

SAFA TEXTILES LIMITED

ANNUAL REPORT 2004

BOARD OF DIRECTORS

Executive Director

MR. S. IQBA ' . HUSAIN

MR. S. ADNAN HUSAIN

MR. S. TARIQUE HUSAIN

Non-Executive Director

MRS. SEEMA ADNAN

MRS. SABEEN TARIQUE

MR. BASIR AHMAD

MR. S. ABDUL KHALIQ

BOARD OF AUDIT COMMITTEE

MR. S. IQBAL HUSSAIN Chief Executive

MRS. SEEMA ADNAN Director

MRS. SABEEN TARIQUE Director

AGHA YOUSUF ALI KHAN Internal Auditor

COMPANY SECRETARY

LEGAL ADVISOR

AUDITORS

BANKERS

SHARES REGISTRAR
REGISTERED OFFICE

FACTORY

TELEFAX
TELEPHONE

DIRECTOR'S REPORT

	2004	2003
	Rupees	Rupees
	30.06.2004	30.06.2003
Sales	158,506,914	132,621,678
Cost of Goods Sold	-138,320,079	-111,582,220
Gross Profit	20,186,835	21,039,458
Operating Expenses	-14,711,550	-13,060,358
Net Profit	2,576,674	604,767
Accumulated (loss) Brought Forward	-11,437,372	-12,042,139
Accumulated (loss) Carried Forward	-8,860,698	-11,437,372
Earning Per Share	0.64	0.15

Operating results

The operating results of the Company remained quite satisfactory in spite of difficult economic conditions during the period, which has affected the whole industry. The operating results of the company during the last seven years period between 1998 to 2004 have been given in annexure-1 for your review.

CHAIRMAN & CHIEF EXECUTIVE
DIRECTOR MARKETING
DIRECTOR PRODUCTION

NON-EXECUTIVE DIRECTOR
NON-EXECUTIVE DIRECTOR
NON-EXECUTIVE DIRECTOR
NON-EXECUTIVE DIRECTOR

CHAIRMAN
MEMBER
MEMBER
SECRETARY
AGHA YOUSUF ALI KHAN
KHALID DAUD POTA (ADVOCATE)
M/S. KHALID MAUD RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ, CHARTERED ACCOUNTANTS
180-A, S.M.C.H.S., KARACHI-74400
HABIB BANK A.G. ZURICH
BANK ALFALAH LTD.
PICIC COMMERCIAL BANK LIMITED
STANDARD CHARTERED BANK LTD.
TRADE TOWER, ABDULLAH HAROON ROAD, KARACHI.
PLOT NO. 26 & 26/1
SECTOR 12-D, NORTH KARACHI
INDUSTRIAL AREA, KARACHI.
PLOT NO. 26 & 26/1
SECTOR 12-D, NORTH KARACHI
INDUSTRIAL AREA, KARACHI.
(92-21)6995931
(92-21)6980947

Sales

The Company's export sales for the year amounted to Rs. 158,507 million as compared with Rs. 132,622 million last year. Export sales register an increase of 20.17% as a result of value additions achieved with the help of new machinery and improved quality.

Production

Your Company's main business is manufacture and export of textiles madeups. Due to close supervision, better enforcement of good governance and replacement of some of the old machinery, the production volume increased by 26.08% as compared with that of last year.

Cost of production

The cost of production has increased nominally as compared with that of previous year, mainly due to higher prices of the cotton yarn, fabric, raw material, utilities, accessories and labor cost.

Profit before Tax

The operating profit before tax for the year ended June 30, 2004 is Rs.3.746 million as compared to Rs. 1 .587 million in the last year. Which is the result of dedication, hard work, and economical operations.

Dividends

The board of directors regretfully inform that the Company is not in a position to declare any dividend because of accumulated losses.

Earning Per Share

Earning Per Share at the year end improved to Rs.0.64 as compared to Rs.0.15 for the last year.

Fixed Assets

The board of directors being aware of challenges and competition that would arise in January 2005, with the phasing out of export quota, have focused attention to compete in the international markets for price, quality and production by way of research & development, modernization of plant and machinery. During the year, we have made additions of Rs.6.4 million in fixed assets and also last year we had added Rs.5.1 million. For the coming year we have placed confirm orders for new machines amounting to Rs.3 million. These investments in fixed assets are expected to bring in efficiency, improvement in quality and production.

Financial Charges

The financial charges have increased from Rs. 882,805 to Rs. 1,229,020 due to increase in the export development surcharge by the Government of Pakistan and collection charges by the banks which are beyond our control. Staff provident fund

The staff provident fund has been introduced from July 2003 .

