

AL-KHAIR GODON LIMITED

Annual Reports 2003

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COMPANY INFORMATION

BOARD OF DIRECTORS :

CHAIRMAN	Mr. Umer Hayat Sheikh
CHIEF EXECUTIVE	Mr. Mohammad Saeed Sheikh
DIRECTORS	Mr. Mohammad Afzal Sheikh Sheikh Pervaiz Afzal Mr. Mohammad Amin Sheikh Mr. Nadeem Afzal Mian Mazhar Iqbal
AUDIT COMMITTEE	Sheikh Pervaiz Afzal Chairman Sheikh Nadeem Afzal Member Mian Mazhar Iqbal Member Qaiser Saleem Khan Secretary
COMPANY SECRETARY :	Mr. Mohammad Amin Sheikh
AUDITORS :	M/s. Tahir Siddiqi & Co. Chartered Accountants. (A member firm of BR International)
LEGAL ADVISOR :	Mr. Mohammad Mushtaq Hussain
BANKERS:	Allied Bank of Pakistan Ltd. Islamic Investment Bank Ltd. Orix Investment Bank Ltd.

REGISTERED OFFICE & FACTORY SITE :

92/3, Phase III, Industrial Estate,
Gadoon Amazai,
District Swabi, (N.W.F.P)

Tel: (0938) 70260

Fax: (0938) 70270

CORPORATE OFFICE:

Al-Khair House,
43-T, Gulberg II,
Lahore.

Tel: (042) 111-111-043

Fax: (042)5716588-89

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of Al-Khair Gadoon Limited, will be held on Thursday the October 30, 2003 at 9:00 A.M. at the Registered Office of the Company at 92/3, Phase III, Industrial Estate, Gadoon Amazai, District Swabi, NWFP., to transact the following business:

1. To confirm the minutes of the 12th Annual General Meeting held on September 30, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2003, together with the Directors' and Auditors' Reports thereon.
3. To approve the Dividend declared for the year ended June 30, 2003
4. To appoint Auditors of the Company and fix their remuneration.
5. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

(MOHAMMAD AMIN SHEIKH)

Dated: October 07, 2003

Company Secretary

NOTES:

1. Share Transfer Books of the Company will remain closed from October 24 to October 30, 2003 (both days inclusive). Transfers received in order upto the close of business on October 23, 2003 at the Corporate Office of the Company at Al-Khair House, 43-T, Gulberg II, Lahore will be entitled to voting rights at the Annual General Meeting and entitled to dividend.
2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by Attorney or in case of a Corporation by representative. The instrument of proxy duly executed should be lodged at the Corporate Office of the Company at Al-Khair House, 43 - T, Gulberg II, Lahore not later than 48 hours before the time of meeting.
3. Filing of declaration for exemption of Zakat. Members are requested to file their declaration under the Zakat and Ushr Ordinance, 1980 on non-judicial Stamp Paper of Rs. 20/- for exemption of Zakat, if desired.
4. Members are requested to notify the change in their address, if any, immediately.

DIRECTORS' REPORT TO THE MEMBERS

The directors of your company feel pleasure in presenting 13th annual report together with the audited accounts and auditors report thereon for the year ended June 30, 2003.

Operations Review

The start of sales to Afghanistan & CIS countries has enabled the Company to raise its activities to make the project viable. The withdrawal of exemptions by the Government had very badly effected the Industry situated at Gadoon Amazai Industrial Estate but the opening of Afghanistan market has slightly improved the situation. We are expecting an increase in the volume of production and sales in the coming year.

The overall general economic recession is making it difficult for the company to improve its sales in the International market as well as in local market but the Company's aggressive marketing strategy is accelerating the activities by improving the production, revenue and export as well.

Subsidiary Company

The subsidiary company M/s Al-Khair Mirpur (Pvt) Limited has also slightly improved its sales. The economic and political conditions of Pakistan have restrained the Company to boost its activities but a reduction in mark-up rates has improved the financial results of the Company. The sales has been increased from Rs. 261 (m) to 281 (m). The instability of raw material prices in international market has adversely effected the operations. The profit before charging taxes is Rs. 11.741 (m) as against Rs. 6.473 (m) during the year.

Financial Results

During the year under review, the positive improvement in operations of the Company has resultantly raised the expenses as well, but the rise in expenses is reciprocated by the reduction in financial costs. The profit for the year ended June 30, 2003 after providing for taxation is as follows:-

Net Profit after taxation provision	Rs. 1,596,413
Un-appropriated profit brought forward	Rs. 6,819,487
Profit available for appropriations	Rs.8,415,900
Cash Dividend of Re. 0.5 per share of Rs. 10 each	Rs.5,000,000
Un-appropriated profit carried forward to balance sheet	Rs. 3,415,900

The earning per share before taxation provision works out to Rs. 0. 24 per share.

Gratuity Scheme

A non funded gratuity scheme has been maintained and provision has been made in accounts accordingly.

Board Meetings

The Board comprises of three executive and four non-executive directors. All the directors take active part in the management affairs of the Company. During the year eight board meetings were held and attended as follows:-

Mr. Umer Hayat Sheikh	6	Mohammad Saeed Sheikh	8
Mohammad Afzal Sheikh	8	Mohammad Amin Sheikh	8
Sheikh Pervaiz Afzal	7	Mian Mazhar Iqbal	8
Mr. Nadeem Afzal Sheikh	8		

Code of Corporate Governance

The Securities and Exchange Commission of Pakistan in assistance with the Institute of Chartered Accountants of Pakistan formulated a Code of Corporate Governance . The compliance of Corporate Governance is annexed.

Auditors

The present auditors M/s Tahir Siddiqi & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Staff and Organization

The board of directors recognizes the efforts of all the executives and employees of the Company in making efforts to the progress during the year and hopeful for future growth with existing team.

ON BEHALF OF THE BOARD

UMER HAYAT SHEIKH

Lahore: October 07, 2003

Chairman

CORPORATE GOVERNANCE AND STATEMENT OF
COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Statement of Directors responsibilities

The Board is committed to follow the code of Corporate Governance to maintain high quality standards of good corporate governance. The Company is complying with the provisions of the code as set out by the Securities and Exchange Commission of Pakistan.

There has been no material departure from the practices of code of corporate governance as detailed in listing regulations.

a) Presentation of Financial Statements

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

b) Books of Accounts

The company has maintained proper books of accounts.

c) Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements.

d) Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.

e) Internal Control Systems

The system of internal control is sound in design and has been effectively implemented and monitored.

f) Going Concern

There is no doubt about the company's ability to operate in foreseeable future.

g) Audit Committee

An audit committee was established to assist the board of directors to discharge its

responsibilities for Corporate Governance, reporting requirements and internal controls. The committee comprises of 3 non executive directors including the chairman of the committee.

