

RESHAM TEXTILE MILLS LIMITED.

Annual Reports 2003

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CHIEF EXECUTIVE

Ch. Mohammad Khurshid

DIRECTORS

Ch. Rahman Bakhsh

Dr. Abdul Aziz

Mrs. Kalsoom Kausar

Mrs. Salma Aziz

Mr. Azhar Khurshid Chaudhry

Mr. Kamran Ilyas

COMPANY SECRETARY

Muhammad Asif Qureshi

AUDITORS

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Lahore.

AUDIT COMMITTEE

Mr. Kamran Ilyas

Chairman

Mr. Azhar Khurshid Chaudhry

Member

Mrs. Salma Aziz

Member

BANKERS

Habib Bank Limited

Prime Commercial Bank Limited

Muslim Commercial Bank Limited

Standard Chartered Bank

Al Baraka Islamic Bank

Askari Commercial Bank Limited

LEGAL ADVISOR

Mr. Shaukat Haroon (Advocate)

REGISTERED OFFICE

314-Upper Mall, Lahore.

MILLS

1.5 Kilometre Habibabad,

Chunian Road, Tehsil Chunian,

District Kasur.

Website

www.reshamtextile.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Saturday 10th January, 2004 at 11.00 a.m. at the Registered Office of the Company i.e. 314 Upper Mall, Lahore to transact the following business : -

1. To confirm the minutes of the last Meeting.
2. To receive and adopt the audited accounts of the Company for the year ended September 30, 2003 and Reports of the Directors' and Auditors' thereon.
3. To appoint auditors and to fix their remuneration for the year ending September 30, 2004. M/s Avais Hyder Zaman Rizwani, Chartered Accountants, Lahore offer themselves for the appointment since the retiring auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, Lahore are not eligible for reappointment under the terms of Code of Corporate Governance.
4. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(MUHAMMAD ASIF QURESHI)

Lahore : December. 18, 2003.

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 10-01-2004 to 16-01-2004 (both days inclusive).
2. 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 stamped must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
3. Shareholders are requested to promptly notify the Company of any change in their addresses to ensure delivery of mail.

DIRECTORS' REPORT

It is my pleasure to present the Directors Report and the audited accounts for the year ended September 30, 2003 along with the Auditors' report.

PERFORMANCE REVIEW

During the period under review, the Company operations were hit hard by SARS virus, the Iraq war as also the shortage of cotton in the country, which lead to an increase of 20.13% in raw material cost for the year. Due to low demand on account of these factors, the Company had to switchover to local sales and higher value addition. Consequently, the production as also the revenue registered a decrease. These decisions were motivated by considerations of reducing financial charges as also selling and general expenses. The Company managed to reduce financial charges by 39.64% and selling and general expenses by 72.17%. The net effect of production and commercial activities resulted in negative earning per share of Rs. 0.59 from positive earning per share of Rs.1.58 in the last year. Accumulated losses registered an increase of Rs.6.832 (M). In view of these developments, the

Directors have decided not to pay any dividend this year. It is, however, worth mentioning that a number of similar units could not service their debts but the Company managed to discharge all debt obligations.

The financial results in summarized form are given below:

	2003	2002
	(Rupees in Million)	
Sales- Net	714.396	742.082
Cost of Sales	697.087	650.605
Gross Profit	17.309	91.477
Trading Profit	4.738	-
	22.047	91.477
Admin & Selling Expenses	15.538	38.257
Operating Profit	6.509	53.22
Other Income	1.815	-7.173
	8.324	46.048
Financial Charges	11.269	20.04
(Loss)/Profit before Taxation	-2.945	26.008
Taxation	-3.887	-7.887
(Loss)/Profit after tax	-6.832	18.12
Transferred from surplus on revaluation of fixed assets	9.389	10.602
	2.557	28.722
Accumulated losses brought forward	-228.628	-257.351
Accumulated losses carried to B/S	-226.071	-228.628

Compliance with the Code of Corporate Governance

The Company has adopted the Code of Corporate Governance issued in March 2002 and is implementing it.

Corporate and Financial Reporting Frame Work

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Frame Work :

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, in place, remains under continuous review by the internal audit and improvements are made from time to time.
- There are no doubts about Company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

- Key operating and financial data for last six years is given at page 7.
- During the last financial year five meetings of the Board of Directors were held, which were attended by all the directors.
- No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, Executives and their spouses/minor children.

Financial Statements

The financial statements of the Company have been audited and approved without qualification by the auditors of the Company.

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

Future Prospects

It is very hard to forecast the future prospects for the next year as the shock waves set in motion by local and international high cotton prices will have their effects on margins in the textile sector including spinning. Presently, the Company is in a relatively comfortable position due to timely procurement of cotton for the next three months. Developments on the cotton front are being carefully watched to decide the policy for the second part of the financial year. One would, however, hope that market would stabilize in the coming months, though no significant decline in cotton prices is expected in the local market. There are good signs of recovery in the global economies, which may prompt demand for the textile products and improve yarn rates in the coming months, which will decide the ultimate financial results for the year.

The Company plans to retain focus on cost cutting and micro management to improve its financial health. We do not see any long term threat to the Industry or the operations of the Company, though there is an urgent need for the intervention of the Government to ensure that loss of 1.5 million bales in cotton production does not repeat in the next year and some relief to the industry is provided. Also, the Government will need to take all steps to ensure that threats posed to the largest Industry of the Country are contained and damage minimized through ensuring access to foreign markets and by taking other steps to reduce the prices of alternate sources of raw material in the interest of the Industry.