Auditors

The present auditors M/s Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have retired and being eligible offered themselves for re-appointment. The audit committee has recommended the appointment of M/s Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors of the Company for the year ending June 30, 2005.

Code of Corporate Governance

Safa Textiles Limited is a public limited company listed on Karachi Stock Exchange and the management is committed to observe the Code of Corporate Governance prescribed for the listed companies. In compliance with the provision of the code, the Board Members are pleased to place the following statement on record.

1. The management of the company prepares the financial statement, presents fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there has been adequately disclosed.
5. The system of internal control is sound and has been effectively implemented and monitored.
6. There are no significant doubts about the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance as detailed in the listing regulation.
8. Key operating and financial data for (7) seven years is summarized in annexure-1.
9. All Outstanding Taxes & levies have been paid.
10. Director's meetings
11. Pattern of shareholders is printed on last page of the Annual Report in accordance with the Code of Corporate Governance.
12. There are no changes in share holdings of directors as compared with the previous year.
13. There is no trading in the company's shares by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

Future Prospects

The economic conditions prevailing internationally do not seem to be encouraging in the near future. The economy of our country worsen after the event of 9/11. The textile industry is facing difficulties in obtaining orders from their foreign buyers. However, we hope this difficult time has to be faced with a conscious approach and sustained efforts. Moreover, the abolishment of quota from January 1, 2005 makes the situation unpredictable. Our management has taken effective measures to enhance sales, production and profitability of the company.

Labour Management Relations

Cordial relations were maintained between the management and the labour during the year. We wish to record our appreciation for the dedication and hard work demonstrated by the employees and suppliers at every level for the progress and growth of the Company.

Statement of Compliance with the Code 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 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 and directors representing minority interests on its Board of Directors. At present the Board includes 3 (three) independent non-executive Directors and one director representing minority shareholders.
- 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 tax payers and none of them has defaulted in payment of any loan to a banking company, a DPI or NBF1 or, being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
- 4) No casual vacancy occurred in Board during the year.

- 5) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all Directors and Employees of the Company.
- 6) The Board has developed a vision / 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 has been maintained.
- 7) All the powers of Board have been duly exercised and decisions on material transactions, appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by Board.
- 8) The meetings of Board were presided over by the chairman and, in his absence, by a Director elected by the Board for this purpose and Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
- 9) The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
- 10) 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.

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.

The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of Board.

The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

The Company has complied with all the corporate and financial reporting requirements of the Code.

The Board has formed an audit committee. It comprises three members, two of whom are Non-Executive Directors.

The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners 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 ICAP.

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.

We confirm that all other material principles contained in the Code have been complied with.

COMPARATIVE STATEMENT OF OPERATING RESULTS
FROM JUNE 1998 TO JUNE 2004 (7 YEARS)

PARTICULAR	JUNE 1998	JUNE 1999	JUNE 2000	JUNE 2001	JUNE 2002	JUNE 2003	JUNE 2004
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SALES	9,064	4,919	44,664	87,219	109,137	132,621	158,507
COST OF GOODS SOLD	8,171	4,439	39,844	70,139	92,450	111,582	138,320
GROSS PROFIT	893	480	4,820	17,080	16,687	21,039	20,187
OPERATING EXPENSES	4,011	3,821	14,298	14,648	12,435	13,060	14,712
OPERATING PROFIT /(LOSS) (3,118)		-3,341	-9,478	2,432	4,252	7,979	5,475
FINANCIAL / OTHER CHARGES				-845	-1,925	-2,196	-1,948
OTHER INCOME /(LOSS)	-5,080	-102	1,019	204	363	-4,196	214
REMISSION OF MARK-UP	-	•	10,940	-	-	-	-
GENERAL RESERVE	-	-	-	-2,000	-	-	-
PROVISION FOR TAXATION	-45	-24	-	-608	-780	-982	-1,165
NET PROFIT /(LOSS)	-8,243	-3,467	2,481	-817	1,910	605	2,576
ACCUMULATED PROFIT/ (LOSS) B/F	-4,474	-12,717	-16,184	-13,703	-13,952	-12,042	-11,437
PRIOR YEAR ADJUSTMENTS	-	-	-	568	-	-	-
ACCUMULATED PROFIT / (LOSS) C/F	-12,717	-16,184	-13,703	-13,952	-12,042	-11,437	-8,861

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 Safa Textiles Limited, to comply with the Listing Regulation No. 37 of the Karachi 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 the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2004.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Safa Textiles Limited as at June 30, 2004, and the related profit & 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