The audit committee is responsible for design and implementation of sound internal controls of the Company. The reviewing of financial reports, internal audit and assistance in external audit are also the main functions of the Committee.

Statement of Compliance with Corporate Governance

The Company is in process of implementation of the Code of Corporate Governance issued by the Stock Exchanges and stated that the provisions of the Code, relevant for the year ended June 30, 2003, have been complied with.

UMER HAYAT SHEIKH

Lahore: October 07, 2003

Chairman

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 Al-Khair Gadoon Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter No. XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of Islamabad Stock Exchange 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 inquire 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.

Tahir Siddiqi & Co.

Lahore: October 08, 2003

Chartered Accountants

(A member firm of BR Int'l)

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-KHAIR GADOON LIMITED as at June 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, 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

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

b. in our opinion:-

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

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

(iii) the business conducted, investments made and 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 the 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 June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Tahir Siddiqi & Co.

Lahore: Chartered Accountants

October 08, 2003 (A member firm of BR Int'l)

BALANCE SHEET AS AT JUNE 30, 2003

Note	2003 RUPEES	2002 RUPEES
SHARE CAPITAL & RESERVES		
Authorized capital		
12,000,000 ordinary shares of Rs. 10/-each	120,000,000	120,000,000
Issued, subscribed & paid up		
7,000,000 ordinary shares ofRs. 10/-each	70,000,000	70,000,000

3,000,000 ordinary shares ofRs. 10/-each issued as fully paid bonus shares		30,000,000	30,000,000
		100,000,000	100,000,000
Share premium		25,000,000	25,000,000
Un-Appropriated Profit		3,415,900	6,819,487
		128,415,900	131,819,487
Deferred liability - Gratuity		338,980	353,180
CURRENT LIABILITIES			
Short term borrowing			
- secured	3	16,629,071	15,745,332
Creditors & accrued liabilities	4	1,624,551	2,223,854
Un-Claimed dividend		202,296	202,296
Proposed dividend		5,000,000	-
Provision for taxation		786,292	-
		24,242,210	18,171,482
Contingencies & Commitments	5	-	-
		152,997,090	150,344,149

		2003	2002
	Note	RUPEES	RUPEES

FIXED CAPITAL			
EXPENDITURE			
Operating fixed assets (at cost less accumulated depreciation)	6	53,396,142	57,410,360
Long Term Investments	7	29,995,000	29,995,000
CURRENT ASSETS			
Stocks	8	35,925,908	36,881,046
Sundry debtors	9	15,029,257	11,581,779
Advances, deposits and other receivables	10	18,003,857	12,804,248
Cash & bank balances	11	646,926	1,671,716
		69,605,948	62,938,789
		152,397,090	150,344,149

The annexed notes form an integral part of these accounts.
Auditors' report to the members is annexed.

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

		2003	2002
	Note	RUPEES	RUPEES
Sales		68,282,034	14,804,982
Cost of sales	12	58,948,309	14,048,777
Gross profit		9,333,725	756,205
Operating Expenses			
Administrative	13	3,782,590	2,627,669
Selling and distribution	14	3,341,286	1,013,710
Financial	15	1,604,446	2,377,102
		8,728,322	6,018,481
Operating Profit / (Loss)		605,402	-5,262,276

Other Income		1,777,303	7,072,416
		2,382,705	1,810,139
Prior Period and unusual items	16	-	30,980
		2,382,705	1,841,119
Provision for taxation		786,292	-
Profit after tax		1,596,413	1,841,119
Un-appropriated profit brought forward		6,819,487	4,978,368
Profit available for appropriation		8,415,900	6,819,487
Proposed Dividend @ 5%(Re. 0.5 per share of Rs.107- each)		5,000,000	—
Un-appropriated profit carried forward to balance sheet		3,415,900	6,819,487
Earning per share before taxation provision is		Re.0.23	Re.0.18

Lahore : October 07, 2003

UMER HAYAT SHEIKH CHAMMAD SAEED SHEIKH
Chairman Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 RUPEES	2002 RUPEES
OPERATING ACTIVITIES			
Profit for the year		1,596,413	1,841,119
Adjustment for items not involving movement of Cash			
Depreciation		4,411,773	4,821,531
Provision for bad debts		181,447	386,742
Deferred Liability		-14,201	34,840
Gain on Sale of Fixed Assets		-569,367	-4,176,501
		4,009,652	2,907,731
(Increase) / decrease in Current Assets			
Stocks		955,139	50,782
Trade Debts		-3,628,924	-7,734,847
Advances, deposits & other receivables		-5,199,610	-2,130,395
		-7,873,395	9,814,460
Increase / (decrease) in Current Liabilities			
Short term borrowings		883,739	5,745,632
Creditors, accrued & other liabilities		-599,304	-6,441,476
Provisions for taxation		786,292	-
Un-claimed dividend		-	-3,384,598
		1,070,727	-4,080,442
NET CASH FLOW FROM OPERATING ACTIVITIES		-1,196,603	-10,987,171
INVESTING ACTIVITIES			
Purchase of fixed assets		-596,355	-18,920,510
Leased assets taken back		-	16,191,280
Long term investment		-	2,384,000
Sale of fixed assets		768,168	16,785,685
NET CASH FROM INVESTING ACTIVITIES		171,813	16,440,455
FINANCING ACTIVITIES			
Payment of obligations under finance lease		-	-5,494,511
Repayment of demand finance		-	-
NET CASH FROM FINANCING ACTIVITIES		-	-5,494,511
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		-1,024,790	-41,225
CASH & CASH EQUIVALENT AT THE			

BEGINNING OF THE YEAR	1,671,716	1,712,941
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	646,926	1,671,716

Lahore : October 07, 2003

UMER HAYAT SHEIKH
Chairman

MOHAMMAD SAEED SHEIKH
Chief Executive

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

	Share Capital Rupees	Share Premium Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as on June 30, 2001	100,000,000	25,000,000	4,978,368	129,978,368
Net profit for the year	-	-	1,841,119	1,841,119
Balance as on June 30, 2002	100,000,000	25,000,000	6,819,487	131,819,487
Net profit for the year	-	-	1,596,413	1,596,413
Balance as on June 30, 2003	100,000,000	25,000,000	8,415,900	133,415,900
Proposed Dividend	-	-	5,000,000	5,000,000
Balance as on June 30, 2003	100,000,000	25,000,000	3,415,900	128,415,900

The annexed notes form an integral part of these accounts.