AUDITORS

M/s Avais Hyder Zaman Rizwani, Chartered Accountants, Lahore offer themselves for the appointment since the retiring auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, Lahore are not eligible for reappointment under the terms of Code of Corporate Governance.

PATTERN OF SHARE-HOLDING

The Pattern of holding of shares is annexed.

ACKNOWLEDGEMENT

The Directors take the opportunity to thank the Company's Bankers, and Financial Institutions, who extended co-operation during the year. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the share-holders of the Company. The Directors would like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit shall prevail in future as well.

For and on behalf of the Board

CH. MOHAMMAD KHURSHID

Lahore : December 18, 2003.

(Chief Executive)

Financial Summary

	2003	2002	2001	2000	1999	1998	1997
BALANCE SHEET							
	(Rupees in thousand)						
Paid up Share Capital	114,927	114,927	114,927	114,927	114,927	114,927	114,927
Unappropriated Profitless)	-226,071	-300,491	-318,612	-336,119	-379,528	-362,022	-301,225
Revaluation Surplus	83,163	174,538	177,244	177,244	177,244	177,244	177,244
Change in Equity	-27,981	-11,026	-26,441	-43,948	-87,357	-69,851	-9,054
Long Term Liabilities	300,001	343,547	387,093	424,731	460,764	503,934	414,581
Deferred Liabilities	14,944	6,186	4,798	19,441	2,830	2,877	2,140
Long Term Advances	125	123	113	53	122	351	213
Current Liabilities	72,012	94,439	374,412	249,658	288,152	165,166	192,922
	359,101	433,269	739,975	649,935	664,511	602,477	600,802
Represented by: .							
Fixed Assets	267,593	290,413	300,961	329,663	364,599	404,009	444,619
Other Assets	1,567	2,198	5,529	1,813	1,545	1,605	1,725
Current Assets	89,941	140,658	433,485	318,459	298,367	196,863	154,458
	359,101	433,269	739,975	649,935	664,511	602,477	600,802
PROFIT AND LOSS							
Sales-net	714,391	742,081	812,408	680,174	734,253	703,312	689,907
Cost of Sales	697,087	650,604	742,696	559,959	664,952	665,646	613,417
Gross Profit	17,304	91,477	69,712	120,215	69,301	37,666	76,490
Operating Profit	6,510	53,220	29,668	89,952	42,989	6,601	45,210
Profit / (Loss) Before Taxation	-2,945	26,007	11,172	82,789	-12,075	-55,659	-32,715
Profit / (Loss) After Taxation	-6,832	18,120	17,508	59,025	-17,506	-60,798	-24,058
EPS	-0.59	1.58	1.52	5.28	-1.52	-5.29	-
Dividend %	—	-	-	15	—	—	-
PERCENTAGE TO SALES							
Gross Profit % age	2.42	12.33	8.58	17.67	9.44	5.36	11.09
Profit Before Taxation % age	-0.41	3.5	1.38	12.17	-1.64	-7.91	-4.74
Met Profit After Taxation % age	-0.96	2.44	2.16	8.68	-2.38	-8.64	-3.49
Admin & Selling Expenses % age	2.17	5.16	4.93	4.45	3.58	4.42	4.76

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulation of Karachi Stock Exchange and Clause 49 (Chapter VIII) of the Listing Regulation of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors. At present the Board includes five (5) independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. The board has developed a mission 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 is being maintained.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
6. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings along-with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated
7. 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.
8. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
9. The Company has complied with all the corporate and financial reporting requirements of the Code.
10. The Board has formed an audit committee comprising three members, of whom all are non-executive directors including the Chairman of the committee.
11. 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.
12. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
13. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company.
14. The statutory auditors or the persons associated with them have not been appointed to provide the other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
15. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

CH. MOHAMMAD KHURSHID
Lahore : December 18, 2003.

(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 Resham Textile Industries Ltd. to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the 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 from 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 period from October 01, 2002 to September 30, 2003.

LAHORE : December 18, 2003.

(FORD RHODES SIDAT HYDER & CO.)

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of RESHAM TEXTILE INDUSTRIES 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 account and are further in accordance with accounting policies consistently applied

except for change as mentioned in Note 4.3 to the financial statements, with which we concur;

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

Hi) 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 loss, its cash flows and changes in equity for the year then ended: and

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

LAHORE : December 18, 2003.

(FORD RHODES SIDAT HYDER & CO.)

CHARTERED ACCOUNTANTS

BALANCE SHEET

	Note	2003 Rupees	2002 Rupees (Restated)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
SHARE CAPITAL	5	114,927,000	114,927,000
ACCUMULATED LOSS		-226,071,039	-228,628,478
		-111,144,039	-113,701,478
SURPLUS ON REVALUATION OF FIXED ASSETS	6	83,163,497	91,534,574
NON-CURRENT LIABILITIES			
Long term loan - Secured	7	300,001,569	343,547,169
Deferred liabilities	8	14,943,973	17,326,493
Long term deposits	9	124,638	123,988
CURRENT LIABILITIES			
Current portion of long term liabilities	7	43,545,600	43,545,600
Creditors, advances, accrued and other liabilities	10	28,390,130	21,748,192
Unclaimed dividend		76,570	76,570
		72,012,300	65,370,362
CONTINGENCIES AND COMMITMENTS	11	-	-
		359,101,938	404,201,108

The annexed notes from 1 to 35 form an integral part of these financial statements.

