2002 (accounting yearended September 30,2000).

12 CONTINGENCIES AND COMMITMENTS
Contingencies

12.1 TheSind High Court has decided the case regarding excise duty on bank loans in favour of the Company but now the Government of Pakistan has-filled appeal in the Supreme Court of Pakistan against the decision. As the decision is pending, no provision has been made in these accounts forthis liability amounting to Rs. 28.043 million.

12.2 Income tax assessment for the assessment year 2001-2002 has resulted in demand for workers' welfare fund amounting to Rs. 1.721 million. The liability has not been admitted by the management based upon the decision of the Supreme Court of Pakistan and an appeal has been filed pending adjudication before the Appellate Authorities.

COMMITMENTS

The commitments in respect of irrevocable letters of credit as at balance sheet date amounting to Rs. 44.404 million (2002: Rs. 88.704 million.)

13. OPERATING FIXED ASSETS

PARTICULARS	COST / REVALUED AMOUNTS		DEPRECIATION		Total	Book Value as at
	As at	As at	As at	As at		

	01-10-2002	Additions	Disposals	30-09-2003	Rate %	01-10-2002	Disposals	For the year	As at 30-09-2003	30-09-2003
Fixed Assets - owned										
Land -freehold	59,248	10,031	-	69,279	-	-	-	-	-	69,279
Building on freehold land	237,263	23,265	-	260,528	05-10	64,114	-	15,154	79,268	181,260
Plant and machinery	1,333,478	192,148	-	1,525,626	10	437,025	-	108,860	545,885	979,741
Grid station and generators	56,272	-	-	56,272	10	19,352	-	3,692	23,044	33,228
Electric installations	25,981	11,010	-	36,991	10	17,797	-	1,919	19,716	17,275
Equipment	9,183	1,380	-	10,563	10	4,225	-	395	4,620	5,943
Furniture and fixtures	7,658	521	-	8,179	10	4,184	-	638	4,822	3,357
Vehicles	19,155	-	-25	19,130	20	12,885	-23	1,254	14,116	5,014
Rupees 2003	1,748,238	238,355	-25	1,986,568		559,582	-23	131,912	691,471	1,295,097
Rupees 2002	1,680,700	70,291	-2,753	1,748,238		439,110	-660	121,132	559,582	1,188,656

13.1 Revaluation of land, buildings, plant and machinery and grid station & generator was carried out by an independent valuer on September 30, 1998. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

	As on September 30, 2003		
	Cost	Accumulated Depreciation	book value
	(Rupees in thousand)		
Land -freehold	3,758	-	3,758
Building on freehold land	127,402	33,974	93,428
Plant and machinery	751,311	228,796	522,515
Grid station and generators	19,402	7,945	11,457

13.2 The Depreciation charged for the year has been allocated as under:

	Notes	2003 (Rupees in thousands)	2002 (Rupees in thousands)
Cost of sales	21	129,525	118,462
Administrative	22	2,387	2,670
		131,912	121,132

13.3 Disclosure relating to surplus on revaluation of fixed assets is given in note 4 of these accounts.

13.4 Disposal of operating fixed assets

PARTICULARS	Cost/Revalued Amount	Accumulated depreciation	Book value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Particulars of purchaser
Vehicles:							
Motorcycle	25	23	2	20	18	Claim	Adamjee Insurance Co., Ltd.

	Notes	2003 (Rupees in thousands)	2002 (Rupees in thousands)
14. CAPITAL WORK-IN-PROGRESS			
Building		6,732	67
Plant and machinery	14.1	93,599	20,180
Electric installation		327	391
		100,658	20,638

14.1 This includes an amount of Rs. 5.114 million representing trial run loss of 36 air jet looms installed during the year.