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

The Company was incorporated as a Private Limited Company on August 27, 1990 and Converted into Public Limited Company on August 31, 1995 and is enlisted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in manufacturing of foam and allied products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Fixed Assets

Fixed assets are stated at cost less depreciation except the land, which is stated at cost. Depreciation is charged on reducing balance method at the rates stated in note 6. Full year's depreciation is charged on the additions made during the year while no depreciation is charged on deletions during the year.

2.3 Stocks, Stores & Spares

Raw material	-	at average cost
Work in process	-	at average cost
Finished goods	-	at lower of cost or net realizable value.
Stores & spares	-	at cost

2.4 Staff Retirement Benefits

The Company is maintaining a non funded gratuity fund scheme for its employees. The provision made for gratuity is shown as deferred liability. No actuarial valuation of the liability has been made as the Company considers the provision adequate as on balance sheet date.

2.5 Taxation

The Company is enjoying a tax holiday under clause (122C) of the second schedule to the Income Tax Ordinance, 1979 for a period of 10 years. The period of exemption is expired now and provision for taxation is made at normal rate of taxation for the year. In the current year IAS 12 is now applicable and deferred taxation will be provided in compliance therewith.

2.6 Revenue Recognition

Revenue from sale is recognized on despatch of goods to the customers.

		2003	2002
3. SHORT TERM BORROWING - Secured	Note	RUPEES	RUPEES
ABL - Running Finance	3.1	9,999,100	9,996,469
ABL - Finance Against Trust Receipts	3.2	3,797,829	3,171,483
ABL - Payment Against Documents	3.3	2,042,782	2,577,380
ABL - Finance Against Imported Material	3.4	789,360	-
		16,629,071	15,745,332

3.1 It represents Running Finance Facility obtained from Allied Bank of Pakistan. It is secured against 1st charge on fixed assets, hypothecation of Stock in trade and personal guarantees of Directors. During the year under audit, the Bank has slashed down its markup rate from 16% per annum to 9% per annum on all its facilities.

3.2 It represents Finance Against Trust Receipts obtained from Allied Bank of Pakistan Limited against hypothecation of stocks, first charge on fixed Assets and personal guarantees of Directors. It carries markup @ 9 % per annum.

3.3 It represents Payment made by the Allied Bank of Pakistan Limited against L/C documents, it is secured against title documents of raw material and the personal guarantees of Directors. It carries markup @ 9 % per annum.

3.4 Finance against pledge of imported material is also obtained from the bank on temporary basis. It is secured against pledge of imported material and carries mark-up @ 9 % per annum.

		2003	2002
4. CREDITORS AND ACCRUED LIABILITIES	Note	RUPEES	RUPEES
Creditors		543,516	864,276
Expenses payable		538,936	339,524
Markup payable		27,121	131,454
Other payable		514,978	888,600
		1,624,551	2,223,854

5. CONTINGENCIES AND COMMITMENTS

The total bank guarantees issued on behalf of the Company amounted to Rs. 0.137 million (2002: Rs. 0.137 million).

6. OPERATING FIXED ASSETS

PARTICULARS	COST		Rate	DEPRECIATION		W.D.V As at 30 th June 2003
	As on 1-07-2002	Add. during the Period		As on 30-06-2003	As on 30-06-2003	
Land - Lease hold	1,206,819	-	1,206,819	-	-	1,206,819
Land - Free hold	420,000	-	420,000	-	-	420,000
Building - Lease hold	10,419,534	-	10,419,534	10	381,335	6,987,521
						3,432,013

Building - Free Hold	42,209,282	-	42,209,282	5	10,798,575	1,570,535	12,369,110	29,840,172
Plant & Machinery	24,947,000	7,000	24,954,000	10	10,944,282	1,400,972	12,345,253	12,608,747
Tools and Equipments	13,915	3,200	17,115	10	7,219	990	8,209	8,906
Office Equipments	1,615,712	38,305	1,602,592	10	711,880	91,418	779,832	822,760
		-51,425			-23,466			
Furniture & Fixtures	1,522,523		1,493,868	10	642,260	86,506	715,318	778,550
		-28,655			-13,448			
Bi-cycle	27,940		27,940	10	15,115	1,283	16,398	11,543
Motor Vehicles	7,541,980	536,500	7,168,480	20	4,312,867	721,996	4,280,498	2,887,982
		-910,000			-754,365			-
Arms & Ammunition	10,924		10,924	10	9,365	156	9,521	1,403
Air Conditioner	1,149,256		1,149,256	10	473,973	67,528	541,501	607,755
Computer	596,555	11,350	607,905	10	279,042	32,886	311,928	295,977
Fire fighting Equipment	22,560	-	22,560	10	13,641	892	14,533	8,027
Trucks Bodies	78,138	-	78,138	20	46,132	6,401	52,534	25,604
Electric Installation	527,149	-	527,149	10	179,431	34,772	214,203	312,946
Telephone Installation	258,431	-	258,431	10	117,389	14,104	131,493	126,938
June 30, 2003 Rupees	92,567,718	-393,725	92,173,993		34,366,079	4,411,773	38,777,851	53,396,142
June 30, 2002 Rupees	110,763,755	-18,196,037	92,567,718		30,335,827	4,821,531	35,157,358	57,410,360

6.1 Disposal of Assets

S. No.	Assets	Cost	Ace. Dep.	W.D.V	Sales Proceeds	Mode & Disposal of Profit/(Loss)	Assets.
1	Office Equipments	51,425	23,466	27,959	27,959	-	By Negotiation to M/s Jamshaid Afzal of Rawalpindi
2	Furniture & Fixture	28,655	13,448	15,207	15,207	-	By Negotiation to M/s Jamshaid Afzal of Rawalpindi
3	Vehicle (M.cycle)	52,000	41,095	10,905	15,002	4,097	By Negotiation to M/s Jamshaid Afzal of Rawalpindi
4	Vehicle (Suzuki RIL-7600)	90,000	76,410	13,590	60,000	46,410	By Negotiation to M/s N. N. Traders
5	Vehicle (B-9302)	150,000	135,504	14,496	115,000	100,504	By Negotiation to Hamida Bashir of Lahore
6	Vehicle (LOW-4495)	618,000	501,356	116,644	535,000	418,356	By Negotiation to Mr. Ghulam Yasin of Lahore

7. LONG TERM INVESTMENT

Shares in Al-Khair Mirpur (Pvt) Ltd (Wholly owned subsidiary Company) 2,999,500 ordinary shares of Rs. 10/- each Latest financial statement of the Subsidiary Company and statement U/S 237 of the Companies Ordinance 1984 is enclosed. Statement and Report under Section 237 of Companies Ordinance, Statement under section (1)(e)	Note	2003 RUPEES	2002 RUPEES
		29,995,000	29,995,000
a) Extent of interest of Al-Khair Gadoon Ltd. (the holding Company) in the equity of subsidiary as at end of the last financial year of the subsidiary.		99.98%	99.98%
b) The net aggregate amount of revenue profit less Losses of the subsidiary company so far as these concern members of the holding company and has not been dealt with within the accounts of the holding company for the year ended June 30, 2003 are:			
i) for the last of the financial year of subsidiary.		6,691,146	5,167,175
ii) for the previous years upto June 30, 2002 but subsequent to the acquisition of the controlling		17,550,738	12,381,221

interest by the holding company.