	Note	2003 Rupees	2002 Rupees (Restated)
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets - Tangible	12	267,593,304	290,413,450
Long term advances	13	108,606	811,725
Long term deposits		1,458,559	1,387,020
CURRENT ASSETS			
Stores and spares			

	14	7,013,666	7,147,663
Stock in trade	15	56,705,966	45,107,681
Trade debts	16	5,926,614	5,809,370
Advances, deposits, prepayments and other receivables	17	8,878,344	18,050,298
Cash and bank balances	18	11,416,879 j 89,941,469	35,473,901 111,588,913

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

	Note	2003 Rupees	2002 Rupees (Restated)
SALES - net	19	714,396,472	742,081,806
COST OF GOODS SOLD	20	697,086,863	650,604,854
GROSS PROFIT		17,309,609	91,476,952
TRADING PROFIT	21	4,737,726 22,047,335	- 91,476,952
OPERATING EXPENSES			
Administrative and general	22	6,824,435	6,950,343
Selling	23	8,713,362 15,537,797	31,306,400 38,256,743
OPERATING PROFIT		6,509,538	53,220,209
OTHER INCOME/(EXPENSES)	24	1,814,772	-7,172,598
FINANCIAL AND OTHER CHARGES	25	8,324,310 11,269,426	46,047,611 20,039,866
(LOSS)/PROFIT BEFORE TAXATION		-2,945,116	26,007,745
TAXATION	26	3,887,324	7,887,387
(LOSS)/PROFIT AFTER TAXATION		-6,832,440	18,120,358
ACCUMULATED LOSS BROUGHT FORWARD	27	-228,628,478	-257,351,209
TRANSFERRED FROM SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax		8,371,077	9,452,016
DEFERRED TAX ON INCREMENTAL DEPRECIATION ON REVALUED ASSETS		1,018,802 9,389,879	1,150,357 10,602,373
ACCUMULATED LOSS CARRIED FORWARD		-226,071,039	-228,628,478
(LOSS)/EARNINGS PER SHARE - Basic	28	-0.59	1.58

The annexed notes from 1 to 35 form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	44,640,240	402,182,302
Financial charges paid		-11,269,426	-26,958,065
Income tax paid		-5,228,978	-10,829,352
Long term deposits		649	10,134
Gratuity paid		-3,041,764	-865,062
Net cash flow from operating activities		25,100,721	363,539,957
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure			

Sale proceeds of fixed assets	-6,195,881	-20,632,463
Long term deposits	655,277	4,694,950
Net cash used in investing activities	-71,539	-7,500
CASH FLOW FROM FINANCING ACTIVITIES	-5,612,143	-15,945,013
Repayment of long term loans	-43,545,600	-37,638,349
Short term bank borrowings	1	-283,877,952
Net cash used in financing activities	-43,545,600	-321,516,301
Net (decrease) / increase in cash and cash equivalents	-24,057,022	26,078,643
Cash and cash equivalents at the beginning of the year	35,473,901	9,395,258
Cash and cash equivalents at the end of the year	18 11,416,879	35,473,901

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

	Share capital	Accumulated Loss Rupees Restated	Total
Balance as at September 30, 2001 as previously reported	114,927,000	-318,611,655	-203,684,655
Change in accounting policy (Note 4.3)	-	54,613,688	54,613,688
Deferred tax on incremental depreciation	-	6,646,758	6,646,758
Balance as at September 30, 2001 as restated	114,927,000	-257,351,209	-142,424,209
Profit for the year	-	18,120,358	18,120,358
Balance as at September 30, 2002	114,927,000	-239,230,851	-124,303,851
Change in accounting policy (Note 4.3)	-	9,452,016	9,452,016
Deferred tax on incremental depreciation	-	1,150,357	1,150,357
Balance as at September 30, 2002 as restated	114,927,000	-228,628,478	-113,701,478
Profit for the year	-	-6,832,440	-6,832,440
Transferred from Surplus on revaluation of fixed assets net of tax	-	8,371,077	8,371,077
Deferred tax on incremental depreciation	-	1,018,802	1,018,802
Balance as at September 30, 2003	114,927,000	-226,071,039	-111,144,039

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company incorporated under the Companies Ordinance, 1984 and is quoted on Lahore and Karachi Stock Exchanges. The registered office of the Company is situated at 314-Upper Mall, Lahore. The Company is engaged in the business of manufacturing and selling of yarn.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards (IASs) as

notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except certain fixed assets that are measured at revalued amounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 **Employee benefits**

The Company's retirement plan comprises an unfunded gratuity scheme covering all its permanent employees. Gratuity scheme is a defined benefit scheme. Actuarial valuation of defined benefit scheme was conducted this year, to calculate the actuarial present value of gratuity obligation as at September 30, 2003. Projected unit credit method, with the following significant assumptions is used for valuation of this scheme:

Expected rate of increase in salary level 10%

Discount rate 11%

4.2 Taxation

Current taxation

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

Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against

which the deductible temporary differences can be utilized. Deferred tax asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled, based on the tax rates, that have been enacted or substantively enacted at the balance sheet date.

4.3 **Operating fixed assets and depreciation**

Operating fixed assets other than land, building, plant and machinery are stated at cost less accumulated depreciation. Where as building, plant and machinery are stated at revalued amount less accumulated depreciation, while land is stated at revalued amount.

Depreciation on fixed assets is charged to profit and loss account on reducing balance method so as to write off the carrying amount of an asset over its estimated remaining useful life at the rates given in Note 12.

The full annual rate of depreciation is applied on cost of additions, while no depreciation is charged on assets deleted during the year.

Repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on deletion of assets are taken to profit and loss account.