15. STORES, SPARES AND LOOSE TOOLS		
Stores	10,569	10,152
Spares	7,781	8,136
Loose tools	212	174
	18,562	18,462

15.1 There were no stores and spares held for specific capitalisation as at the balance sheet date.

16. STOCK IN TRADE		
Raw material	24,169	19,231
Work-in-process	18,485	11,529

Finished goods:			
In hand		50,427	36,639
- In transit		10	1,559
		50,437	38,198
Wastes		1,128	873
Trail run stock	16.1		
Work-in-process		1,046	-
Finished goods		8,118	-
- Wastes		32	-
		9,196	-
		103,415	69,831

16.1 This represents closing stock of trail run production of 36 air jet looms as at the balance sheet date (refer to Note 14.1)

		2003	2002
17.	TRADE DEBTS		
		(Rupees in thousands)	
	Local debts (unsecured -considered good)	36,262	6,057
	Foreign debts (Secured - considered good)	13,912	6,119
		50,174	12,176
18.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances -considered good		
	Employees	475	1,129
	Suppliers	8,173	13,756
	Security deposits	361	73
	Income Tax deducted at source	18,389	11,665
	Prepayment	466	610
	Sales tax refundable	16,132	15,484
	Duty draw back receivable	1,278	1,313
	Letters of credit	3,438	11,109
	Others	696	-
		49,408	55,139

18.1 Included in advances, amount due from executives amount to Rs. 0.179 million (2002: Rs. 0.551 million) and maximum aggregated balance outstanding at the end of any month during the year from executives was Rs. 0.276 million (2002: Rs. 0.561 million).

19.	CASH AND BANK BALANCES		
	Cash in hand	417	340
	With banks in current accounts	7,277	487
		7,694	827
20.	SALES - NET		
	Local		
	Yarn	919,711	672,853
	Fabric	231,075	163,663
		1,150,786	836,516
	Export		
	Yarn	63,144	127,796
	Fabric	224,763	182,652
		287,907	310,448
	Wastes	10,110	8,272
	Rebate on export	7,625	2,688
		1,456,428	1,157,924
	Less:		
	Export development surcharge	-704	-753
	Commission to selling agents	-7,724	-7,681
		1,448,000	1,149,490

20.1 Sales are exclusive of sales tax amounting to Rs. 174.134 million (2002: Rs. 126.715 million)

		2003	2002
21.	COST OF SALES		
		(Rupees in thousands)	
	Raw material consumed	1,021,941	743,874
	Salaries, wages and other benefits	62,175	56,828
	Fuel and power	167,102	114,871
	Packing materials consumed	16,479	13,414
	Sizing material consumed	15,817	13,597

	Stores and spares consumed		36,414	37,849
	Insurance		2,483	2,326
	Depreciation	13.2	129,525	118,462
	Other manufacturing expenses		1,683	1,558
			1,453,619	1,102,779
	Opening work in process		11,529	9,630
	Closing work in process		-18,485	-11,529
			-6,956	-1,899
	Cost of goods manufactured		1,446,663	1,100,880
	Opening finished goods		39,071	55,154
	Closing Finished goods		-51,565	-39,071
			-12,494	16,083
			1,434,169	1,116,963
21.1	Raw material consumed			
	Opening stock		19,231	140,517
	Purchases		1,026,879	622,588
			1,046,110	763,105
	Closing stock		-24,169	-19,231
			1,021,941	743,874
21.2	Salaries and wages include Rs. 1.667 million (2002: Rs. 2.528 million) in respect of staff retirement benefits.			
22.	ADMINISTRATIVE AND GENERAL			
	Salaries, wages and other benefits	22.1	16,146	14,918
	Travelling and conveyance		948	1,205
	Repairs and maintenance		650	86
	Rent, rates and taxes		53	138
	Printing and stationery		1,048	749
	Insurance		812	783
	Fee and subscription		430	308
	Postage, telephone and telex		1,178	1,204
	Vehicles running and maintenance		2,621	2,523
	Utilities		763	688
	Advertisement		124	49
	Books and periodicals		30	20
	Auditors' remuneration	22.2	150	80
	Legal and professional charges		285	115
	Corporate assets tax		2,000	-
	Entertainment		615	913
	Depreciation	13.2	2,387	2,670
	Miscellaneous		614	404
			30,854	26,853
22.1	Salaries and wages include Rs. 1287 million (2002: Rs. 1.335 million) in respect of staff retirement benefits.			
22.2	Auditors' remuneration	Notes	2003 (Rupees in thousands)	2002
	Statutory audit		100	75
	Limited scope review and review of Code of Corporate Governance		40-	
	Out of pocket expenses		10	5
			150	80
23.	SELLING AND DISTRIBUTION			
	Carriage and freight - export		7,349	10,491
	Carriage and freight - local		47	2
	Export expenses		1,776	1,427
	Samples		324	182
			9,496	12,102
24.	OTHER INCOME / (LOSS)			
	Gain / (Loss) on disposal of fixed operating assets		18	-448
	Profit on deposit	-		170
	Sale of scrap		1,816	1,643
	Commercial doubling		2,669	593
	Others		-2-	
			4,501	1,958
25.	FINANCIAL CHARGES			
	Interest/ mark up on:			
	Long term loans		11,200	36,939