- c) The net aggregate amount of profits less losses of the subsidiary company so far as these have been dealt with or provision made for losses in the account of the holding company for the year ended June 30, 2003.

i) for the last of the financial year of the subsidiary.

ii) for the previous years upto June 30, 2002 but subsequent to the acquisition of the controlling interest by the holding company.

N. A.

N.A.

N. A.

N.A.

8. STOCKS & STORES

Spares	38,670	31,051
Stock of Materials	15,373,611	14,965,166
Work-in-Process	11,270,473	11,221,669
Finished Goods	9,243,154	10,663,160
	35,925,908	36,881,046

9. SUNDRY DEBTORS

Debtors	15,820,271	12,191,346
Less: Provision for bad debts	791,014	609,567
	15,029,257	11,581,779

These are unsecured but considered good by the Management. However a provision @ 5% of the outstanding debts has been provided to meet any loss in this respect.

	Note	2003 RUPEES	2002 RUPEES
10. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advances to staff		4,453	19,900
Other Receivable		1,252,971	1,421,939
Letter of guarantee margin		136,500	136,500
Advance taxes		13,989,320	9,807,255
Letters of Credits		2,620,613	1,418,654
		18,003,857	12,804,248
11. CASH AND BANK BALANCES			
Cash in Hand		114,030	17,074
Cash at Bank		532,896	1,654,642
		646,926	1,671,716
12. COST OF SALES			
Opening Stock of raw materials		14,996,218	13,452,479
Purchases during the year		53,765,569	10,789,125
		68,761,787	24,241,604
Less: Closing Stock of raw materials		15,412,281	14,996,218
Raw material consumed		53,349,506	9,245,386
Wages		1,668,684	674,455
Power & Fuel		541,820	363,625
Repair & Maintenance		113,806	53,219
Depreciation		1,851,716	2,070,218
Insurance		51,575	47,353
		57,577,107	12,454,256
Add: Opening Stocks			
Finished Goods		10,663,160	9,596,200
Work-in-Process		11,221,669	13,883,150
		21,884,829	23,479,350
		79,461,936	35,933,606
Less: Closing Stocks			
Finished Goods		9,243,154	10,663,160
Work-in-Process		11,270,473	11,221,669
		20,513,627	21,884,829

		58,948,309	14,048,777
		2003	2002
13.	ADMINISTRATIVE EXPENSES	RUPEES	RUPEES
	Directors remuneration	188,445	120,000
	Salaries and benefits	257,004	230,298
	Travelling and conveyance	111,170	47,430
	Postage, telephone and telegrams	319,543	325,180
	Rent, rates and taxes	34,000	24,000
	Vehicle running and maintenance	140,576	273,841
	Legal & professional charges	84,970	149,122
	Auditors remuneration	98,750	60,000
	Printing & stationery	149,810	123,434
	Staff welfare	5,100	19,578
	Entertainment	29,604	10,282
	Electricity	235,667	220,989
	Fee and subscription	87,591	11,145
	Other expenses	-	47,443
	Depreciation	1,653,736	1,936,033
	Medical expenses	6,732	18,677
	Newspaper and periodicals	3,300	3,622
	Provision for bad debt	181,447	386,742
	Repair and maintenance	26,597	19,192
	Utility charges	42,590	31,490
	Insurance	37,495	120,770
	Advertisement	79,075	69,060
	Zakat Deduction	1,004	4,428
	Property Tax	8,384	310,946
		3,782,590	4,563,702
	Less: Re - Imbursement of expenses	-	1,936,033
		3,782,590	2,627,669
13.1	Auditors Remuneration		
	Statutory Audit Fee	80,000	50,000
	Out of pocket expenses	18,750	10,000
		98,750	60,000
		2003	2002
14.	SELLING AND DISTRIBUTION EXPENSES	RUPEES	RUPEES
	Salaries & wages	520,655	262,112
	Staff welfare	85,960	12,764
	Entertainment	142,035	44,471
	Printing and stationery	110,426	14,052
	Telephone and postage	235,412	97,289
	Travelling and conveyance	125,367	24,915
	Vehicle repair and maintenance	243,300	47,867
	General repair and maintenance	98,426	-
	Newspapers and periodicals	83,097	3,819
	Electricity	205,150	135,468
	Advertisement	408,723	325,748
	Incentives	33,183	-
	Others	143,232	45,205
	Depreciation	906,320	815,280
		3,341,286	1,828,990
	Less: Re-Imbursement of expenses	-	815,280
		3,341,286	1,013,710
15.	FINANCIAL		
	Markup on finance lease		

					538,619
	Markup on bank borrowing			-	
	Bank charges			1,576,819	1,778,647
				27,627	59,836
				1,604,446	2,377,102
16.	PRIOR PERIOD AND UN-USUAL ITEMS				
	Others			-	30,980
				-	30,980
17.	CHIEF EX AND EXECUTIVE REMUNERATION				
			Chief Director		Executive
			Executive		
	Managerial remuneration		188,445	225,000	
	No. of persons - 2003		11		2
	Managerial remuneration		120,000	180,000	
	No. of persons - 2002		11		2

In addition to the above the Chief Executive and Executives are provided with free use of Company maintained cars for Company's use and for personal use.

		2003	2002
18.	CAPACITY AND PRODUCTION	Tons	Tons
	Rated capacity	13,280	13,280
	Capacity utilized	329	95

19. FIGURES

- have been rounded off to the nearest rupee.

- of previous year have been rearranged and regrouped for comparison purpose.