Change in accounting policy

During the year, the company changed its accounting policy with respect to the treatment of surplus arising on revaluation of fixed assets in light of amendments promulgated in Section 235 of the Companies Ordinance, 1984 whereby, the surplus on revaluation can now be reversed to the extent of incremental depreciation. This change in accounting policy has been accounted for retrospectively. The comparative statements for 2002 have been restated to conform to the changed policy.

Effect

The effect of change is the transfer of surplus related to incremental depreciation to retained earnings amounting to Rs.8,371,077 (2003) and Rs. 9,452,016 (2002) net of deferred tax for current and prior period presented. Opening retained earnings for 2002 has been increased by Rs. 54,613,688 net of deferred tax.

4.4 Stores and spares

These are valued principally at moving average cost. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving items.

4.5 Stock in trade

These are valued at lower of cost and net realizable value.

Stock of raw material, except for raw material in transit, work in process and finished goods are valued principally at the lower of annual average cost and net realizable value. Cost of work in process and finished goods comprised cost of direct material, labour and appropriate manufacturing overheads.

Raw materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

Waste material is valued at net realizable value.

4.6 Trade debts

Receivable are carried at original invoice amount less an estimate for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits with banks, net of short term finances maturing within one

year from the date of acquisition, if any.

4.8 Revenue recognition

Revenue from sales of goods is recognized on dispatch of goods to the customers. Export goods are considered dispatched when shipped on board.

Profit on bank deposits is recognized on accrual basis.

4.9 Borrowing cost

Borrowing cost is charged to profit and loss account when incurred.

4.10 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.11 Foreign currencies

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated using exchange rate that are prevailing at the balance sheet date. Exchange differences are included in profit and loss account currently.

4.12 Financial instruments

Financial instruments carried on the balance sheet include receivables, cash and bank balances, short term running finances and other liabilities. Financial assets and liabilities are recognized at cost which is the fair value of the consideration given or received at the time the company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are derecognized on the cessation of effective control. Any gain or loss on subsequent measurement and derecognition is charge to profit and loss currently.

4.13 **Offsetting of financial assets and liabilities**

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

4.14 Pricing for related party transactions

Transactions with related parties are priced at comparable uncontrolled market price.

Parties are said to be related if they are able to influence the operating and financial decisions of the company and vice versa.

	2003 Rupees	2002 Rupees (Restated)
5. SHARE CAPITAL		
Authorized		
22,000,000 (2002 : 12,000,000)		
Ordinary shares of Rs. 10 each	220,000,000	120,000,000
Issued, subscribed and paid up		

	11,492,700 (2002: 11,492,700)		
Ordinary shares of Rs. 10 each fully paid in cash		114,927,000	114,927,000
6. SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation of fixed assets as at October 01		102,674,789	115,983,608
Surplus realized on disposal of revalued assets		-	-2,706,446
Surplus relating to incremental depreciation charge on related assets - transferred to retained earnings		-9,389,879	-10,602,373
Surplus on revaluation of fixed assets as at September 30		93,284,910	102,674,789
Less: Related deferred tax liability on:			
- Revaluation as at October 01		-11,140,215	-12,584,221
- Disposal of revalued assets		-	293,649
- Incremental depreciation charged during the year transferred to retained earnings		1,018,802	1,150,357
		-10,121,413	-11,140,215
		83,163,497	91,534,574

This represents surplus resulting from revaluation of land, building and plant & machinery carried out on June 19, 1997 by Sidat Hyder Qamar Maqbool & Co., Chartered Accountants using fair value.

7. LONG TERM LOAN - Secured			
Rescheduled Demand Finance	-7.1	343,547,169	387,092,769
Less: Current maturity shown under current liabilities		43,545,600	43,545,600
		300,001,569	343,547,169

7.1 This interest free loan from Habib Bank Limited created as a result of rescheduling of Restructured Demand Finance - I, Restructured Demand Finance - II and Frozen Overdue mark-up is payable in 49 unequal quarterly installments commencing from September 30, 1999 and is secured by way of 1st equitable mortgage charge over all the present and future fixed assets, floating charge on the entire movable and immovable property / assets of the company, personal guarantees and pledge of shares of the sponsors.

		2003 Rupees	2002 Rupees (Restated)
8. DEFERRED LIABILITIES			
Deferred income tax	-8.1	8,979,902	11,140,215
Gratuity	-8.2	5,964,071	6,186,278
		14,943,973	17,326,493
8.1 Deferred Income Tax			
Taxable timing differences			
Surplus on revaluation of fixed assets		10,121,413	11,140,215
Accelerated tax depreciation		13,921,948	-
		24,043,361	11,140,215
Deductible timing differences			
Unapproved Gratuity		-317,070	-
Unused tax losses		-14,746,389	-
		-15,063,459	-
		8,979,902	11,140.22
8.2 Gratuity			

Present value of defined benefit obligation	6,577,280	6,799,487
Unrecognized losses	-613,209	-613,209
Liability recognized in the balance sheet	5,964,071	6,186,278
Current service cost	2,071,613	1,734,640
Interest cost	747,944	526,880
Transitional asset charged due to application of IAS - 19	-	-8,323
Expense recognized in profit and loss account	2,819,557	2,253,197
Movement in the net liability recognised in the balance sheet is as follows:		
Liability at the beginning of the year	6,186,278	4,798,143
Interest cost for the year	747,944	526,880
Current service cost for the year	2,071,613	1,734,640
Payments made during the year	-3,041,764	-865,062
Transitional asset charged due to application of IAS-19	-	-8,323
Liability at the end of the year	5,964,071	6,186,278

9. LONG TERM DEPOSITS

These represent deposits taken from employees against future sale of vehicles.