	Short term finances	7,615	3,569
	Bank charges and commission	2,852	1,592
		21,667	42,100
26.	TAXATION		
	Current		
	Current year	7,282	5,790
	Prior periods	169 -	
		7,451	5,790
	Deferred	-67,535 -	
		-60,084	5,790

27. PRO FORMA INFORMATION

As mentioned in note 2.3 and 2.6, the company has changed its accounting policies for recording retirement benefits and deferred tax assets. The cumulative effect of these changes in policies under the allowed alternative treatment of IAS-8 (Net Profit or Loss for the period, Fundamental Errors and Changes in Accounting Policies) has been adjusted in the accounts for the current year. As required by the IAS-8, the pro forma information of profit and loss account and statement of changes in equity assuming the accounting policy had been applied retrospectively is given on next page:

	Notes	2003 (Rupees in thousands)	2002
Pro forma profit and loss account			
Loss before taxation and staff retirement benefit as reported		-41,163	-42,707
Staff retirement benefits		-2,954	-3,431
Loss before taxation		-44,117	-46,138
Taxation:			
Current		-7,282	-5,790
Taxation of prior periods		-169 -	
Deferred tax (expense) / income relating to the origination and reversal of temporary differences		6,707	-7,814
Deferred tax (expense) / income resulting from Change in tax rates	-		686
		-744	-12,917
		-44,861	-59,055
Pro forma of statement of changes in equity - Unappropriated profit			
Balance as on October 01 , as previously reported		-536,934	-484,574
Effects of change in accounting policy with respect to:			
Recognition of deferred tax assests		60,828	67,956
Staff retirement benefits		432 -	
Retained earnings as on October 01 , restated		-475,674	-416,618
Net loss for the year as restated		-44,861	-59,055
Transfer from surpluson revaluation of fixed assets			
Prior years		316,778 -	
Current year - Net of deferred tax		43,707 -	
Balance as on September 30,		-160,050	-475,674
28. EARNINGS PER SHARE -BASIC			
Profit / (Loss) after taxation for the year attributable to ordinary shareholder		16,399	-52,360
(Numbers of shares)			
Weighted average number of ordinary shares outstanding during the year	32,635,600		32,635,600
Earning per share - basic (Rupees)		0.5	-1.6

28.1 Diluted earnings pershare

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

29. EXECUTIVES' REMUNERATION

The aggregate amounts charged in the accounts for the year as remuneration and benefits to executives of the Company are as follows:

Managerial remuneration	1,818	1,394
House rent allowance	812	621
Utilities	180	138
Traveling and conveyance	22	21

2,832
6

2,174
6

Number of persons

29.1 No remuneration has been paid to any director or chief executive of the Company.

29.2 No meeting fee has been paid to any director of the Company.

30 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company purchased from associated undertaking during the year materials, goods and electricity at their prevailing marketprice in the aggregate sum of Rs. 221.772 million (2002: Rs. 216.859 million).

31. PLANT CAPACITY AND PRODUCTION	Notes	2003	2002
		(Rupees in thousands)	
SPINNING			
No. of spindles installed		45,912	39,720
No. of spindles worked		45,912	39,720
No. of shifts		3	3
1 00% plant capacity converted into			
20/s count based on three shifts per day	Kgs	17,863,215	12,537,461
Actual production of yarn converted into			
20/s count based on three shifts per day	Kgs	17,811,058	15,356,227
WEAVING			
No. of looms installed		108	72
No. of looms worked		108	72
No. of shifts		3	3
100% plant capacity at 40 picks			
based on 3 shifts perday	(Sq. meter)	25,551,826	22,068,249
Actual production converted to 40 picks			
based on 3 shifts perday	(Sq. meter)	23,771,966	19,235,317

31.1 It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist, maintenance of machinery, power shutdown and raw material used etc. It also varies according to the pattern of production adopted in a particular year. 6,192 spindles were installed in August 2003 and started commercial production in September 2003.