PATTERN OF HOLDING OF THE SHARES HELD

Sr.	Number of Shareholders	HOLDING		Total Shares Held
		From	To	
1	4	1	100	400
2	884	101	500	450,500
3	29	501	1000	29,000
4	88	1001	5000	279,300
5	38	5001	10000	205,800
6	4	10001	15000	49,000
7	8	15001	20000	94,000
8	3	20001	25000	66,500
9	2	25001	30000	55,500
10	1	30001	35000	32,800
11	1	35001	40000	38,500
12	1	45001	50000	50,000
13	3	55001	65000	119,500
14	5	95001	100500	495,500
15	2	100001	105100	100,500
16	1	120001	125000	124,000
17	1	195001	200000	200,000
18	1	245001	250000	250,000
19	1	250001	255000	251,000
20	1	265001	270000	266,500
21	1	275001	280000	280,000

22	1	295001	300000	300,000
23	1	310001	315000	311,500
24	1	280001	285000	282,000
25	1	345001	350000	347,500
26	1	400001	405000	404,200
27	1	495001	500000	500,000
28	2	600001	605000	1,202,000
29	1	665001	670000	666,500
30	1	700001	705000	701,000
31	1	795001	800000	800,000
32		11045001	1050000	1,047.00
	1090		TOTAL:	10,000.00

Categories of Shareholders	Share holder	No. of Shares held	Percentage
Individuals	1082	9,854,500	98.54%
Investment Companies	2	52,000	0.52%
Joint Stock Companies	3	52,500	0.52%
Modarabas	3	41,000	0.42%
TOTAL:	1090	10,000,000	100.00%

PATTERN OF SHAREHOLDING

	No. of Shares
1. SHARES HELD BY ICP	32,000
2. DIRECTORS	
a) Mr. Umer Hayat Sheikh	Chairman/Director
b) Mr. Mohammad Saeed Sheikh	Chief Executive
c) Mr. Mohammad Amin Sheikh	Director
d) Mr. Mohammad Afzal Sheikh	Director
e) Sheikh Pervaiz Afzal	Director
f) Mian Mazhar Iqbal	Director
g) Mr. Nadeem Afzal Sheikh	Director
3. SPOUSE AND CHILDREN	
a) Mrs. Farnaz Saeed w/o M. Saeed Sheikh	800,000
b) Mrs Nafeesa Amin w/o M.Amin Sheikh	500,000
c) Mrs. Parveen Shahzadi w/o M. Afzal Sheikh	601,000
d) Mrs Munawar Pervaiz w/o Sheikh Pervaiz Afzal	701,000
e) Mr. Ali Afzal s/o M.Afzal Sheikh	100,000
f) Miss Huma Afzal d/o Sheikh Pervaiz Afzal	100,000
4. PUBLIC SECTOR COMPANIES	
a) First Prudential Modaraba	18,000
b) Second Prudential Modaraba	20,000
c) Third Prudential Modaraba	3,000
d) Spencers Securities (Pvt) Ltd.	7,000
e) Universal Guards Security Services (Pvt) Ltd	500
f) KASB Premier Fund Limited	45,000
5. BANKS AND FINANCIAL INSTITUTIONS	
Islamic Investment Bank Limited	20,000
6. GENERAL PUBLIC	4,856,000
	10,000,000
A. SHAREHOLDING 10% OR MORE	
Mr. Umer Hayat Sheikh	1,047,000
B ALL TRADES IN THE SHARES OF "THE COMPANY BY DIRECTORS"	NIL

AL-KHAIR MIRPUR

(PVT.) LIMITED

(THE SUBSIDIARY COMPANY)

COMPANY INFORMATION

BOARD OF DIRECTORS :

CHAIRMAN	Mr. Umer Hayat Sheikh
CHIEF EXECUTIVE	Mr. Mohammad Saeed Sheikh
DIRECTORS	Mr. Mohammad Afzal Sheikh Sheikh Pervaiz Afzal Mr. Mohammad Amin Sheikh
LEGAL ADVISOR	Mr. Mohammad Mushtaq Hussain
AUDITORS	M/s. Tahir Siddiqi & Co. Chartered Accountants. (A member firm of BR International)

REGISTERED OFFICE
& FACTORY SITE :

T - 30 / II, New Industrial Area
Mirpur (AJK)
Tel: (058610)34580-82-84
Fax: (058610)34581

CORPORATE OFFICE:

Al-Khair House,
43-T, Gulberg II,
Lahore.
Tel: (042) 111-111-043
Fax: (042)5716588-89

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors is pleased to present annual report together with the Company's audited account alongwith the Auditors Report for the year ended June 30, 2003.

OPERATIONS REVIEW

During the fiscal year 2002-2003, a recession is faced by overall economic activity because of politic? unrest in Pakistan and slump in international market has made it difficult to expand the activitie drastically. The sales of the Company have increased from Rs. 261 (m) to 281 (m). A slight improvemer in sales has also increased expenses but a reduction in mark-up rates by the financial institutions ha improved profitability. The Company has successfully achieved the target of expanding its activitie through effective use of scarce resources. After a partial peace in Afghanistan, we are anticipating a goo market in Afghanistan and CIS states in coming years.

FINANCIAL RESULTS

The improved business activity and reduction in expenses has resulted into good profits. The profit before charging taxation provision is increased from 6.273(m) to Rs.11.740(m). The appropriations are made a follows:-

Net Profit after charging taxation provision	Rs. 6,692,217
--	---------------

Un-appropriated profit brought forward	Rs. 17,553,664
Un-appropriated profit carried forward to balance sheet	Rs. 24,245,881

The earning per share before taxation provision works out to Rs. 3.91 per shares.

AUDITORS

The present auditors M/s Tahir Siddiqi & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

STAFF AND ORGANIZATION

The board of directors recognizes the efforts of all the executives and employees of the Company in making efforts to the progress during the year and hopeful for future growth with existing team.

ON BEHALF OF THE BOARD

UMER HAYAT SHEIKH

Lahore: September 07, 2003

Chairman

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-KHAIR MIRPUR (PVT) LIMITED as at June 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, 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984:

b. in our opinion:-

i) the balance sheet and profit and loss account together with the notes thereon have been drawnup 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;

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

iii) the business conducted, investments made and 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 the 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 June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Tahir Siddiqi & Co.

Lahore:

Chartered Accountants

September 08, 2003

(A member firm of BR Int'l)

BALANCE SHEET AS AT JUNE 30, 2003

Note	Note	2003 RUPEES	2002 RUPEES
SHARE CAPITAL & RESERVES			
Authorized capital			
3,000,000 ordinary shares ofRs 10/-each		30,000,000	30,000,000
Issued, subscribed & paid up			
3,000,000 ordinary shares ofRs 10/-each		30,000,000	30,000,000
Un-Appropriated Profit		24,245,881	17,553,664
		54,245,881	47,553,664
Deferred liability-Gratuity		2,456,032	2,718,148
Liabilities against assets			
Subject to finance lease	3	13,525,955	19,565,185
CURRENT LIABILITIES			
Short term borrowing			
- secured	4	72,708,248	77,120,809
Current portion of liabilities against assets subject to finance lease	3	10,187,839	14,297,900
Creditors & accrued liabilities	5	130,808,465	80,991,831
Provision for taxation		7,772,320	4,630,349
		221,476,872	177,040,889
Contingencies & Commitments	6	-	-
		291,704,740	246,877,886
		2003	2002
	Note	Rupees	Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets (at cost less accumulated			
- depreciation)	7	65,535,522	65,065,871
Long Term Deposits	8	7,189,000	8,000,000
CURRENT ASSETS			
Stocks	9	36,070,228	36,625,941
Sundry debtors			

Advances, deposits and other receivables	10	33,777,342	39,207,214
Cash & bank balances	11	142,058,601	93,727,357
	12	7,074,047	4,251,503
		218,980,218	173,812,015
		291,704,740	246,877,886

The annexed notes form an integral part of these accounts.
Auditors' report to the members is annexed.