BALANCE AS
AT

	Note	2004 RUPEES	2003 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized			
5,000,000 (2003: 5,000,000)			
ordinary shares of Rs. 107- each		50,000,000	50,000,000
Issued, Subscribed and Paid-up capital	3	40,000,000	40,000,000
General reserve		2,000,000	2,000,000
Accumulated loss		-8,860,698	-11,437,372
		33,139,302	30,562,628
CURRENT LIABILITIES			
Creditors Accrued and other liabilities	4	5,461,472	8,044,771
Provision for taxation	5	1,164,720	982,055
		6,626,192	9,026,826
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		39,765,494	39,589,454

	Note	2004 Rupees	2003 Rupees
ASSETS			
TANGIBLE FIXED ASSETS Operating fixed assets	7	22,582,183	18,684,656
LONG TERM LOANS	8	13,000	23,000
CURRENT ASSETS		162,231	163,575
Stores and spares	9	6,453,859	8,893,427
Stock-in-trade	10	973,794	2,683,182
Trade debtors	11	7,377,311	7,735,451
Advances, loans, prepayments and other receivables	12	2,203,116	1,406,163
Cash and Bank Balances		17,170,311	20,881,798
		39,765,494	39,589,454

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 RUPEES	2003 RUPEES
Sales	13	158,506,914	132,621,678
Cost of goods sold	14	-138,320,079	-111,582,220
Gross Profit		20,186,835	21,039,458
OPERATING EXPENSES			
General and administrative expenses	15	9,297,769	7,710,679
Selling and distribution expenses	16	5,413,781	5,349,679
		14,711,550	13,060,358

Operating Profit		5,475,285	7,979,100
Profit/(Loss) on disposal of fixed assets		119,259	-4,756,854
Other Income	17	94,957	560,265
		5,689,501	3,782,511
Financial charges	18	1,229,020	882,805
Other charges	19	719,087	1,312,884
		1,948,107	2,195,689
Profit before taxation		3,741,394	1,586,822
Taxation	5	-1,164,720	-982,055
Profit after taxation		2,576,674	604,767
Accumulated loss brought forward		-11,437,372	-12,042,139
Accumulated loss carried forward		-8,860,698	-11,437,372
Earning per share	20	0.64	0.15

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 RUPEES	2003 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		3,741,394	1,586,822
Depreciation		2,003,181	3,204,575
Financial Charges		1,229,020	882,805
Provision for doubtful debts		522,171	1,229,367
Loss/(Gain) on sale of fixed assets		-119,259	4,756,854
Liabilities written back			-361,233
		3,635,113	9,712,368
Operating profit before working capital changes		7,376,507	11,299,190
Changes in Working capital			
Stores and spares		1,344	-48,139
Stock-in-trade		2,439,568	-6,985,243
Trade debtors		1,187,217	-478,585
Loans, advances, prepayments and other receivables		543,168	521,968
		4,171,297	-6,989,999
Increase/(decrease) in current liabilities			
Creditors, accrued and other liabilities		-2,583,299	1,008,908
Provision for taxation		-	-
Cash (used)/generated from operations		1,587,998	-5,981,091
		8,964,505	5,318,099
Financial charges paid		-1,229,020	-705,218
Taxes paid		-1,167,082	-983,777
		-2,396,102	-1,688,995
Net cash inflow from operating activities		6,568,403	3,629,104
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-6,377,950	-5,087,425
Sales proceeds from disposal of fixed assets		596,500	2,467,455
Net cash outflow from investing activities		-5,781,450	-2,619,970
		786,953	1,009,134
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loan		10,000	-
Net cash outflow from financing activities		10,000	-
Cash and cash equivalent at the end of the year		2,203,116	1,406,163

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2004

	ISSUED, SUBSCRIBED & PAID UP (PKR)	RESERVE (PKR)	NET PROFIT	TOTAL
BALANCE AS ON 30TH JUNE 2002	40,000,000	2,000,000	-12,042,139	29,957,861
NET PROFIT FOR THE YEAR	-	-	604,767	604,767
BALANCE AS ON 30TH JUNE 2003	40,000,000	2,000,000	-11,437,372	30,562,628
NET PROFIT FOR THE YEAR	-	-	2,576,674	2,576,674
BALANCE AS ON 30TH JUNE 2004	40,000,000	2,000,000	-8,860,698	33,139,302

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a private limited Company on November 08, 1984 and subsequently was converted into a public limited company on April 01, 1992 and is quoted on Karachi Stock Exchange. The Company is engaged in the business of manufacturing and export of garments of various sorts and sizes from locally produced fabric.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2 Accounting Convention

These accounts have been prepared under historical cost convention

2.3 Foreign Currency Transactions

All assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak rupees at exchange rate prevailing at the date of transaction.

