

## Reliance Weaving Mills Ltd. Annual Report 2003

### VISION STATEMENT

The company is interested to install complete textile finishing plant including bleaching, dyeing, mercerizing, calendaring, folding, printing plant in the existing weaving units at Multan to make it a complete composite unit, which can explore local and international market of high value products. The Company would keep its emphasis on product and market diversification, value addition and cost effectiveness. We want to fully equip the Company to play a meaningful role on the sustainable basis in the economic development of the country.

### MISSION STATEMENT

The mission of the Company is to operate state of the art textile plants capable of producing yarn and fabrics.

The Company will conduct its operations prudently assuring customer satisfaction and will provide profits and growth to its shareholders through:

- \* Manufacturing of yarn and fabrics as per the customer's requirements and market demand.
- \* Exploring the global market with special emphasis on Europe and USA.
- \* Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- \* Enhancing the profitability by improved efficiency and cost controls.
- \* Recruiting, developing, motivating and retaining the personnel having exceptional ability and dedication by providing them good working conditions, performance based compensation, attractive benefit program and opportunity for growth.
- \* Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

### COMPANY INFORMATION

Board of Directors            Mr. Fawad Ahmed (Chairman)  
   Mr. Fazal Ahmed (Chief Executive Officer)  
   Mr. Faisal Mukhtar  
   Mrs. Ambreen Fawad  
   Mrs. Fatima Fazal  
   Mrs. Fadia Kashif  
   Mr. Farasat AN (Nominee NIT)

Audit Committee            Mr. Fawad Ahmed Chairman  
   Mr. Fazal Ahmed Member  
   Mr. Faisal Mukhtar Member  
   Mr. M. Sabir Bhatti Secretary

**Chief Financial Officer (CFO)**    Mr. Iftikhar Mehmood

Company Secretary            Mr. Amanullah

Auditors                        M/s. M. Yousuf Adil Saleem & Co.,  
   Chartered Accountants,  
   Abdali Road, Multan.

Share Registrar                M/s. Your Secretary  
   1020, 10th Floor, Uni Plaza  
   I.I. Chundrigar Road, Karachi.

Bankers                         Habib Bank Limited  
   United Bank Limited  
   Union Bank of Pakistan Limited  
   National Bank of Pakistan  
   Muslim Commercial Bank Limited

**Registered Office**                Second Floor, Trust Plaza,  
   L.M.Q. Road, Multan. (Punjab) Pakistan.

Tel : (061)512031, 546238  
Fax : (061) 51 1677, 584288  
E-Mail : reliance.finance@fatima-group.com  
mail@fatima-group.com

Mills • Weaving Units  
Fazal Pur, Khanewal Road,  
Multan. (Punjab) Pakistan.  
Tel : (061)578183-4, 515154  
Fax: (061)578185

Spinning Unit  
Mukhtarabad, Chak Beli Khan Road,  
Rawat (Rawalpindi)  
Tel : (05777) 61 1579-81  
Fax: (05777)611092

#### COMPANY PROFILE

Reliance Weaving Mills Limited (RWML) is part of the Fatima Group. Fatima Group established RWML on April 7, 1990 as a public limited company and obtained certificate for commencement of business on May 14, 1990.

Presently RWML has authorized and paid up Capital of Rs.400 million and Rs. 205.406 million respectively, listed at Karachi and Lahore stock Exchanges and also inducted to Central Depository Company (C.D.C).

The principal business of the Company is manufacture and sale of cotton yarn and grey woven fabric. RWML production capacity consists of two main segments, Weaving and Spinning; both are ISO - 9002 Certified. Today Reliance Weaving Mills Limited is the 3rd largest weaving mills in Pakistan with modern and technologically advanced greige weaving plants. The weaving units are situated at Multan and spinning unit at Rawalpindi. The details are as under:

#### Weaving Units:

Weaving units are situated at Fazalpur, Khanewal Road, Multan.  
WEAVING UNIT-1

Commenced its commercial production on May 01, 1993 with 96 Tsudakoma air jet weaving machines imported from Japan along with modern auxiliary machinery to produce high quality cloth for export markets. Further an additional 20 Tsudakoma air jet weaving machines from Japan were installed in 1999 coupled with yarn doubling and twisting machines to produce value added fabrics. The installed production capacity of the unit-1 is approximately 16.085 million meters per annum.

#### WEAVING UNIT-2

Weaving unit • 2 was set at a cost of about Rs. 500 million, comprising 108 Tsudakoma air jet weaving machines from Japan along with modern auxiliary machinery to produce high quality cloth for export markets. The project started its commercial production from October 01, 2001. During the year another 48 Air jet looms expansion plan in existing weaving Unit # 2 has been implemented at a cost of 300.996 million which started its commercial production from March, 2003 with the addition of these looms the production capacity of unit-2 has become 30.7 million meters per annum.

The company has a captive power plant consisting of 3.5 MW capacity. The company has purchased two more generating sets of 1.8 MW capacity which are under installation and by addition of these generators the company will be able to produce its required power from in house sources by which the company will save power cost and production losses.

#### Spinning Unit

The spinning unit of the RWML is located at Mukhtarabad, Rawat, District Rawalpindi in the province of Punjab. The unit commenced commercial production on October 01, 1999 with 14,400 spindles with a very good combination of European and Japanese machinery with allied accessories. It produces high quality yarn for in house consumption and for export markets. The installed capacity after conversion into 20/s count is approximately 4.849 million Kgs per annum. The spinning unit is spread over an area of 36 acres.

#### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 14th Annual General Meeting of Members of the Company "Reliance Weaving Mills Limited" will be held on Saturday the January 31, 2004 at 11:00 a.m. at its registered office 2nd Floor Trust Plaza, LM.Q. Road Multan, to transact the following business:-

- 1 To confirm the minutes of last Annual General Meeting held on March 31,2003.
- 2 To receive and adopt the Audited Account of the Company for the year ended September 30,2003, together with Auditors'and Directors' Reports thereon.
- 3 To consider and approve payment of cash dividend @ 7.5% (seven and half percent) to all the share holders as recommended by the Board of Directors.
- 4 To appoint the Auditors for the year ending September 30,2004 and to fix their remuneration.
- 5 To consider any other item with permission of the Chairman.

By order of the Board of Directors

Dated : 30th December2003

AMANULLAH

Place: Multan.

(Company Secretary)

Notes:  
Book Closure

The Share Transfer Books of the company will remain closed from January 22nd, 2004 to January 31 st, 2004 (both days inclusive).

1 The Cash dividend will be paid to the members, whose names will appear in the register of the member as at the close of business on January 21st, 2004. Transfers received in order by our Share Registrars, M/s. Your Secretary, 1020, 10th Floor, Uni Plaza, I.I. Chundrigar Road, Karachi up to January 21st, 2004 maximum by 1.00 p.m. will be taken in the books.

2 A member eligible to attend and vote at the Meeting may appoint another member as his / her proxy to attend, and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting in the working hours.

3 Any individual beneficial owner of C.D.C. entitled to attend and vote at this meeting must bring his / her identity and in case of proxy must inclose an attested copy of his / her National Identity Card (NIC) or Passport. Representatives of corporate members should bring the usual documents required for such purposes.