	2003 Rupees	2002 Rupees (Restated)
10. CREDITORS, ADVANCES, ACCRUED AND OTHER LIABILITIES		
Creditors	16,919,238	10,951,138
Advances from customers	1,330,765	568,100
Accrued expenses	9,003,722	8,673,150
Sales tax payable	881,653	-
Workers' Profit Participation Fund	-10.1	1,368,829
Unclaimed Workers' Profit Participation Fund	134,752	81,975
Others	120,000	105,000
	28,390,130	21,748,192
10.1 Workers' Profit Participation Fund		
Balance as at October 01	1,368,829	588,026
Interest on fund utilized during the year	49,127	54,171
Provision for the year	-	1,368,829
	1,417,956	2,011,026
Less:		
Paid to employees	1,417,956	642,197
Deposited with Government		
On behalf of fund	-	-
	1,417,956	642,197
	-	1,368,829

11. CONTINGENCIES AND COMMITMENTS

The Bank guarantees aggregating to Rs. 0.601 million (2002: 0.601 million) issued on behalf of the Company were outstanding at the balance sheet date.

Claim of damages lodged by a creditor M/s. Friends Cotton and Oil Industries (Private) Limited amounting to Rs. 987,298 (2002: Rs. 987,298) against violation of contract has not

been acknowledged by the Company. The Company has also filed a counter suit for the recovery of claims, compensation and damages amounting to Rs. 3,721,012 for violating the contract by the party. The suits are pending adjudication.

- During the year, assessment of assessment year 2000-01 was finalized. The income tax department assessed profit for the year and worked out additional tax of Rs. 1.87 million (2002: Rs. Nil). The company has however, filed appeal with the Commissioner Income Tax (Appeals). The management is confident that the case would be decided in the Company's favour and accordingly no provision has been made in these financial statements.

12. OPERATING FIXED ASSETS - Tangible

PARTICULARS	COST VALUATION			DEPRECIATION		BOOK VALUE AS ON		RATE %
	As on October 01, 2002	Additions/ (deletions) during the year	As on September 30, 2003	As on October 01, 2002	For the year	As on September 30, 2003	SEPTEMBER 30, 2003	
Land - freehold	6,506,419	-	6,506,419	-	-	-	6,506,419	-
Building on freehold land								
- Factory	55,303,925	4,795,445	60,099,370	23,342,415	3,675,696	27,018,111	33,081,259	10
- Residential	19,134,625	-	19,134,625	4,537,524	729,855	5,267,379	13,867,25	5
Plant and machinery	388,480,692	-	388,480,692	157,540,673	23,094,002	180,634,675	207,846,017	10
Electric installations	5,198,624	69,069	5,216,893	3,395,254	185,502	3,547,376	1,669,517	10
		-50,800		-33,380				
Mill equipments	2,359,623	73,105	2,417,328	1,223,492	120,261	1,334,983	1,082,345	10
		-15,400		-8,770				
Office equipment	1,427,065	205,263	1,632,328	652,881	97,945	750,826	881,502	10
Furniture and fixtures	699,243	-	699,243	424,413	27,483	451,896	247,347	10
Vehicles	6,268,036	1,053,000	5,968,260	3,851,494	602,161	3,559,618	2,408,642	20
		-1,352,776		-894,037				
Arms and ammunition	7,770	-	7,770	4,426	334	4,760	3,010	10
Rupees - 2003 :	485,386,022	6,195,882	490,162,928	194,972,572	28,533,239	222,569,624	267,593,304	
		-1,418,976		-936,187				
Rupees - 2002 :	467,440,453	24,203,839	485,386,022	166,478,769	31,027,226	194,972,572	290,413,450	
		-6,258,270		-2,533,423				

12.1 The depreciation charge for the year has been allocated as under:

		2003	2002
		Rupees	Rupees
Cost of sales	-20	27,805,650	30,306,534
Administrative and general	-22	727,589	720,692
		28,533,239	31,027,226

12.2 Land, building and/plant and machinery were revalued as on June 19, 1997 using fair value resulting in increase in the value of assets by Rs. 177,244,054 (2*02: 177,244,054) out of which Rs. 93,284,910 (2002: Rs. 102,674,789) is included in the book value of these assets.

12.3 Disposal of Fixed Assets

PARTICULARS	Cost Rs.	Accumulated depreciation Rs.	Written down value Rs.	Sale Proceeds Rs.	Gain/ (loss) Rs.	Mode of disposal	Sold to
ELECTRIC INSTALLATIONS							
Air conditioners	19,100	12,550	6,550	3,500	-3,050	Negotiation	Mr. Anwar Khan
Air conditioners	19,100	12,550	6,550	1,200	-5,350	Negotiation	Mr. Waheed Hussain
Water cooler							

MILL EQUIPMENTS	12,600	8,280	4,320	1,300	-3,020	Negotiation	Mr. Nazim Shah
Water cooler	15,400	8.77	6,630	1,300	-5,330	Negotiation	Mr. Sarwar Shah
VEHICLES							
Motor Car	353,800	208,883	144,917	170,000	25,083	Negotiation	Mr. Muhammad Saleem
-do-	799,011	589,555	209,456	350,000	140,544	Negotiation	Mr. Khalid Masood
Motor Cycle	79,780	28,721	51,059	51,059	-	Company Policy	Mr. Shahid Mehmood (Employee)
-do-	70185	25,267	44,918	44,918	-	Company Policy	Mr. Jamil Anwar (Employee)
-do-	50,000	41,611	8,389	32,000	23,611	Negotiation	Mr. Syed Shahid All
Rupees - 2003 :	1,418,976	936,187	482,789	655,277	172,488		
Rupees - 2002 :	6,258,270	2,533,423	3,724,847	4,694,950	970,103		