UMER HAYAT SHEIKH MOHAMMAD SAEED SHEIKH

Lahore: September 07, 2003

Chairman

Chief Executive

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 RUPEES	2002 RUPEES
Sales		281,309,050	260,980,934
Cost of sales	13	239,272,857	221,232,507
Gross profit		42,036,193	39,748,427
Operating Expenses			
Administrative	14	14,392,728	13,364,030
Selling and distribution	15	14,039,333	12,573,414
Financial	16	8,916,824	11,732,070
		37,348,884	37,669,514
Operating Profit		4,687,309	2,078,913
Other Income		7,053,422	4,194,204
		11,740,731	6,273,117
Prior Period and unusual items		-	200,515
		11,740,731	6,473,632
Provision for taxation		5,048,514	1,304,905
Profit aftertax		6,692,217	5,168,727
Un-appropriated profit brought forward		17,553,664	12,384,937
Un-appropriated profit carried forward to balance sheet		24,245,881	17,553,664
Earning per share before charging taxation provision		Rs. 3.91	Rs. 2.09

The annexed notes form an integral part of these accounts

Lahore : September 07, 2003 UMER HAYAT SHEIKH MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 RUPEES	2002 RUPEES
OPERATING ACTIVITIES			
Profit for the year		6,692,217	5,168,727
Adjustment for items not involving movement of Cash			
Depreciation		7,675,543	6,993,741
Provision for bad debts		-285,783	-385,181
Deferred Liability-		-262,116	164,683
Loss on sale of fixed assets			19,293
Gain on Disposal of Assets			

	-18,199	-
	7,109,445	11,961,263
(Increase) / decrease in Current Assets		
Stocks	555,713!	-284,308
Trade Debts	5,715,655	7,703,620 !
Advances, deposits & other receivables	-48,331,245	-20,627.20
	-42,059,877	-13,207,890
Increase / (decrease) in Current Liabilities		
Short term borrowings	-4,412,560	-19,865,680
Creditors, accrued & other liabilities	59,816,633	21,173,400
Provisions for taxation	3,141,969	1,304,905
	48,546,042	2,612,625
NET CASH FLOW FROM OPERATING ACTIVITIES	20,287,827	1,365,998
INVESTING ACTIVITIES		
Purchase of fixed assets	-21,396,325	-11,021,487
Leased assets taken back	13,122,000	
Sale of fixed assets	147,332	368,988
NET CASH FROM INVESTING ACTIVITIES	-8,126,993	-10,652,499
FINANCING ACTIVITIES		
Proceeds from obligation under finance lease	5,949,500	25,500,000
Payment of obligations under finance lease	-16,098,790	-11,978,149
Long term deposit to leasing companies	811,000	-5,250,000
Demand Finance		10,000,000
Repayment of demand finance	-	-6,476,000
NET CASH FROM FINANCING ACTIVITIES	-9,338,290	11,795,852
NET INCREASE/DECREASE) IN CASH AND CASH EQUIVALENT	2,822,544	2,509,351
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	4,251,503	1,742,152
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	7,074,047	4,251,503

Lahore : September 07, 2003

UMER HAYAT SHEIKH

MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive

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

	Share Capital Rupees	Un-appropri- ated Profit Rupees	Total Rupees
Balance as on June 30, 2001	30,000,000	12,384,937	42,384,937
Net profit for the year	-	5,168,727	5,168,727
Balance as on June 30, 2002	30,000,000	17,553,664	47,553,664
Net profit for the year	-	6,692,217	6,692,217
Balance as on June 30, 2003	30,000,000	24,245,881	54,245,881

The annexed notes form an integral part of these accounts.

Lahore : September 07, 2003

UMER HAYAT SHEIKH

MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive

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

The Company was incorporated as a Private Limited Company in 1997 with the registrar of Companies Mirpur (AJK). The company is wholly owned subsidiary of Al-Khair Gadoon Limited, a listed company. It is principally engaged in the manufacturing of foam and allied items.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Fixed Assets

a) Owned

Fixed assets are stated at cost less depreciation except the land, which is stated at cost. Depreciation is charged on reducing balance method at the rates stated in note 7. Full year's depreciation is charged on additions made during the year while no depreciation is charged on deletions during the year.

b) Leased

Leased assets held under finance lease are stated at cost less accumulated depreciation. Depreciation is provided at the same rates applicable to the Company's owned assets. Full year's depreciation is provided on additions and no depreciation is provided on deletions irrespective of the dates of additions or deletions.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability in note 3. The financial charges are calculated at the mark-up rate implicit in the lease and are charged to profit & loss account.

2.3 Stores & Spares

These are stated at cost.

2.4 Stocks, Stores & Spares

Raw material	-	at average cost
Work in process	-	at average cost
Finished goods	-	at lower of cost or net realizable value.
Stores & spares	-	at cost

2.5 Staff Retirement Benefits

The Company is maintaining a non funded gratuity scheme for its employees. The provision made for gratuity is shown as deferred liability.

2.6 Taxation

The Company was enjoying a tax holiday under clause (126C) of the second schedule to the Income Tax Ordinance, 1979 for a period of 10 years but the exemption was unlawfully withdrawn by the taxation authorities and the matter is pending in Income Tax appellate tribunal. Provision for taxation is made at the normal rate to cover all the potential loss due to withdrawal of exemption.

2.7 Revenue Recognition

Revenue from sale is recognized on despatch of goods to the customers.