4 Members are requested to notify any changes in their addresses immediately.

#### DIRECTORS' REPORT TO THE MEMBERS

For the year Ended September 30,2003

Assalam-o-Alaikum

am pleased to present the 14th Annual Report along with annexed Profit & Loss Account, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity together with Notes forming part thereof for the year ended September 30, 2003. During the year under review, the Company has implemented an expansion project for its weaving unit at a cost of Rs. 304 million, comprising 48 Tsudakoma air jet weaving machines from Japan along with his addition, your Company attained capability to manufacture multiple varieties of fabrics with dobby design and stretch fabrics.

#### MARKETING ACTIVITIES

Last year has been a frustrating year for global economic recovery. After the significant downtime in late 2001, Drecipitated by the event of 9/11 and subsequent developments, the world economy was showing signs of recovery juring first half of 2002. The optimism for global economic recovery largely dissipated during the second half of the Year owing to a series of adverse developments, unfolded on the international economic scene.

These developments include several major corporate scandals and bankruptcies in the United States, resulting in Bursting of equity market bubble, rising uncertainties in the run-up to war in Iraq causing oil prices to rise sharply, and outbreak of SARS virus, badly affecting business environment in Asia. As a result, the world economic outlook remained subdued, and global trade remained sluggish during the year 2002-3.

n spite of the prevailing market conditions, Allhamdolillah, your Company has achieved net sales of Rs. 2,244

million as compared to last year sales of Rs. 2,032 million.

After the end of the transitional period of ten years of WTO, all quantitative restrictions on export and import of Textiles and clothing will be eliminated from 1st January, 2005. This would have a profound impact on our Dredominant textile sector.

#### COTTON CRISES

Even at this point of picking of the cotton crop there is enormous confusion over what the actual production will be. Panic and confusion have lifted cotton prices to all time highs, yet the Government has done very little till now to affectively deal with the problem. Continued damage to the textile sector because of high cotton prices is likely to affect growth in export and GDP as well as the employment level in the industry.

#### PRODUCTION OPERATIONS

During the year under review the spinning plant having an installed capacity of 4.850 million Kgs (converted into 20/s) of yarn per annum produced 4.124 million Kgs (converted into 20/s) of yarn as against 4.203 million Kgs (converted into 20/s) during the previous year.

The weaving unit # 1 consisting of 116 looms having an installed capacity of 16.085 million meters of cloth per annum produced 16.065 million meters of cloth as compared to production of 17.041 million meters in the previous year.

Commercial production of the newly installed weaving machines consisting of 48 iooms in weaving unit # 2 having an installed capacity of 9.05 million meters of cloth per annum started from March, 2003. Now, with this addition, new weaving unit consists of 156 looms having proportionate installed capacity of 26.007 million meters of cloth per annum had produced 25.268 million meters of cloth as compared to production of 21.797 million meters in the previous year from 108 looms.

The products of the Company are known in domestic as well as international market for high quality and are being preferred by quality conscious cloth manufacturers and dyers. Your management adhered to its policy of procuring the best quality raw materials from the renowned suppliers.

#### FINANCIAL PERFORMANCE

During the year under review your Company has recorded sales of Rs. 2,244 million as against sales of Rs. 2,032 million during the previous year. The gross profit earned during the year under review was Rs. 289 million as against Rs. 311 million earned during the previous year. Your Company achieved profit before tax of Rs.109 million during the year under review as against Rs. 75 million earned during the previous year. After providing for corporate taxes the Company earned profit after tax for the year of Rs. 93 million as against Rs. 54 million during the previous year.

In the above circumstances, your management proved its management skills and successfully steered your Company out of these testing times and has earned reasonable level of profits during this period. The financial charges on short-term borrowings were kept at minimum possible levels by taking a decision at the right time to avail betterfinancing options.

I am thankful to Habib Bank Limited and United Bank Limited for acceding our request for reduction in mark-up rate of term finance facility sanctioned toyour Company for its expansion projects.

#### FINANCIAL RESULTS

The financial results of the Company for the year ended September 30,2003 with comparative figures of last year are summarized hereunder for a quick review:

	2003 Rupees	2002 Rupees
Gross Profit	289,381,250	310,963,302
Operating Expenses	71,745,240	90,390,347
Operating Profit	217,636,010	220,572,955
Financial and other Charges	109,007,555	145,384.832
Profit before taxation	108,628,455	75,188,123
Provision for taxation	15,406.31	21,017.438
Profit after taxation	93,222,143	54,170,685
Un appropriated profit brought forward	22,660,143	83,894,927
Profit available for appropriation	115,882.29	138,065.61
Earning pershare	4.54	2.82

## SIX YEARS GROWTH AT A GLANCE (1998-2003)

PARTICULARS	2003	2002	2001	2000	1999	1998
For the Year						
Net Sales	2,243,856	2,032,159	1,252,560	1,360,888	800,382	723,823
Gross Profit	289,381	310,963	195,229	321,601	129,202	144,896
Profit/(Loss)	108,628	75,188	35,289	154,176	40,834	66,955
Financial Position						
Current Assets	724,426	494,904	624,468	652,149	526,659	450,702
Current Liabilities						
Current Portion of L.T. Liabilities	144,506	91,085	86,055	62,439	75,879	26,412
Others	639,573	415,498	658,667	615,815	522,828	393,938
	784,079	506,583	744,722	678,290	598,707	420,350
Operating Fixed Assets						
Operating Fixed Assets	1,151,457	963,961	537,837	585,592	38,823	191,622
Capital Work in Progress	11,144	40,260	475,214	67,436	295,933	74,043
Adv. for Purchase of Assets	-	-	-	-	-	60,000
	1,162,601	1,004,221	1,013,051	653,028	634,756	325,665
Long Term Loan & Capital						
Expenditure Payable	558,284	527,422	507,492	314,104	341,891	115,300
Share Holders Equity	546,964	469,148	389,301	313,434	227,884	233,086
PerShare(Rs.)						
Earning	4.54	2.82	2.67	10.55	3.13	5.78
Break-upvalue	26.63	22.84	23.69	28.61	20.8	21.28
Cash Dividend	7.50%	7.50%	7.50%	52.50%	12.50%	23.50%
Right Issue	-	25.00%	-	25.00%	-	-
Bonus Shares	-	-	-	20.00%	-	-
Ratios						
Current Ratio	52:48	51:49	54:46	51:49	47:53	50:50
Debt Equity Ratio	57:43	57:43	60:40	46:54	60:40	38:62
Net Profit/Loss to Sales	4.15%	2.66%	1.58%	10.95%	4.28%	8.75%
Return on Assets	9.34%	7.49%	3.48%	11.81%	3.50%	8.42%

## CASH DIVIDEND

The board of Directors of your Company has recommended Cash Dividend @ 7.50 % for the year ended on September 30,2003 to all the share holders and the profit have been appropriated as follow:

	2003 Rupees	2002 Rupees
Proposed cash dividend@ 7.50% (2002-7.50%)	15,405,469	15,405,469
Transferto general reserve	100,000,000	100,000,000

## EXPANSION / MODERNIZATION PROJECT

The company has decided to enhance the production capacities of its existing spinning unit at Rawat, Rawalpindi. The infrastructure facilities like water, power and telecommunication will not cost additionally as the same are already present at the proposed site. So, we shall enjoy the benefits of economies of scale with reduction in operating cost. The proposed expansion is expected to cost Rs. 100 Million. Furthermore, 24 new Airjet Looms and one Warping Machine will be installed at the weaving unit of the company.

## INFORMATION TECHNOLOGY

Information Technology has always been a driving force in your Company. To further upgrade the information technology resources, the Company is in the process of advancement in all of its Information System for the creation of an integrated ERP environment.