	2003 Rupees	2002 Rupees (Restated)
13. LONG TERM ADVANCES - Considered good		
Due from :		
Executives	-13.1	171,500
Employees	-13.1	226,575
		398,075
Others		170,106
		568,181
Less: receivable within one year		
Executives		78,000
Employees		381,575
	-17	459,575
		108,606
Outstanding for periods:		
Less than three years		108,606
Three years and more		-
		108,606

13.1 Advances to executives and employees are given for purchase of vehicle / personal expenditures and miscellaneous needs. All advances to executives and employees are interest free and recoverable between one to five years. The maximum aggregate amount of advance due from executives at the end of any month during the year was Rs. 244,000 (2002: Rs.727,150).

	2003 Rupees	2002 Rupees (Restated)
14. STORES AND SPARES		
Stores	180,559	212,708
Spares	6,833,107	6,934,955
	7,013,666	7,147,663
15. STOCK IN TRADE		
Raw material	37,679,400	20,004,688
Packing material	544,342	534,483
Work in process	6,740,636	2,100,330
Finished goods	11,586,593	22,279,034
Waste	154,995	189,146
	56,705,966	45,107,681
16. TRADE DEBTS - Considered good		
Against foreign letters of credit - secured	-	5,565,963
Local - unsecured	5,926,614	243,407
	5,926,614	5,809,370

17. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES

Advances - Considered good :			
Suppliers		3,104,486	1,069,549
Current portion of long term advances - staff	-13	459,575	413,031
		3,564,061	1,482,580
Bank guarantee margin deposits		120,245	120,245
Prepayments		431,789	684,057
Duty draw back receivable		351,364	551,745
Balance with statutory authorities :			
Income tax - net		4,279,636	4,079,493
Sales tax		-	11,007,268
Excise duty		25,000	25,000
Others		106,249	99,910
		8,878,344	18,050,298
18. CASH AND BANK BALANCES			
Cash in hand		7,048	2,943
Balance with banks on :			
Current accounts		224,905	835,676
Deposit accounts	-18.1	11,184,926	34,635,282
		11,409,831	35,470,958
		11,416,879	35,473,901

18.1 It carries profit at the rate ranging from 3% to 3.75% (2002: 4% to 4.75%) per annum.

		2003 Rupees	2002 Rupees (Restated)
19. SALES -net			
Yarn			
Export		167,322,895	557,672,487
Local		623,838,431	215,706,827
Waste		12,093,932	11,040,098
		803,255,258	784,419,412
Less : Sales tax		82,425,933	29,584,511
Commission/Discount		6,432,853	12,753,095
		88,858,786	42,337,606
		714,396,472	742,081,806
20. COST OF GOODS SOLD			
Raw material consumed		539,890,124	509,843,462
Salaries, wages and benefits	-20.1	36,335,400	32,704,469
Packing material consumed		9,205,349	14,817,551
Stores and spares consumed		15,051,716	12,008,809
Fuel and power		59,549,602	52,323,395
Insurance		1,545,184	1,530,838
Repairs and maintenance		1,084,761	624,282
Telephone and postage		140,102	117,990
Depreciation	-12.1	27,805,650	30,306,534
Others		501,189	554,911
		691,109,077	654,832,241
Effect of work in process inventory :			
Opening		2,100,330	3,586,988
Closing		-6,740,636	-2,100,330
		-4,640,306	1,486,658
Cost of goods manufactured		686,468,771	656,318,899
Effect of finished goods inventory :			
Opening			

		22,468,180	17,139,525
Closing		-11,741,588	-22,468,180
		10,726,592	-5,328,655
		697,195,363	650,990,244
Less : Duty draw back		108,500	385,390
		697,086,863	650,604,854

20.1 It includes the defined benefit plan (gratuity) amounting to Rs. 2,684,557 (2002: Rs. 2,145,314).

21. TRADING PROFIT

Sales - local

Cotton		37,375,303	-
Yarn		1,670,951	-
		39,046,254	-
Less: Sales tax		5,092,990	-
		33,953,264	—
Less: Cost of goods sold		29,215,538	-
		4,737,726	-

		2003 Rupees	2002 Rupees (Restated)
22. ADMINISTRATIVE AND GENERAL			
Directors' remuneration		645,672	586,974
Salaries and benefits	-22.1	2,260,383	2,444,740
Electricity, gas and water		252,544	249,593
Postage, telephone and telex		472,552	875,789
Rent, rates and taxes		195,383	188,744
Insurance		136,843	154,246
Advertisement		244,165	67,223
Travelling and conveyance		48,274	54,738
Auditors' remuneration	-22.2	125,000	85,000
Legal and professional		72,000	92,000
Fee and subscription		506,096	287,735
Printing and stationery		192,434	184,284
Entertainment		174,778	158,610
Repairs and maintenance		156,529	150,644
Vehicle running and maintenance		514,995	600,727
Depreciation	-12.1	727,589	720,692
Advances written off		61,632	—
Others		37,566	48,604
		6,824,435	6,950,343