3. LIABILITIES AGAINST ASSETS SUBJECT TO

FINANCE LEASE

	Residual Value	2003 Rupees	2002 Rupees
Orix Leasing Pakistan Limited	4,500,000	16,858,926	15,005,564
Dawood Leasing Company Limited	1,000,000	-	3,527,992
Security Leasing Corporation Limited	1,000,000	-	3,517,063
Pak Apex Leasing Co. Ltd.	1,500,000	6,854,868	11,812,466
	8,000,000	23,713,794	33,863,085
Less: Current portion shown under current liabilities		10,187,839	14,297,900
		13,525,955	19,565,185

The rate of markup used as discount factor (i.e. implicit in the lease) is 18% per annum. After a good deal of negotiations, Orix Leasing Pakistan Limited has agreed to reduce mark-up rate from 18% to 10% per annum from the outstanding lease amount effective from July, 2003. The amount of future payment and the periods during which they will fall due are:-

Year Ending June 30,		
2003	.	17,253,016
2004	10,145,660	10,323,920
2005	7,641,660	6,726,480
2006	5,052,060	3,792,140
2007	1,624,295	344,740
2008	437,560	-
	24,901,235	38,440,296
Less: Financial charges not yet due	1,187,441	4,577,211
	23,713,794	33,863,085
4. SHORT TERM BORROWING - Secured		
ABL Running Finance	19,735,268	14,976,847
Demand Finance	-	3,524,000
Islamic Investment Bank	8,901,933	11,985,648
ORIX Investment Bank	-	10,000,000
Finance against Trust Receipts - ABL	4.1 31,082,053	24,848,450
Finance against Documents - ABL	4.2 12,635,541	11,785,864
Finance against Imported Material- ABL	353,453	-
	72,708,248	77,120,809

4.1 It represents finance against trust receipts obtained from the Allied Bank of Pakistan Limited against hypothecation of stocks, 1st Charge on fixed assets and personal guarantees of directors. It carries mark-up @17% per annum. Now, the bank has reduced mark-up on financial facilities from 17% to 9% per annum.

4.2 It represents payments made by the Allied Bank of Pakistan Limited against L/C documents It is secured against title of raw material and the personal guarantees of directors. It carries mark-up @ 17% per annum. Now, the bank has reduced mark-up on financial facilities from 17% to 9% per annum.

	Note	2003 RUPEES	2002 RUPEES
5. CREDITORS AND ACCRUED LIABILITIES			
Creditors		12,963,750	8,103,559
Other payables		1,372,266	1,119,420
Markup payable		362,849	739,252
Provision against letter of guarantees		116,109,600	71,029,600
		130,808,465	80,991,831

6. CONTINGENCIES AND COMMITMENTS

There had been no contingencies on the balance sheet date. In addition to the above, also see note 3 for commitments regarding future lease payments.

7. OPERATING FIXED ASSETS

PARTICULARS	COST			Rate %	DEPRECIATION			W.D.V AS AT 30th June 2003
	As on 1-07-2002	Addition / (Deletion)	As on 30-06-2003		As on 1-07-2002	For the Period	As on 30-06-2003	
Land - Lease hold	2,912,856	-	2,912,856	-	-	-	-	2,912,856
Building - Lease hold	19,007,695	-	19,007,695	10	6,297,423	1,271,027	7,568,450	11,439,245
Plant & Machinery	3,076,983	15,283,150	18,360,133	10	2,273,980	1,608,615	3,882,595	14,477,538
Plant Erection Cost	4,076,719	-	4,076,719	10	1,401,984	267,474	1,669,457	2,407,262
Office Equipments	593,755	46,350	634,030	10	164,550	47,122	209,929	424,101
		-6,075			-1,743			
Furniture & Fixtures	243,719	14,875	258,594	10	65,783	19,281	85,064	173,530
Motor Vehicles	1,202,170	-	1,007,170	20	569,652	101,544	600,996	406,174
		-195,000			-70,200			
Air Conditioner	180,000	-	180,000	10	61,902	11,810	73,712	106,288
Computer	765,800	102,450	868,250	10	133,089	73,516	206,605	661,645
Fire fighting & Equipment	456,170	-	456,170	10	128,578	32,759	161,337	294,833
Tubewell for Factory	167,920	-	167,920	10	57,019	11,090	68,109	99,811
Electric Instalation	228,020	-	228,020	10	53,976	17,404	71,380	156,640
	32,911,807	15,245,750	48,157,557		11,135,993	3,461,643	14,597,635	33,559,922
Leased : Machinery	55,500,000	-	35,500,000	10	12,138,000	3,024,000	8,284,000	27,216,000
		-20,000,000			-6,878,000			
Vehicles	-	5,949,500	5,949,500	20	-	1,189,900	1,189,900	4,759,600
	55,500,000	-14,050,500	41,449,500		5,260,000	4,213,900	9,473,900	31,975,600
June 30, 2003 Rupees	88,411,807	1,195,250	89,607,057		16,395,993	7,675,543	24,071,535	65,535,522
June 30, 2002 Rupees	77,950,471	10,461,336	88,411,807		16,352,196	6,993,740	23,345,936	65,065,871

7.1 Disposal of Assets

S.No.	Assets	Cost	Ace. Dep.	W.D.V	Sales Proceeds	Profit/ (Loss)	Mode & Disposal of Assets.
1	Office Equipments	6,075	1,743	4,332	4,332		. By Negotiation to M/s Jamshaid of Rawalpindi
2	Vehicles (LOU-4962)	195,000	70,200	124,800	143,000	18,200	By Negotiation to Malik Motors Faisal Town, Lahore.

	2003 Rupees	2002 Rupees
8. LONG TERM DEPOSITS		
-ORIX Leasing Pakistan Ltd.	5,689,000	4,500,000
- Dawood Leasing Company Ltd.	-	1,000,000
- Security Leasing Corporation Ltd.	-	1,000,000
- Pak Apex Leasing Corporation Ltd.	1,500,000	1,500,000
	7,189,000	8,000,000

Long term deposits represent the amount deposited with leasing companies against the assets subject to finance lease. These deposits may be adjusted while exercising the purchase option by

the Company.

9.	STOCKS & STORES		
	Spares	520,904	571,655
	Raw Material	20,842,572	22,625,379
	Work-in-Process	3,018,233	2,585,913
	Finished Goods	11,688,519	10,842,994
		36,070,228	36,625,941
10.	SUNDRY DEBTORS		
	Debtors	35,555,097	41,270,752
	Less: Provision for bad debts	1,777,755	2,063,538
		33,777,342	39,207,214

These are unsecured but considered good by the Management. However a provision @ 5% of the outstanding debts has been provided to meet any loss in this respect.