## HEALTH, SAFETY AND ENVIRONMENT

Your Company is committed to constantly strive for higher standards in health, safety and environment. The Company's operations continued under safe operating conditions and excellent record was maintained during the year.

Environment issues have raised the concern all over the world due to the rapid industrialization and drastic growth in population. The horticulture department has been established and every year a plantation campaign is launched by your Company at all its locations to provide healthy and clean environment to all personnel.

## HUMAN RESOURCE DEVELOPMENT

The worth of personnel for high performance is vital to any organization's growth and success. At FATIMA GROUP, development of top quality personnel is an incessant process. Staff members are sent on technical and management courses in addition to on job training programmes organized by the Company for enhancement of their skills. During the year under review a new programme was introduced to provide full time on job training to fresh engineers and management trainees.

## AUDITORS

The present auditors M/s M. Yousaf Adil Saleem &Co., Chartered Accountants have retired. M/s. A.F. Ferguson & Co. Chartered Accountants have consented for appointment as auditors for the next year 2003-04.

## PATTERN OF SHAREHOLDING

Pattern of share holding as at September 30,2003 as per new format is annexed.  
CORPORATE AND FINANCIAL FRAME WORK

The preparation of financial statement is the responsibility of the management of the Company. In compliance with the code of corporate governance the board of directors hereby declare that:

1. The financial statement for the year ended September 30,2003 present fairly the state of affair, the result of its operations cash flow and statement of changes in equity;
2. Proper books of account have been maintained;
3. Appropriate accounting policies have been consistently applied;
4. International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There is no doubt about the Company to continue as going concern;
7. There has been no material departure from best practices of corporate governance as detailed in listing regulations.

The directors, chief executive officer, chief financial officer, company secretary, their spouses and minor children have made no transactions in the company's shares during the year under review.

During the year four board meetings were held which were attended as follows:

Fawad Ahmed Mukhtar	Chairman	4
Fazal Ahmed Sheikh	Chief Executive Officer	5
Faisal Mukhtar		4
Mrs. Ambreen Fawad		2
Mrs. Fatima Fazal		2
Mrs. Fadia Kashif		1
FarasatAli	Nominee NIT	4

Leave of absence was granted to directors who could not attend some of the board meetings.

## CORPORATE GOVERNANCE

Statement of compliance with the Code of Corporate Governance is annexed.

## AUDITOR'S QUALIFICATION

As per qualification of auditor's in their audit report, no actuarial valuation has been carried out for liability arising under gratuity scheme of the Company, as required by IAS 19 Employees Benefits, and as such the monetary impact of the non-application of IAS 19 is notdeterminable. Management is planning to have actuarial valuation for the same during the current year.

## FUTURE OUTLOOK

In the rapidly changing trade scenario, we cannot be complacent with our achievements. However, based on our

assumption that the exchange rate will remain stable, that there will be greater access to export finance, and that the domestic and external environment will not be faced with any new challenges, we expect to increase our sales to Rs. 2,500 Million in the current year.

#### ACKNOWLEDGMENT

I thank the members of the board of Directors of the Company, Shareholders, Bankers, Financial institutions, our valued Customers and Suppliers for their support and assistance. I also thank executives and employees of the Company for their dedication and hard work and hope to get the same cooperation in the future.

For and on Behalf of the Board

S/d

**FAZAL AHMED SHEIKH**

Place: Multan

(Chief Executive Officer)

Date : December 30, 2003

#### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

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

1. The Director have confirmed that none of them is serving as a director in more than ten listed companies including this Company.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. No casual vacancy occurred in the Board during the year.
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 Board has developed a mission/vision statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and Board has taken decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statement of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code The terms of reference of the committee have been formed and advised to the committee for compliance.
16. Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, and that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Company and that; the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Director

S/d

FAZAL AHMED SHEIKH  
Date • December 30,2003

Chief Executive Officer

#### 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 RELIANCE WEAVING MILLS LIMITED to comply with the listing Regulation of the Karachi and Lahore Stock Exchange (Guarantee) Limited 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 the Company up to the year ended September 30,2003.

S/d  
M. YOUSUF ADIL SALEEM & CO

Chartered Accountants  
Pact:Multan.  
Date: December 30,2003.

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of RELIANCE WEAVING MILLS LIMITED (the company) 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, except for the matters stated in paragraph (a) below, 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 statements in conformity with the approved accounting standards and the



requirements of Companies Ordinance, 1984.

Except for the matter discuss in paragraph (a), 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 and statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

a. The company operates an un-funded gratuity scheme covering its employees and gratuity expenses are being accounted for on payment basis. No actuarial valuation has been carried out for liability arising under this scheme, as required by IAS 19 Employee Benefits, and as such the monetary impact of the non-application of IAS 19 is not determinable.

Except for the effects of the matter described in paragraph (a), in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. Inouropinion:

i. Except of the matter discussed in paragraph (a), the balance sheet and profit and loss

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

ii. The expenditure incurred 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 hereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required except for the matters referred to in para (a) and adjustment required, in any, on the ultimate outcome of this matter, these 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. Inouropinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

S/d

M. YOUSUF ADIL SALEEM & CO

Chartered Accountants

Place: Multan.

Date: December 30, 2003.

#### BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
40,000,000 Ordinary share ofRs. 10/-each		400,000,000	400,000,000
Issued, subscribed and paid up capital	3	205,406,250	205,406,250
Capital reserve -share premium		41,081,250	41,081,250
General reserve	4	300,000,000	200,000,000
Unappropriated profit		476,817	22,660,143
		546,964,317	469,147,643
<b>REDEMABLE CAPITAL</b>	5	107,142,858	150,000,000
<b>LONG TERM LOANS</b>	6	438,306,846	352,395,341
<b>LIABILITIES AGAINST ASSETS SUBJECT</b>			

TO FINANCE LEASE	7	12,834,692	25,026,591
CURRENT LIABILITIES			
Short term bank borrowings	8	472,032,230	252,029,514
Current portion of long term liabilities	9	144,505,609	91,085,082
Creditors, accrued and other liabilities	10	135,028,920	124,046,467
Provision for taxation		13,990,566	21,017,438
Dividends	11	18,522,122	18,404,992
		784,079,447	506,583,493
CONTINGENCIES AND COMMITMENTS	12		
		1,889,328,160	1,503,153,068

## AS AT SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	1,151,456,788	963,961,057
Capital work in progress	14	11,143,923	40,260,082
		1,162,600,711	1,004,221,139
LONG TERM DEPOSITS	15	4,027,780	4,027,780
CURRENT ASSETS			
Store, Spares and loose tools	16	42,746,915	38,527,545
Stock in trade	17	429,009,085	249,798,561
Trade debtors	18	152,478,254	73,023,993
Loans and advances	19	64,146,790	42,257,966
Deposits and prepayments	20	10,127,633	18,932,478
Other receivables	21	16,917,594	35,466,363
Cash and bank balances	22	7,273,398	36,897,243
		722,699,669	494,904,149
		1,889,328,160	1,503,153,068

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

	Note	2003 Rupees	2002 Rupees
Sales	23	2,243,856,027	2,032,159,094
Cost of goods sold	24	1,954,474,777	1,721,195,792
Gross Profit		289,381,250	310,963,302
Operating expenses			
Administrative	25	27,431,817	25,469,915
Selling	26	44,313,423	64,920,432
		71,745,240	90,390,347
Operating Profit		217,636,010	220,572,955
Other Charges			
Financial	27	101,534,746	134,852,785
Workers' profit participation fund		6,911,629	4,785,755
Others	28	561,180	5,746,292
		109,007,555	145,384,832
Profit for the year before taxation		108,628,455	75,188,123
Taxation	29	15,406,312	21,017,438
Net profit for the year after taxation		93,222,143	54,170,685
Un-appropriated profit brought forward		22,660,143	83,894,927
Profit available for appropriations		115,882,286	138,065,612
Appropriations:			
Proposed dividend Rs. 0.75 per share (2002 Rs. 0.75 per share)		15,405,469	15,405,469
Transferred to general reserves		100,000,000	100,000,000
		115,405,469	115,405,469
Unappropriated profit carried forward		476,817	22,660,143
Earnings pershare	30	4.54	2.82

The annexed notes from 1 to 37 form an integral part of these accounts.

CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	2003 Rupees	2002 Rupees
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	108,628,455	75,188,123
Adjustment for:		
Depreciation	112,470,702	106,071,126
Loss by fire	-	2,362,804
Financial charges	109,007,555	134,852,785
Operating profit before working capital changes	330,106,712	318,474,838
Changes in working Capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	-4,219,370	(2,193,691)
Stock in trade	-179,210,524	-64,345,630
Trade debtors	-79,454,261	231,447,815
Loans and advances	-16,781,601	-4,780,612
Deposits and prepayments	8,804,845	-10,612,191
Other Receivables	17,910,786	3,662,359
	-252,950,125	153,178,050
Increase/(decrease) in current liabilities		
Creditors accrued and other liabilities	5,329,675	9,088,879
	-247,620,450	162,266,929
Cash generated from Operations	82,486,262	480,741,767
Financial charges paid	-105,080,697	-128,318,588
Taxes paid	-26,902,424	-23,485,948
Net cash (used in)/ from operating activities before extra-ordinary items	-49,496,859	328,937,231
Cost of cotton lost by fire	-	-21,935,708
Proceeds from claim of cotton lost by fire	-	18,494,259
Net cash from/(used in) operating activities	-49,496,859	325,495,782
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-274,879,907	-103,572,548
Proceeds from disposal of fixed assets	4,029,633	6,331,648
Long term deposits	-	-31,230
Net cash used in investing activities	-270,850,274	-97,272,130
	2003 Rupees	2002 Rupees
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Right share	-	41,081,250
Term Finance Certificate (TFC's)	-	150,000,000
Proceeds from long term loans	295,741,277	11,813,290
Repayment of long term loans	-201,305,747	-128,557,608
Finance lease liability	-8,426,619	-8,296,318
Increase/(decrease) in shortterm bank borrowings	220,002,716	-252,613,868
Payment of dividend	-15,288,339	-15,267,363
Net cash from/(used in) financing activities	290,723,288	-201,840,617
Net Increase/(decrease) in cash and bank balances during the year (A+B+C)	-29,623,845	26,383,035
Cash and bank balances at the beginning of the year	36,897,243	10,514,208
Cash and bank balances at the end of the year	7,273,398	36,897,243

The annexed noted from 1 to 37 form an integral part of these accounts.

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

	Share Capital Rupees	Capital Reserve Rupees	General Reserve Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at Oct. 01 , 2001	164,325,000	41,081,250	100,000,000	83,894,927	389,301,177
Right shares	41,081,250	-	-	-	41,081,250
Profit for the year after Taxation	-	-	-	54,170,685	54,170,685
Proposed dividend (Rs. 0.75 pershar	-	-	-	-15,405,469	-15,405,469
Transfer to general reserve	-	-	100,000,000	-100,000,000	-

Balance at Sep. 30, 2002	205,406,250	41,081,250	200,000,000	22,660,143	469,147,643
Balance as at Oct. 01, 2002	205,406,250	41,081,250	200,000,000	22,660,143	469,147,643
Profit for the year after taxation	-	-	-	93,222,143	93,222,143
Proposed dividend (Rs. 0.75 per shares)	-	-	-	-15,405,469	-15,405,469
Transfer to general reserve	-	-	100,000,000	-100,000,000	-
Balance as at Sep. 30, 2003	205,406,250	41,081,250	300,000,000	476,817	546,964,317

The annexed notes from 1 to 37 form an integral part of these accounts.

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

##### 1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated in Pakistan on April 07,1990 under the Companies Ordinance, 1984 and quoted at stock exchanges in Pakistan. Principal business of the company is manufacture and sale of yarn and cloth. The weaving units are located at Khanewal Road Multan and spinning unit is located at Rawat, District Rawalpindi in the province of Punjab.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

###### 2.2 Statement of compliance

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan (except IAS-19 Staff retirement benefits which require actuarial valuation (Note 2.3)) and requirements of 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 Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirement of Companies Ordinance 1984 or requirements of the said directives take precedence.

###### 2.3 Staff retirement benefits

The company operates an un-funded gratuity scheme covering all its employees and gratuity expenses are being accounted for on payment basis. Had the gratuity expenses been accounted for on accrual basis, the profit for the year would have been decreased by Rs. 2,862,864 (2002: Rs. 459,300) and accumulated profit would have been decreased by Rs. 9,435,873 (2002: 6,573,009). The company's liabilities are understated by this amount as at September 30,2003. Further, the monetary impact of non compliance of IAS-19 regarding actuarial estimation is not ascertainable.

###### 2.4 Taxation

###### Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credits available, if any. The charge for current tax is calculated using prevailing tax rates expected to apply to the profit for the year. The charge for current tax also includes adjustments where considered necessary for provisions for tax made in previous years arising from assessments framed during year for such year.

###### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference 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 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 credits can be utilized.

Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in the equity. The company does not account for deferred tax on major temporary differences due to reason stated on note 29.1

## 2.5(a) Operating assets

Operating assets, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost.

Depreciation on all operating fixed assets is charged to income applying the reducing balance method at the rates specified in note 13.

Exchange fluctuation in respect of foreign currency loans obtained for acquisition of operating assets is incorporated in the cost of the relevant assets.

Depreciation on additions during the year is charged to income on the basis of whole year, however depreciation for proportionate period of use is charged on major project cost capitalized during the year. No depreciation is charged on deletions during the year.

Impairment loss or its reversal, if any, is charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets are included in current income.

## b) Leased Assets

Assets held under finance lease are stated at cost or present value of minimum lease payments which ever is lower less depreciation at the rates applicable to the company owned fixed assets.

The out standing obligations under the lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at interest rate implicit in the lease and charged to the profit and loss account. The lease rentals payable on assets held under operating lease are charged to the profit and loss account.

## 2.6 Capital work in progress

All cost/expenditure connected with specific assets are collected under this head. These are transferred to specific assets when assets are available for use.

## 2.7 Deferred cost

These are amortized over a maximum period of five years from the year of deferment.

## 2.8 Stores, spares and loose tools

Stores and spares are stated at lower of cost (determined by the moving average method) and net realizable value, except those in transit which are valued at actual cost.

## 2.9 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined by applying following basis;

Raw material	Weaving- Weighted average cost allocated to the specific count
	Spinning- Weighted average cost
Work in process	Manufacturing cost
Finished goods	Manufacturing cost
Waste	Net realizable value

## 2.10 Trade debtors

Known bad debts are written off and specific provision are made for debts considered doubtful.

## 2.11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date, except those covered under forward exchange contract and exchange risk cover scheme which are converted at the cover rate. Transactions in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the date of transaction.

Exchange differences on loans utilized for the acquisition of fixed assets are capitalized. All other exchange

differences are included in current income.