Exchange differences are included in income currently.

2.4 Taxation

Current

Provision for current taxation is based on final tax regime in accordance with the provisions of Section 154 of the Income Tax Ordinance, 2001.

Deferred tax

Deferred tax is provided using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tangible Fixed Assets

Operating Assets except lease hold land are stated at cost less accumulated depreciation. Lease hold land is stated at cost.

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged on monthly basis to income by applying reducing balance method at the rates specified in fixed assets note. Gains and losses on disposal of fixed assets, are taken to profit and loss account currently.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amounts, assets are written down to their recoverable amount.

Stores, spares and loose tools

These are stated at the lower of cost and net realizable value. The cost is determined on average method.

All stores and spares are reviewed by the management regularly and obsolete items are written off.

Stock in trade

All stocks are stated at the lower of cost and estimated net realizable value except for those in transit where it represents invoice value and other charges incurred thereon. Cost is determined by First in First out (FIFO) method. Cost of work in process includes direct cost of materials whereas that of finished goods also includes direct cost of labor & production overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost to complete & selling expenses.

Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

Provisions

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

2.10 **Staff retirement benefits**

The Company operates a defined contributory provident fund for all its employees eligible to the benefits. Equally monthly contributions are made both by the Company and the employees to the fund at a rate of 5% of basic salary. The company made contribution of Rs. 12,4847- for the year (2003: Rs. Nil) in this respect.

2.11 Trade and other payables

Liabilities for trade and other amounts payable are recognized and 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.

2.12 Financial Instruments

Consequent to the adoption of IAS 39 on 'Financial Instruments - Recognition and Measurement financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value.

2.13 **Offsetting of financial assets and financial liabilities**

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

2.14 Cash and cash equivalents

For the purpose of the cash flow statement and cash equivalents, consist of cash in hand and balance with banks.

2.15 Revenue recognition ...

Sales are recorded on dispatch of goods.

Export rebate is recognized on accrual basis.

Profit on short term deposit is accounted for when it becomes receivable

2.16 Transactions with Related Parties

The Company enters into transactions with Related Parties for sale / purchase of goods and services and these are priced at an arm's length basis. Prices for these transaction are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

During the year the Company entered into rent agreement for marketing office premises with an employee of company who is also spouse of the CEO, the total payment made in this behalf amounted to Rs. 275,000 during the year (2003 : Nil)

	Note	2004	2003
		Rupees	Rupees
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
3,991,900 Ordinary Shares of Rs. 10/= each fully paid in cash		39,909,000	39,909,000
9,100 Ordinary Shares of Rs. 10/= each issued as fully paid bonus shares		91,000	91,000
		40,000,000	40,000,000
CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		4,288,246	6,564,494
Accrued expenses		960,767	907,288
Worker's Profit Participation Fund	4.1	196,916	565,362
Staff Provident Fund		4,580	-
Withholding tax payable		10,963	7,627
		5,461,472	8,044,771
4.1 WORKER'S PROFIT PARTICIPATION FUND			
Balance at the beginning of the year		565,362	422,671
Interest on the fund utilized in the Company business			59,174
Distribution during the year		-565,362	-
		-	481,845
Allocation for the year		196,916	83,517
		196,916	565,362
PROVISION FOR TAXATION			
- Current year		1,164,720	982,055
	Note	2004	2003
		Rupees	Rupees
LONG TERM LOAN -Unsecured			
Loan to employees - considered good To Executive	8.1 & 8.2	14,000	25,000
To Others		106,700	67,000
Due with in One Year shown		120,700	92,000
under current assets		-107,700	-69,000
		13,000	23,000
STOCK IN TRADE			
Accessories and raw material		3,382,426	3,405,495
Work in process		836,575	1,784,281
Finished goods		2,234,858	3,703,651
		6,453,859	8,893,427
TRADE DEBTORS			

Secured - Considered good	-	544,856
Unsecured		
- Considered good	973,794	2,138,326
- Considered doubtful	594,835	1,238,942
	1,568,629	3,922,124
Provision for doubtful debts	-594,835	-1,238,942
	973,794	2,683,182