31.2 36 looms were installed in February, 2003 and started commercial production as on March 01,2003.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Interest / Markup rate risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and financial liabilities as of September 30,2003 are summarized as follows: (Rupees in thousand)

	Interest/mark up bearing			Non interest/mark up bearing			Total
	Maturity uptoone year	Maturity after one year	Sub total	Maturity uptoone year	Maturity after one year	Sub total	
FINANCIAL ASSETS							
Long term security deposit	-	-	-	-	490	490	490
Trade debts	-	-	-	50,174	-	50,174	50,174
Advances, deposits and other receivables	-	-	-	1,532	-	1,532	1,532
Cash and bank balances	-	-	-	7,694	-	7,694	7,694
	-	-	-	59,400	490	59,890	59,890
FINANCIAL LIABILITIES							
Long-term loans	45,800	172,500	218,300	-	-	-	218,300
Loan from directors	-	-	-	-	420,414	420,414	420,414
Deferred liabilities	-	-	-	-	100,491	100,491	100,491
Short term finances	86,920	-	86,920	-	-	-	86,920
Creditors, accrued and other liabilities	-	-	-	47,420	-	47,420	47,420

Unclaimed dividend	-	-	-	1,453	-	1,453	1,453
	132,720	172,500	305,220	48,873	520,905	569,778	874,998

Interest rate risk arises from the possibility that changes in interest rates will affect the value of Financial instruments. The Company is exposed to interest rate risk in respect of long term loans and short-term running finance under mark-up arrangements. Effective interest rates for the monetary financial assets and financial liabilities are mentioned in the respective notes to the accounts.

	Interest/mark up bearing			Non interest/mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Long term s security deposit	-	-	-	-	490	490	490
Trade debts	-	-	-	12,176	-	12,176	12,176
Advances, deposits and other receivables	-	-	-	1,129	-	1,129	1,129
Security deposit	-	-	-	73	-	73	73
Cash and bank balances	-	-	-	827	-	827	827
				14,205	490	14,695	14,695
FINANCIAL LIABILITIES							
Long-term loans	35,900	46,367	82,267	-	-	-	82,267
Loan from directors	-	-	-	-	420,414	420,414	420,414
Short term finances	5,150	-	5,150	-	-	-	5,150
Due to Associates	-	-	-	43,862	-	43,862	43,862
Creditors, accrued and other liabilities	-	-	-	25,752	-	25,752	25,752
Unclaimed dividend	-	-	-	1,481	-	1,481	1,481
	41,050	46,367	87,417	71,095	420,414	491,509	578,926

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk in respect of long-term

loans and short-term running finance under mark-up arrangements. Effective interest rates for the financial liabilities are mentioned in the respective notes to the accounts.

32.2 Concentration of credit risk and credit exposures of the financial statements

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 59.890 million (2002: Rs. 14.695 million) the financial assets which are subject to credit risk amount to Rs. 59.473 million (2002: Rs. 14,356 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers.

32.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transaction with foreign undertakings. The Company is exposed to foreign currency risk in respect of payables in foreign currency and it does not view hedging as being financially feasible owing to the excessive costs involved in relation to the deposit at risk.

32.4 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate to their fair values.

33.	NUMBER OF EMPLOYEES	2003	2002
	Number of employees as at year end	1,622	1,261

34. AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorised for issue by the Board of Directors of the Company on December 29, 2003

35. GENERAL

Figures have been rounded off to the nearest thousand rupees; and corresponding figures have been re-arranged, wherever necessary, to facilitate comparison.

(MUHAMMAD ARSHAD CHAUDHRY)

CHIEF EXECUTIVE

(KAMRAN ARSHAD)

DIRECTOR