## 2.12 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.

## 2.13 Financial instruments

Financial instrument is recognized using trade date accounting basis, when the company becomes the party to the contractual provisions of the instrument.

### Financial assets

All financial assets are initially recognized at nominal value of consideration given for it. Subsequent to initial recognition, financial assets are recognized at fair value except financial assets whose fair value cannot be measured reliably. Any gain or loss is included in the current year income.

### Financial liabilities

All financial liabilities are initially recognized at nominal value of consideration received. Subsequent to initial recognition, financial liabilities are recognized at fair value, amortised cost or cost as the case may be. Any gain or loss is included in current year income.

### Offsetting

Financial assets and financial liabilities are set off and net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends to either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 2.14 Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

## 2.15 Provisions

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

## 2.16 Revenue recognition

Revenue is recognized on dispatch of goods to customers.

## 3. ISSUED SUBSCRIBED AND PAID UP CAPITAL

Fully paid ordinary shares of Rs. 10/-each.

Number Of Shares			
2003	2002	2003 Rupees	2002 Rupees
17,801,875	13,693,750	178,018,750	136,937,500
-	4,108,125	-	41,081,250
17,801,875	17,801,875	178,018,750	178,018,750
2,738,750	2,738,750	27,387,500	27,387,500
20,540,625	20,540,625	205,406,250	205,406,250
<b>4. GENERAL RESERVES</b>			
At the beginning of the year			200,000,000 100,000,000
Transfer from profit and loss account			100,000,000 100,000,000
			300,000,000 200,000,000
<b>5. REDEEMABLE CAPITAL - Secured (Non-participatory)</b>			
Term finance certificates (First trench)		5.1	150,000,000 150,000,000
Less: current maturity			-42,857,142 -

5.1 The total issue consists of Rs. 300 million to be issued in the form of secured, rated and listed TFCs over a period of 36 months in two tranches. First issue has a tenure of five years comprising an issue size of Rs. 150 million at the rate of State Bank discount rate plus 2.5% per annum with a floor 15.25% per annum redeemable in 7 equal semi annual instalments commencing February 2004 with grace period of 18 months from the date of issue. TFC's are secured by first charge by way of hypothecation over fixed assets of the issuer ranking pari passu with charge(s) in favour of the secured creditors. TFCs issued to institutional investors are in set of 10 TFCs with each set having an aggregate face value of Rs 100,000. TFCs issued to general public are in set of 10 TFCs with each set having an aggregate face value of Rs. 5,000.

#### 6. LONG TERM LOANS - Secured

	Term Finance Financial Institution	Financial Institution	Banking Company	Demand Finances Banking Company	Banking Company	Banking Company	Banking Company	FAF Banking Company	2003 Rupees Total	2002 Rupees Total
At the beginning of the year	18,211,974	2,219,040	141,616,429	183,975,000	.	75,833,194	11,813,290	-	433,668,927	550,413,245
Obtained during the year	-	-	-	-	119,829,287	-	-	175,911,990	295,741,277	11,813,290
	18,211,974	2,219,040	141,616,429	183,975,000	119,829,287	75,833,194	11,813,290	175,911,990	729,410,204	562,226,535
Paid/adjusted during the year	-6,596,198	-2,219,040	-141,616,429	-22,300,000	-	-30,300,000	-	-	-203,031,667	-128,557,608
	11,615,776	-	-	161,675,000	119,829,287	45,533,194	11,813,290	175,911,990	526,378,537	433,668,927
Payable within one year shown under current liabilities	-7,534,793	-	-	-22,300,000	-23,965,857	-30,333,278	-3,937,763	-	-88,071,691	-81,273,586
	4,080,983	-	-	139,375,000	95,863,430	15,199,916	7,875,527	175,911,990	438,306,846	352,395,341
Sub Note:	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8		

6.1 It is secured against first charge on the assets of the company and personal guarantee of the main sponsors. It is subject to mark up ranging from 11% to 15 % per annum payable half yearly. It is repayable in 10 equal half yearly instalments commenced from June 29, 2000.

6.2 There is no mark-up on deferred financial charges as the whole outstanding amount was sum of deferred financial charges.

6.3 This finance has been paid during the year. The mark up on this facility ranged from 9 % to 13 % per annum.

6.4 The company is liable to pay mark-up @ 9.5% up to June 30, 2003 and @ 5% from July 1, 2003. The total amount of principal and markup spread over 40 equal quarterly instalments shall be paid according to the repayment schedule agreed with the bank commencing from March 01, 2001. The finance is secured against equitable mortgage by way of first charge on fixed assets of the spinning unit of the company situated at Rawat, Rawalpindi. It is further secured by hypothecation of machinery and personal guarantees of directors of the company.

6.5 The finance is secured under ranking charge over fixed assets of the company (weaving unit # 2) with a margin of 25% amounting to Rs. 200 Million. The charge would be upgraded to first pari passu within 90 days of disbursement of finance (i.e. September 30, 2003). Markup rate is based on 6 month T-Bill cutoff yield + 2% per annum. Finance is to be paid in 10 equal semi - annual instalments starting from the 6th month from the date of disbursement.

6.6 The finance is secured against first exclusive charge on the imported machinery. 1st pari passu charge on the fixed assets of the company (Weaving unit 2). It is further secured by personal guarantees of all directors.

It is subjected to mark up @ 6 months T-Bill + 3% with a floor of 13% per annum payable half yearly after the grace period of one year from the date of last disbursement. Markup rate has been revised by the bank to 6 month T-Bill plus 2.25% per annum.

6.7 The company is liable to pay mark-up @ 9.5% up to June 30, 2003 and @ 5% from July 1, 2003 per annum on principal amount during grace period of 1 year commenced from July 30, 2002. Thereafter the total amount of principal and mark-up spread over 6 equal semi annual instalments shall be paid according to the repayment schedule agreed with the bank commencing from December 31, 2003. The finance is secured against equitable mortgage by way of first charge on fixed assets of the spinning unit of the company situated at Rawat, Rawalpindi. It is further secured by hypothecation of machinery and personal guarantees of directors of the company. Markup rate has been revised by the bank 6 month T-Bill plus 2.25% per annum.

6.8 The company is liable to pay mark-up at the SBP discount rate plus 2% per annum on principal amount during grace period of 1 year commenced from July 31, 2003. Thereafter the total amount of principal and mark - up spread over 8 equal semi annual instalments shall be paid according to the repayment schedule agreed with the bank commencing from January 1, 2005. The finance is secured against first pari passu charged on the present and future fixed assets of Weaving unit # 2 of the company and Personal guarantees of all the directors of the company. Markup rate has been revised by the bank to 6 month T-Bill+ 2.25%.

	2003 Rupees	2002 Rupees
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
At the beginning of the year	34,838,087	43,134,405
Assets acquired during the year	-	-
	34,838,087	43,134,405
Less: Payments/Adjustment made during the year	8,426,619	8,296,318
	26,411,468	34,838,087
Less- Current Maturity	11,765,015	9,811,496
Overdue	1,811,761	-
	13,576,776	9,811,496
	12,834,692	25,026,591

7.1 The future minimum lease payments and their present value, to which the company is committed under lease agreements are:

	Up to one Year	From one year to five years	2003 Rupees	2002 Rupees
Minimum Lease Payment	15,515,226	9,902,083	25,417,309	40,143,077
Less: Financial charges allocated to future periods	1,938,450	417,391	2,355,841	8,654,990
Present value of minimum Lease Payments	13,576,776	9,484,692	23,061,468	31,488,087
Less: Current portion grouped under current Liabilities			13,576,776	9,811,496
			9,484,692	21,676,591
Add: Residual value (Treated as security deposits)			3,350,000	3,350,000
			12,834,692	25,026,591

7.2 This represents finance lease agreements entered into with the leasing companies for plant and machinery using sale and lease back arrangements. The total lease rentals due under various lease agreements are payable in quarterly instalments latest by 2005. Overdue rental payments are subject to an additional charge of 0.1 % per day. Taxes, repairs, replacement and insurance costs are to be borne by the Lessee. In case of termination of agreement, the lessee has to pay the agreed loss value and lesser can take back the possession of the equipment. The rate of mark-up is 8.5% (2002: @ 17 to 17.25%) per annum.