22.1 It includes the defined benefit plan (gratuity) amounting to Rs. 67,500 (2002: Rs. 53,941).

22.2 Auditors' remuneration

Audit service

Annual audit		85,000	75,000
Half yearly review		30,000	-
Out of pocket		10,000	10,000
		125,000	85,000

23. SELLING

Salaries and other benefits	-23.1	1,663,347	1,662,920
Freight and forwarding		5,974,212	26,731,161
Export development surcharge		358,327	1,286,079
Other export expenses		717,476	1,626,240

		8,713,362	31,306,400
23.1 It includes the defined benefit plan (gratuity) amounting to Rs. 67,500 (2002: Rs. 53,941]			
24. OTHER INCOME / (EXPENSES)			
Sale of scrap	655,931	791,258	
Gain on sale of fixed assets - net	172,488	970,103	
Transfer from revaluation surplus upon disposal of assets	—	2,706,446	
Return on deposits	1,027,764	441,830	
Creditors written back	78,473	44,641	
Loss on foreign exchange transactions	-46,986	-12,599,343	
Miscellaneous	-72,898	472,467	
	1,814,772	-7,172,598	
		2003	2002
		Rupees	Rupees (Restated)
25. FINANCIAL AND OTHER CHARGES			
Interest/mark-up on :			
short term bank borrowings	-25.1	7,130,580	12,005,605
Bank charges and commission		4,089,719	6,611,261
Other charges		49,127	54,171
		11,269,426	18,671,037
Workers' Profit Participation Fund		-	1,368.83
		11,269,426	20,039,866
25.1 This represents interest on facilities obtained from different banks against aggregate sanctioned limit of Rs. 118 (2002: Rs. 303.149) million carrying mark-up ranging from 10% to 13.87% (2002: 12%-17%) per annum and were secured by way of hypothecation & pledge of stocks and lien on bank deposits which have been repaid during the year.			
26. PROVISION FOR TAXATION			
Current		5,028,835	7,887,387
Deferred		-1,141,511	-
		3,887,324	7,887,387
26.1 The charge for the current taxation can be reconciled to the profit as per the profit and loss account as follows :			
(Loss)/Profit before tax		-2,945,116	26,007,745
Tax at the income tax rate of 35% (2002: 35%)		—	9,102,711
Effect of difference in tax rates under final tax regime		2,091,537	159,667
Effect of difference in tax rates under minimum turnover tax under section 1 1 3		2,937,298	-1,374,991
		5,028,835	-1,215,324
Tax charge for the year		5,028,835	7,887,387
27. ACCUMULATED LOSS BROUGHT FORWARD			
Opening accumulated loss as previously reported		300,491,297	318,611,655
Change in accounting policy			
- Revaluation surplus		-66,832,422	-54,613,688
- Deferred tax		-5,030,397	-6,646,758
		-71,862,819	-61,260,446
Operating accumulated loss as restated		228,628,478	257,351,209
		2003	2002

	Rupees	Rupees (Restated)
28. (LOSS) / EARNINGS PER SHARE - Basic		
28.1 (Loss) / Earning per share - basic		
(Loss) / Profit after taxation	-6,832,440	18,120,358
Weighted average number of shares	11,492,700	11,492,700
(Loss) / Earnings per share	-0.59	1.58

28.2 Diluted earning per share

There is no dilution effect on the basic earnings per share of the Company.

29. CASH FLOW FROM OPERATING ACTIVITIES

(Loss) / Profit before taxation	-2,945,116	26,007,745
Adjustment for non-cash charges and other items:		
Depreciation	28,533,239	31,027,226
Revaluation Surplus	-	-2,706,446
Exchange gain on closing debtors	-	-36,347
Gain on disposal of fixed assets	-172,488	-970,103
Provision for gratuity	2,819,557	2,253,197
Advances written off	134,530	—
Creditors written back	-78,473	-
Financial charges	11,269,426	18,671,037
	42,505,791	48,238,564
Profit before working capital changes	39,560,675	74,246,309
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase)/decrease in :		
Stores and spares	133,997	3,380,465
Stock in trade	-11,598,285	29,033,916
Trade debtors	-117,244	285,909,798
Advances, deposits, prepayments And other receivables	9,284,111	11,441,964
Long term advances given to employees	656,575	-233,825
Increase/(decrease) in :		
Creditors, advances, accrued and other liabilities	6,720,411	-1,596,325
	5,079,565	327,935,993
Cash generated from operations	44,640,240	402,182,302

30. CHIEF EXECUTIVE, DIRECTOR'S AND EXECUTIVES' REMUNERATION

	2003		2002			
	Chief Executive	Director	Chief Executive	Director	Executives	
Managerial remuneration	245,968	184,480	3,053,725	223,608	167,708	3,617,237
Utilities	24,597	18,448	305,373	22,361	16,771	116,062
House rent	98,387	73,792	1,221,490	89,443	67,803	1,627,757
Bonus	-	-	392,000	—	—	—
	368,952	276,720	4,972,588	335,412	252,282	5,361,056
Number of persons	1	1	19	1	1	18

30.1 No fee is paid to the Chief Executive or any director of the Company for attending the meetings.

30.2 The Chief Executive, one director and four executives have been provided with Company maintained cars.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will be unable to meet its funding requirements. To guard the risk, the company has diversified funding sources and assets are managed with liquidity in mind.