	Note	2004	2003
		RUPEES	RUPEES
LOANS, ADVANCES, PREPAYMENTS & OTHER RECEIVABLES			
Loans to Staff- considered good		107,700	69,000
Against expenses		76,007	17,070
Against supplies and services		90,000	15,736
Income tax		1,155,554	970,526
		1,321,561	1,348,332
Prepaid insurance		82,989	123,198
Other receivables - considered good			
Sales Tax Refundable		5,106,585	3,940,913
Export rebate receivable		729,726	605,493
Accrued interest on staff loan		-	3,515
Others		28,750	1,645,000
		5,865,061	6,194,921
		7,377,311	7,735,451
CASH AND BANK BALANCE			
Cash in hand		5,004	9,804
Cash at Bank			
In current accounts		2,192,662	1,139,792
In deposit account		5,450	256,567
		2,203,116	1,406,163
SALES			
Exports		155,393,362	130,608,341
Export Rebate		3,113,552	2,013,337
		158,506,914	132,621,678

	Note	2004	2003
		RUPEES	RUPEES
COST OF GOODS SOLD			
Raw material consumed	14.1	59,992,687	55,714,617
Packing material consumed		3,019,326	2,354,057
Salaries, wages & other benefits		63,012,013	58,068,674
Cutting and stitching charges		4,209,340	2,076,792
Conversion charges		28,007,928	25,914,745
Stores and spares		15,604,784	12,793,893
Fuel and power		271,292	381,806
Repair and maintenance		1,733,662	1,437,968
Water charges		835,527	780,218
Accessories		28,429	16,350
Cartage		20,458,566	12,495,824
Depreciation Work in process - opening	7.2	339,812	282,635
		1,402,227	2,243,204
		72,891,567	58,423,435
		1,784,281	.
Purchases		60,125,762	57,114,500
		62,855,786	58,444,641
Closing balance		-2,863,099	-2,730,024
		59,992,687	55,714,617

	Note	2004 RUPEES	2003 RUPEES
GENERAL AND ADMINISTRATIVE EXPENSES			
Directors remuneration		1,500,000	1,500,000
Salaries & other benefits	15.3	3,078,821	2,304,714
Medical expenses		167,236	43,205
Printing and stationery		201,813	340,467
Telephone, telex, post		475,950	320,460
Rent, rates and taxes		453,718	189,493
Canteen expenses		154,789	174,774
News paper, subscription and advertisement		73,207	69,467
Postage		272,214	1,274
Electricity		60,390	55,618
Staff Welfare		329,547	132,858
Travelling and conveyance		168,844	635,168
Repair and maintenance		768,097	242,223
Computer expenses		76,020	75,880
Legal & Professional charges		484,587	154,823
Auditor's Remuneration	15.1	155,000	155,000
Insurance Premium		169,505	156,186
Charity and donations	15.2	27,000	167,350
Depreciation	7.2	600,954	961,371
Miscellaneous expenses		80,077	30,348
		9,297,769	7,710,679
15.1 AUDITOR'S REMUNERATION			
Audit fee		125,000	125,000
Half yearly review		30,000	30,000
		155,000	155,000
SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits		1,516,976	674,632
Shipping and clearing expenses		1,095,786	905,146
Sales promotion expenses		1,888,512	1,664,700
Commission/brokerage		297,727	461,598
Sampling and other expenses		614,780	1,643,603
		5,413,781	5,349,679
	Note	2004 RUPEES	2003 RUPEES
OTHER INCOME			
Sale of waste stock		92,907	177,637
Profit on deposit account		491	17,880
Liabilities written back		-	361,233
Interest on staff loan		1,559	3,515
FINANCIAL CHARGES		94,957	560,265
Exchange loss		97,289	165,453
Bank Charges		1,131,731	658,178
Interest on Workers Profit Participation Fund		1,229,020	882,805
OTHER CHARGES			
Workers Profit Participation Fund		196,916	83,517
Provision for doubtful debts		522,171	1,229,367
		719,087	1,312,884

EARNING PER
SHARE

Net profit for the year after tax	2,576,674	604,767
Average shares in issue during the year	4,000,000	4,000,000
Earning per share	0.64	0.15

CAPACITY AND PRODUCTION

The production and capacity of the Company cannot be determined because of process involved and variation in sizes, styles, and texture of cloth etc.

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2004

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	HOLDING TO	TOTAL SHARE HELD
38	1	100	3,800
39	12	500	19,500
6	501	1,000	5,800
8	1,101	5,000	21,500
1	95,001	100,000	100,000
3	125,001	130,000	381,400
1	140,001	145,000	143,500
1	145,001	150,000	146,500
1	170,001	175,000	175,000
1	200,001	205,000	204,800
1	395,001	400,000	399,300
1	400,001	405,000	400,300
1	885,001	895,000	889,700
1	1,105,001	1,110,000	1,108,900
103			4,000,000