	NOTE	2003 Rupees	2002 Rupees
<b>8. SHORT TERM BANK BORROWINGS</b>			
Commercial Banks			
Secured-under markup arrangements	8.1		
Foreign currency export finance (Under FE-25)		442,303,555	231,573,003
Cash Finance		6,221,766	1,100,000
Overdraft		23,506,909	12,349,511
Finance against imported merchandise		-	7,007,000
		472,032,230	252,029,514

8.1 Short term running facilities available from commercial banks under mark up arrangements amounts to Rs. 2,671 million (2002: Rs. 2,351 million). The rate of mark up ranges from 2.50% to 6% per annum. These finances are secured against pledge of raw material, finished goods, lien on export documents/ shipping documents, charge on current assets and stocks.

	Note	2003 Rupees	2002 Rupees
<b>9. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Term Finance Certificates		42,857,142	-
Long Term loans		88,071,691	81,273,586
Liabilities against assets subjectto finance lease			
Current portion		11,765,015	9,811,496



Overdue		1,811,761	-
		144,505,609	91,085,082
<b>10 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		40,369,182	41,426,880
Advance from customers		2,234,709	9,420,600
Foreign bills payable		32,618	167,857
Accrued expenses		22,861,910	20,422,996
Markup/interest on secured			
Redeemable capital		5,168,602	3,368,074
Long term loans		37,418,781	33,874,118
Short term bank borrowings		2,934,610	4,261,461
With holding tax		12,330	56,552
Retention money		1,785,536	-
Workers' profit participation fund	10.1	7,265,433	5,630,995
Due to associated undertaking		5,965,000	5,416,934
Sales Tax payable		8,535,120	-
Others		445,089	-
		135,028,920	124,046,467
<b>10.1 Workers' Profit Participation Fund</b>			
Opening Balance		5,630,995	10,931,205
Interest on fund utilize in company's business		353,804	610,426
		5,984,799	11,541,631
Payment during the year		5,630,995	10,696,391
		353,804	845,240
Allocation forthe year		6,911,629	4,785,755
		7,265,433	5,630,995
<b>11. DIVIDENDS</b>			
Proposed		15,405,469	15,405,469
Unclaimed		575,240	1,279,485
Payable		2,541,413	1,720,038
		18,522,122	18,404,992
<b>12. CONTINGENCIES AND COMMITMENTS</b>			
Contingencies			
Bank guarantee issued on behalf of the company		16,000,000	11,800,000
Commitments			
Letters of credit			
For capital expenditure		15,716,341	208,238,770
For stores and raw material		8,389,502	71,186,141
<b>13. OPERATING FIMED ASSETS</b>			

Particulars	COST			As at September 30, 2003	Rate %	DEPRECIATION		for the year	As at September 30, 2003	Written down value as at September 30, 2003
	As at October 01,2^02	Additions	Deletions			As at October 01,2002	Adjustment			
Freehold land	15,149,805	149,900	-	15,299,705	-	-	-	-	-	15,299,705
Building on freehold land	117,814,864	30,396,470	-	148,211,334	10	30,881,035	-	10,088,825	40,969,860	107,241,474
Plant and machinery	1,118,265,512	264,221,146	-6,096,632	1,376,390,026	10	332,665,498	-2,096,632	93,534,492	424,103,358	952,286,668
Plant & machinery leased	43,800,204	-	-	43,800,204	10	4,380,021	-	3,942,018	8,322,039	35,478,165
Electric installations	33,518,129	600,659	-	34,118,788	10	10,685,917	-	2,303,321	12,989,238	21,129,550
Factory equipments	4,650,668	204,790	-	4,855,458	10	1,435,380	-	330,620	1,766,000	3,119,458
Office equipments	3,6§3,478	985,527	-	4,669,005	10	949,147	-	325,186	1,274,333	3,394,672
Electric appliances	2,569,180	292,794	-	2,861,974	10	841,391	-	185,803	1,027,194	1,834,780
Furniture and fixtures	2,44,7,601	1,450,532	-	3,898,233	10	792,908	-	283,265	1,076,173	2,822,060
Vehicles	10,628,671	5,694,148	-220,779	16,102,040	20	5,965,758	-191,146	1,477,172	7,251,784	8,850,256
RUPEES 2003	1,352,558,112	303,996,066	-6,317,411	1,650,236,767		388,597,055	(2,287,778)1	12,470,702	498,779,979	1,151,456,788
RUPEES 2002	823,510,465	538,527,161	-9,479,514	1,352,558,112		285,673,795	(3,147,866)1	6,071,126	388,597,055	963,961,057

13.2 Detail of assets disposed off during the year:

Particular	Cost	Accumulated depreciation	Bookvalue	Sale proceeds	Mode of Disposal	Particular of buyer
Vehicle MNR- 9228	220,779	191,146	29,633	29,633	Negotiation	Mr. Khalil-ur-Rehman Hassan Parwan Colony Multan.



		6,952,428	36,813,276
		7,273,398	36,897,243
23.	SALES		
	Export	1,403,275,519	1,826,482,253
	Local	850,244,926	214,666,315
		2,253,520,445	2,041,148,568
	Waste Local	13,393,196	14,527,073
		2,266,913,641	2,055,675,641
	Rebate	1,684,548	11,308,875
	Commissions and claims	-24,742,162	-34,825,422
		2,243,856,027	2,032,159,094
24.	COST OF GOODS SOLD		
	Cost of goods manufactured	24.1 1,946,942,053	1,721,228,279
	Finished goods purchased	51,487,497	17,595,514
		1,998,429,550	1,738,823,793
	Finished goods		
	Opening stock	148,185,498	130,557,497
	Closing stock	-192,140,271	-148,185,498
		-43,954,773	-17,628,001
		1,954,474,777	1,721,195,792

		2003	2002
	Note	Rupees	Rupees
24.1	Cost of goods manufactured		
	Raw material consumed	24.1.1 1,505,953,091	1,297,129,037
	Stores and Spares	73,320,103	73,684,899
	Packing material	13,569,806	14,043,602
	Salaries, wages and benefits	24.1.2 77,921,148	68,418,613
	Fuel and power	152,676,227	150,105,372
	Insurance	5,126,174	4,640,588
	Repairs and maintenance	4,231,624	4,167,104
	Depreciation	13 110,199,704	104,225,751
	Utilities	1,439,547	2,979,738
	Others	5,659,172	4,718,017
		1,950,096,596	1,724,112,721
	Work in process		
	Opening	21,306,889	18,422,447
	Closing	-24,461,432	-21,306,889
		-3,154,543	-2,884,442
		1,946,942,053	1,721,228,279
24.1.1	Raw material consumed		
	Opening stock	80,306,174	36,472,987
	Purchases including expenses	1,672,990,431	1,365,714,180
		1,753,296,605	1,402,187,167
	Cost of yarn/cotton sold	-41,731,097	-2,816,248
	Cost of cotton lost by fire	-	-21,935,708
	Closing stock	-205,612,417	-80,306,174
		-247,343,514	-105,058,130
		1,505,953,091	1,297,129,037