31.2 INTEREST RATE RISK

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

Description	Total	September 30, 2003				
		Interest bearing	Interest bearing	Non-interest bearing	Non-interest bearing	Non-interest bearing
		Within one year	More than one year & upto five years	Within one year	More than one year & upto five years	More than five years
			R u p	e e s		
LIABILITIES						
Long term liabilities	343,547,169	-	-	43,545,600	174,182.40	125,819,169
Short term bank borrowings	-	-	-	-	-	-
Deferred Liabilities	5,964,071	-	-	-	5,964,071	-
Creditors, accrued and other liabilities	26,177,712	-	-	26,177,712	-	-
Total	375,688,952	-	-	69,723,312	180,146,471	125,819,169
ASSETS						
Long term advances	108,606	-	-	-	108,606	-
Long term deposits	1,458,559	-	-	-	1,458.56	-
Trade debtors	5,926,614	-	-	5,926,614	-	-
Advances, deposits and other receivables	226,494	-	-	226,494	-	-
Cash and bank balances	11,416,879	11,184,926	-	231,953	-	-
Total	19,137,152	11,184,926	-	6,385,061	1,567,165	-

Off balance sheet liabilities

Contingencies 1,588,298

Description	Total	September 30, 2002				
		Interest bearing	Interest bearing	Non-interest bearing	Non-interest bearing	Non-interest bearing
		Within one year	More than one year & upto five years	Within one year	More than one year & upto five years	More than five years
			R u p	e e s		
LIABILITIES						
Long term liabilities	387,092,,769	-	-	43,545,600	174,182,400	169,364,769

Short term bank borrowings	-	-	-	-	-	-
Deferred Liabilities	6,186,278	-	-	-	6,186,278	-
Creditors, accrued and other liabilities	21,180,092	-	-	211,800,921	-	-
Total	414,459,139	-	-	64,725,692	180,368,678	169,364,769
ASSETS						
Long term advances	811,725	-	-	-	811,725	-
Long term deposits	1,387,020	-	-	-	1,387,020	-
Trade debtors	5,809,370	-	-	5,809,370	-	-
Advances, deposits and other receivables	220,155	-	-	220,155	-	-
Cash and bank balances	35,473,901	34,635,282	-	838,619	-	-
Total	43,702,171	34,635,282	-	6,868,144	2,198,745	-

Off balance sheet liabilities

Contingencies	1,588,298
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31.3 EFFECTIVE MARK-UP RATES

	2003	2002 (Restated)
Short term bank borrowings	10% to 13.87%	12% to 17%
Cash and Bank balances	3% to 3.75%	4% to 4.75%

31.4 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign companies. There are no foreign currency assets and liabilities at balance sheet date.

31.5 CONCENTRATION OF CREDIT RISK AND CREDIT

EXPOSURES OF THE FINANCIAL INSTRUMENTS

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 total financial assets of Rs. 19,137,153 (2002: Rs. 43,702,171) the financial assets which are subject to credit risk amounted to Rs. 5,926,614 (2002: Rs. 243,704). The management believes that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified.

31.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	2003 Rupees	2002 Rupees (Restated)
32. PLANT CAPACITY AND ACTUAL PRODUCTION		
No. of spindles installed/worked	17,280	17,280
Shifts per day	3	3
Installed production capacity at 20/S count - kilogram	5,889,972	5,889,972
Actual production during the year at 20/S count - kilogram	4,869,577	4,477,742
Total shifts worked	1,086	1,092

The under utilization of available capacity is due to normal repairs and maintenance and change

over in production mix.

33 NUMBER OF EMPLOYEES

Total number of employees as on balance sheet date were 569 (2002 : 595).

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 18, 2003 by the Board of Directors of the Company.

35. GENERAL

Figures have been rounded off to the nearest rupee.

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

No. of Shareholders	Shareholding From	To	Total Shares Held
58	101	500	29000
3	501	1000	3000
7	1001	5000	17375
1	5001	10000	6300
1	15001	20000	19300
1	25001	30000	29100
3	30001	35000	100500
2	35001	40000	72000
2	40001	45000	89450
1	50001	55000	51200
1	65001	70000	66000
3	70001	75000	214800
5	85001	90000	433100
1	140001	145000	143200
2	165001	170000	336700
2	430001	435000	864360
1	510001	515000	512600
4	560001	565000	2256545
1	635001	640000	636974
1	875001	880000	876400
2	935001	940000	1880000
1	1210001	1215000	1213896
1	1640001	1645000	1640900
104			11492700

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	101	10182225	88.597
Investment Companies	1	876400	7.626
Financial Institutions	1	2875	0.025
Others	1	431200	3.752
Total	104	11492700	100
OTHERS			

National Bank of Pakistan -(NIT)	1	431200	3.752
Total	1	431200	3.752

PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2003
ADDITIONAL INFORMATION

Category No.	Categories of Share Holders	Number of Shares Held	Number of Share Holders	Percentage
1	Individuals	2,040,810	91	17.758
2	Directors, Chief Executive Officer, their Spouse and Minor Children		8	45.995
	Ch. Mohammad Khurshid	564,000		
	Ch. Rehman Bakhsh	564,000		
	Dr. Abdul Aziz	564,045		
	Mrs. Kalsoom Kausar	940,000		
	Mrs. Salma Aziz	636,974		
	Mr. Azhar Khurshid Chaudhry	564,500		
	Mr. Kamran Hyas	512,600		
	Mrs. Razia Sultana Begum	940,000		
3	National Bank of Pakistan (NIT)	431,200	1	3.752
4	Banks, DFIs, NBFIs, etc	879,275	2	7.651
5	Others above 10% Share Holding		2	
	Mr. Tariq Rahman	1,213,896		10.562
	Ch. Mohammad Ilyas	1,641,400		14.282
	Total	11,492,700	104	100