24.1.2 It includes staff retirement benefits of Rs. 1,229,081 (2002 Rs. 800,256)

25.	ADMINISTRATIVE EXPENSES		
	Directors remuneration	300,000	300,000
	Staff salaries and benefits	25.1 7,286,510	6,505,772
	Telephone and postage	2,597,018	3,070,101
	Utilities	904,477	848,388
	Vehicle running and maintenance	1,224,078	1,595,762
	Traveling and conveyance	5,946,010	3,869,743
	Printing and stationery	843,434	536,832
	Entertainment	300,220	288,868
	Fee, subscription and periodicals	942,965	794,729
	Advertisement	104,445	95,553
	Audit fee	225,000	175,000
	Repair and maintenance	1,708,967	1,883,075
	Legal and professional	148,800	238,650
	Rent, rates and taxes	811,200	1,003,710
	Depreciation	13 2,270,998	1,845,375

	Insurance	431,514	456,860
	Others	1,386,181	1,961,497
		27,431,817	25,469,915
25.1	It includes staff retirement benefits of Rs. 74,466 (2002: Rs. Nil)		
26.	SELLING EXPENSES	2003	2002
		Rupees	Rupees
	Ocean freight & shipping	19,460,027	35,461,219
	Local freight and octroi	9,370,171	8,952,276
	Bank charges	10,930,243	18,601,229
	Commission and claims	231,350	248,163
	Marketing	3,915,397	1,044,135
	Others	406,235	613,410
		44,313,423	64,920,432
27.	FINANCIAL CHARGES		
	Interest/markup on		
	Redeemable capital - TFC's	22,338,699	15,130,798
	Long term loans	47,839,253	69,522,760
	Lease financial charges	3,362,707	6,222,291
	Short term bank borrowings	23,118,751	39,759,858
	Workers' Profit Participation Fund	353,804	610,426
		97,013,214	131,246,133
	Bank charges and commission	4,521,532	3,606,652
		101,534,746	134,852,785
28.	OTHER CHARGES		
	Term finance certificates expenses	561,180	3,383,488
	Loss by fire	-	2,362,804
		561,180	5,746,292
29.	TAXATION		
	Current year	13,990,566	21,017,438
	Prioryear	1,415,746	-
		15,406,312	21,017,438

29.1 No deferred tax provision has been accounted for as no material temporary difference has arisen. The company is liable to pay tax under section 154 of the Income Tax Ordinance 2001 on exports. The section 107AA(6) of the Income Tax Ordinance 1979 (Repealed ordinance) restricts claim of first year allowance and in view of available tax credit under section 107AA of the repealed ordinance, the company fails to claim initial allowance as per section 23 of the Income Tax Ordinance 2001.

30.	EARNING PER SHARE -BASIC		
	Profit after taxation for the year attributable to ordinary shareholders.	93,222,143	54,170,685
	Weighted average number of Ordinary Shares outstanding during the year	30.1	20,540,625
	Earnings per share	4.54	2.82

The chief executive officer and directors are provided free use of company's maintained car. Certain executives are also provided company's vehicles, monetary value of which approximates to Rs. 3,943,937 (2002: Rs. 2,250,110)

33.	CAPACITY AND PRODUCTION		
33.1	Capacity and production of Weaving Unit 1 .		
	Number of looms installed	116	116
	Number of looms worked	116	116
	Number of shifts perday	3	3
	Number of working days	365	365
	Standard cloth production (meters)	16,085,226	16,085,226
	Actual cloth production (meters)	16,065,380	17,040,863
33.2	Capacity and production of Weaving Unit 2		
	Numberof looms installed	156	108
	Number of looms worked	156	108
	Number of shifts per day	3	3
	Number of working days	108looms	365
	Numberofworkingdays	48 looms	-

Standard cloth production (meters)	26,007,000	21,270,393
Actual cloth production (meters)	25,267,890	21,796,899
<b>33.3 Capacity and production of Spinning unit</b>		
Number of spindles installed	14,400	14,400
Number of spindles worked	14,400	14,400
Number of Shifts per day	3	3
Number of working days	365	365
Installed capacity after conversion into 20/s count Kgs	4,849,904	4,849,904
Actual production of yarn after conversion into 20/s count Kgs	4,123,779	4,202,881

33.3.1 Reasons for short fall

It is difficult to describe precisely the production capacity in spinning unit since it fluctuates widely depending on various factors such as count yarn spun, spindles speed and twist etc. it also varies according to the pattern of production adopted in a particular year.

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The company applies credit limits to its customers and does not have significant exposure to any individual customer.

34.2 Interest rate risk

Interest rate risk arise from the possibility that changes in interest rates will affect the value of financial instruments.

The company is not exposed to interest rate risk. The rates of mark up/ interest are disclosed in the relative notes in the financial statements.

The company's exposure to interest rate risk on its financial assets and liabilities as at September 30,2003 are summarized as follows.

	Effective Yield	Maturity up to one year	Interest bearing Maturity two to five year	2003 arising Maturity more than five year	Non-Interest bearing		
					Sub-total	Sub-total	Total
<b>Financial assets</b>							
Long term deposits				-	-	677,780	677,780
Trade debtors		-	-	-	-	152,478,254	152,478,254
Loans and advances				-	-	122,567	122,567
Short term deposits				-	-	3,239,753	3,239,753
Other receivable				-	-	11,665,839	11,665,839
Cash and banks	2-3%	3,000,000			3,000,000	4,273,398	7,273,398
		3,000,000			3,000,000	172,457,591	175,457,591
<b>Financial liabilities</b>							
Redeemable Capital		42,857,142	107,142,85	3	150,000,000		150,000,000
Long term loan		88,071,691	438,306,84		526,378,537		526,378,537
Finance lease (net of deposits)		13,576,776	9,484,69	2	23,061,468		23,061,468
Short term financing		472,032,230		-	472,032,230		472,032,230
Creditors, accrued and other liabilities	6.50%	7,265,433			7,265,433	116,981,328	124,246,761
Dividend				-		18,522,122	18,522,122
		623,803,272	554,934,39		1,178,737,668	135,503,450	1,314,241,118
On-balance sheet gap		-620,803,272	(554,934,39	3)	-1,175,737,668	36,954,141	-1,138,783,527

	Effective Yield	Maturity up to one year	Interest bearing Maturity two to five year	2002 arising Maturity more than five year	Non-Interest bearing		
					Sub-total	Sub-total	Total

Financial assets					
Long term deposits	-	-	-	677780	677,780
Trade debtors	-	-	-	73,023.99	73,023,993
Loans and advances	-	-	-	117,408	117,408
Short term deposits	-	-	-	2,751,570	2,751,570
Other receivables	-	-	-	13,343,806	13,343,806
Cash and banks	-	-	-	36,897,243	36,897,243
	-	-	-	126,811,800	126,811,800
Financial liabilities					
Redeemable capital		150,000,00	3	150,000,000	150,000,000
Long term loan	81,273,586	279,920,34	72,475,000	433,668,927	433,668,927
Finance lease (net of depos ts)	9,811,496	21,676,59	-	31,488,087	31,488,087
Short term financing	252,029,514		-	252,029,514	252,029,514
Creditors, accrued and Other liabilities	8.00% 5,630,995		.	5,630,995	108,938,320
Dividend					18,404,992
	348,745,591	451,596,932	72,475,000	872,817.52	127,343,312
On-balance sheet gap	-348,745,591	-451,596,932	-72,475,000	-872,817,523	(531,512)
					1,000,160,835
					-873,349,035

The effective interest / mark-up rates for remaining monetary financial assets and financial liabilities are mentioned in the respective notes to the financial statements.

### 34.3 Liquidity risk

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

### 34.4 Foreign exchange risk

Foreign exchange risk arises mainly due to conversion of foreign current and liabilities into local currency. The company is not materially exposed to foreign currency risk on assets and liabilities by using loans denominated in foreign currency to hedge exchange risk on its foreign assets.

### 34.5 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable parties in an arm's length transaction.

The carrying value of all the financial assets and liabilities reported in the financial statements approximates their fair value.

		2003	2002
35	NUMBER OF EMPLOYEES		
	Number of employees-average.	1,300	1,200

### 36. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on December 30, 2003 by board of directors of the company.

### 37 GENERAL

#### 37.1 FIGURES

- have been rounded off to the nearest rupee.

#### DISCLOSURE TO PATTERN OF SHAREHOLDING

For the year Ended September 30,2003

CATEGORIES OF SHARES HOLDERS	SHARES		TOTAL SHARES,	%
	IN C.D.C	IN PAPER		
ASSOCIATED COMPANIES				
M/S RELIANCE EXPORTS LIMITED		8,372,397	8,372,397	40.7602
M/S RELIANCE COMMODITIES (PVT) LTD.	-	713,459	713,459	3.4734
M/S MUKHTAR TRADER COMPANY (PVT) Ltd	-	729,379	729,379	3.5509
M/S FARRUKH TRADING COMPANY (PVT) LTD		722,530	722,530	3.5176

M/S FATIMA TRADING COMPANY (PVT) LTD NILANDJCP	-	770,529	770,529	3.7512
NATIONAL BANK OF PAKISTAN	802,080		802,080	3.9048
INVESTMENT CORP. OF PAKISTAN	7,680	1,460	9,140	0.0445
BANK DEVELOPMENT FINANCE INSTITUTION NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, M ODARABAS AND MUTUAL FUNDS JOINT STOCK COMPANIES				
NATIONAL DEVELOPMENT FINANCE	..	920	920	0.0045
M/S B.F. MODARBA		6,000	6,000	0.0292
TRUSTEE MOOSA LAWAL FOUNDATION	8,000	-	8,000	0.0388
M/S H.M. INVESTMENT (PVT.) LTD.	-	360	360	0.0018
M/S PYRAMID INVESTMENT (PVT.) LTD	-	4,500	4,500	0.0218
S.D. MIRZA SECURITIES (PVT.) LTD.	2,250	-	2,250	0.011
KHALID JAVED SECURITIES (PVT) LTD.	1,700	-	1,700	0.0083
M/S AMIR FINE EXPORTS (PVT) LTD.	-	12,000	12,000	0.0584
MAZHAR HUSSAIN SEC. (PVT) LTD.	800		800	0.0039
Y.S. SECURITIES SERVICE (PVT) LTD.	700	.	700	0.0034
FAWAD YOUSUF SEC. (PVT.) LTD.	15,500	-	15,500	0.0755
MUNAF SATTAR SEC. (PVT.) LTD	1,500	-	1,500	0.0073
ARIF HABIB SECURITIES LTD.	84,600	-	84,600	0.4119
BAWA SECURITIES (PVT.) LTD.	4,950		4,950	0.0241
CONTINENTAL CAPITAL MANAGEMENT	1,600	-	1,600	0.0078
CDC TRUSTEE PAK STOCK MARKET FUND	348,125	.	348,125	1.6948
JAVED OMER VOHRA & CO LTD	190,200	.	190,200	0.92
PRODENTIAL SECURITIES LIMITED	1,200	-	1,200	0.0058
JAMSHAD & HASAN SEC. (PVT) LTD.	100	-	100	0.0005
MOSSA NOOR MOHAMMAD SHAHZAD & DRSON (PVT.) LTD	7,500		7,500	0.0385
ADEEL KARIM DHEDHI SEC (PVT) LTD	4,500		4,500	0.0219
SALIM CHANDIA SEC (PVT) LTD.	800		800	0.0039
SALMAN SERVICES (PVT) LTD.	1,100	-	1,100	0.0054
S.H. BUKHARI SECURITIES (PVT) LTD	100	-	100	0.0005
JAN MUHAMMAD A. LATIF & SONS (PVT)	9,300		9,300	0.0453
ACE SECURITIES (PVT) LTD.	1,500		1,500	0.0073
MAS CAPITAL SECURITIES (PVT) LTD	1,000		1,000	0.0049
MILLENIUM SEC. INVESTMENT (PVT) LTD	500	-	500	0.0024
DOSSLANS SECURITIES (PVT) LTD	200	-	200	0.001
PREMIER CAPITAL MANAGEMENT LTD.	500	-	500	0.0024
SMA CAPITAL MANAGEMENT LIMITED	500	-	500	0.0024
SHERMAN SECURITIES LIMITED	1,000	.	1,000	0.0049
JAHANGIR SIDDIQUI & CO LIMITED	500	-	500	0.0024
PROGRASIVE INVESTMENT	2,000	-	2,000	0.0097
PRIME COMMERCIAL BANK LTD. 0.0097 DIRECTORS	2,000	-	2,000	0.0097
MIAN FAWAD AHMED	-	1,261,840	1,261,840	6.1431
MIAN FAZAL AHMED	-	1,261,840	1,261,840	6.1431
MIAN FAISAL AHMED	-	1,261,841	1,261,841	6.1431
MRS. FATIMA FAZAL		93,750	93,750	0.4584
MRS. AMBREEN FAWAD		93,750	93,750	0.4584
MRS. FADIA KASHID		33,000	33,000	0.1607
SPONSORS				
MRS. FARRAH FAISAL		75,000	75,000	0.3851
MIAN MUKHTAR AHMED		55,200	55,200	0.2887
MRS. FARRUKH MUKHTAR		69,000	69,000	0.3359
GENERAL PUBLIC INDIVIDUAL				
SHAREHOLDERS OF THE COMPANY = 1844= GRAND TOTAL	1,586,880	1,910,505	3,497,385	17.0267
3,091,365	17,449,260	20,540,625	100	
SHARE HOLDING 10% OR MORE	-	8,372,387	8,372,387	40.7602
M/S RELIANCE EXPORTS LIMITED				

PATTERN OF SHARE HOLDERS AS AT September 30,2003

S.No.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES	SHARES HELD	%
1	INDIVIDUAL	1851	7,514,875	36.58
2	INVESTMENT COMPANY	7	218,881	1.07
3	JOINT STOCK COMPANY	31	11,987,869	58.36

4	FINANCIAL INSTITUTION	3	805,000	3.92
5	MODARABA COMPANY	1	6,000	0.03
6	CHARITABLE	1	8,000	0.04
	TOTAL	1,894	20,540,625	100

PATTERN OF SHARE HOLDERS AS AT September 30,2003

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS	TOTAL SHARES HELD
321	1	100
228	101	500
1,026	501	1000
210	1001	5000
41	5001	10000
68	10001	ABOVE
TOTAL	1,894	20,540,625