11.	ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
	Advances to staff	1,228,150	479,863
	Accrued income from L / G Margin	2,204,561	1,112,591
	Advance taxes	10,212,993	6,200,036
	Letter of guarantees margin	116,744,600	71,627,600
	Other receivables	581,066	4,581,717
	Letter of credits	11,087,231	9,725,550
		142,058,601	93,727,357

		2003	2002
	Note	RUPEES	RUPEES
12.	CASH AND BANK BALANCES		
	Cash in Hand	1,184,487	2,282,750
	Cash at Bank	5,889,560	1,968,753
		7,074,047	4,251,503
13.	COST OF SALES		
	Opening Stock of raw materials	23,197,034	15,894,068
	Purchases during the year	223,206,004	206,337,877
		246,403,038	222,231,946
	Less: Closing Stock of raw materials	21,363,476	23,197,034
	Raw material consumed	225,039,562	199,034,912
	Wages	6,844,921	6,399,271
	Power & Fuel	1,181,863	958,816
	Repair & Maintenance	473,269	253,546
	Depreciation	6,244,180	6,697,849
	Insurance	766,907	869,456
		240,550,702	214,213,849
	Add: Opening Stocks		
	Finished Goods	10,842,994	17,932,473
	Work-in-Process	2,585,913	2,515,092
		13,428,907	20,447,565
		253,979,609	234,661,414
	Less: Closing Stocks		
	Finished Goods	11,688,519	10,842,994
	Work-in-Process	3,018,233	2,585,913
		14,706,752	13,428,907
		239,272,857	221,232,507

		2003	2002
	Note	RUPEES	RUPEES
14.	ADMINISTRATIVE EXPENSES		
	Directors remuneration		

		2,160,000	1,980,000
Salaries & benefits		5,145,919	4,604,205
Travelling & conveyance		404,518	332,695
Postage, telephone & telefaxes		393,920	420,660
Rent, rates & taxes		215,998	170,000
Vehicle running & maintenance		516,715	447,493
Legal & professional charges		356,360	437,980
Auditor's remuneration	14.1	27,500	25,000
Printing & stationery		376,537	261,366
Charity & donation		200	8,350
staff welfare		351,002	235,910
Entertainment		878,904	732,029
Electricity		111,739	144,007
Fee & subscription		27,670	62,510
Other expenses		846,973	1,328,953
Depreciation		853,860	2,070,794
Rent		1,200,000	—
Medical expenses		170,210	87,540
Newspaper & periodicals		13,091	13,498
Provision for bad debts		-285,783	-385,181
Bad debts		8,885	57,941
Computer maintenance		69,269	45,198
Insurance		9,390	9,649
Repair & maintenance		452,496	181,123
Advertisements		-	12,800
Internet charges		51,030	79,510
Utility Charges		36,325	-
		14,392,728	13,364,030
14.1 Auditors Remuneration			
Statutory Audit Fee		25,000	25,000
Out of pocket expenses		2,500	-
		27,500	25,000
		2003	2002
15. SELLING AND DISTRIBUTION EXPENSES	Note	RUPEES	RUPEES
Salaries & benefits		5,695,578	6,144,425
Travelling & conveyance		766,998	710,155
Advertisement		4,049,262	2,323,292
Rent, rates & taxes		595,150	851,350
Others		107,812	50,918
Staff welfare		77,720	48,450
Entertainment		240,859	239,533
Printing & stationery		126,649	37,875
Telephone & postage		412,126	320,793
Electricity		143,633	142,441
Vehicle repair and maintenance		377,268	391,148
Depreciation		577,504	973,409
Charity & donation		9,966	14,887
Incentive		278,564	196,430
Water & gas charges		34,161	13,649
Freight		24,031	-
Repair & maintenance		144,214	35,683
Insurance		22,186	70,911
Business Promotion		349,791	-
Newspaper and books		5,861	8,065
		14,039,333	12,573,414

16.	FINANCIAL EXPENSES		
	Markup on finance lease	3,122,779	4,541,836
	Markup on bank borrowing	5,485,547	6,794,371
	Bank Charges	308,498	395,864
		8,916,824	11,732,070
		2003	2002
17.	CAPACITY AND PRODUCTION	Tons	Tons
	Rated capacity	13,280	13,280
	Capacity utilized	1,465	1,688

18. FIGURES

- have been rounded off to the nearest rupee.

- of previous year have been rearranged and regrouped for comparison purpose.

Lahore : September 07, 2003 UMER HAYAT SHEIKH MOHAMMAD SAEED SHEIKH

Chairman Chief Executive

**CONSOLIDATED
ACCOUNTS.**

AL-KHAIR GABOON LIMITED

**AND ITS SUBSIDIARY
AL-KHAIR MIRPUR (PVT) LTD.**

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of Al-Khair Gadoon Limited (the holding company) and Al-Khair Mirpur (Pvt) Limited (the subsidiary company) as at June 30, 2003 and the related consolidated Profit and Loss account, Consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the Notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Al-Khair Gadoon Limited and Al-Khair Mirpur (Pvt) Limited .

It is the responsibility of the Holding 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 financial 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.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Al-Khair Gadoon Limited and its subsidiary company as at June 30, 2003 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Tahir Siddiqi & Co.

Chartered Accountants
Lahore: October 08, 2003

(A member firm of BR International)

Note	Note	2003 RUPEES	2002 RUPEES
SHARE CAPITAL & RESERVES			
Authorized capital			
12,000,000 ordinary shares of Rs. 10/-each		120,000,000	120,000,000
Issued, subscribed & paid up			
7,000,000 ordinary shares of Rs. 10/-each		70,000,000	70,000,000
3,000,000 ordinary shares o Rs. 10/-each issued as fully paid bonus shares —		30,000,000	30,000,000
		100,000,000	100,000,000
Share premium		25,000,000	25,000,000
Un-Appropriated profit		27,661,782	24,373,151
		152,661,782	149,373,151
Minority Interest		5,000	5,000
Deferred Liability-Gratuity		2,795,012	3,071,328
Liabilities against assets subject to finance lease 3		13,525,955	19,565,185
CURRENT LIABILITIES			
Short term borrowing			
- secured 4		89,337,319	92,866,141
Current portion of liabilities against assets subject to finance lease 3		10,187,839	14,297,900
Creditors & accrued liabilities 5		132,433,016	83,215,686
Provision for taxation		8,558,610	4,630,349
Proposed dividend		5,000,000	-
Un-Claimed dividend		202,296	202,296
		245,719,080	195,212,372
Contingencies and Commitments 6		-	-
		414,706,829	367,227,036

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2003

Note	Note	2003 RUPEES	2002 RUPEES
FIXED CAPITAL EXPENDITURE			
Operating fixed assets (at cost less accumulated depreciation)	7	118,931,663	122,476,231
Long term deposits	8	7,189,000	8,000,000
CURRENT ASSETS			
Stocks	9	71,996,136	73,506,988
Sundry debtors	10	48,806,599	50,788,994
Advances, deposits and other receivables	11	160,062,457	106,531,604
Cash & bank balances	12	7,720,974	5,923,219
		288,586,166	236,750,805

414,706,829 367,227,036

CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 RUPEES	2002 RUPEES
Sales		349,591,084	275,785,916
Cost of sales	13	298,221,166	235,281,285
Gross profit		51,369,918	40,504,631
Operating Expenses			
Administrative	14	18,175,317	15,991,699
Selling and distribution	15	17,380,619	13,587,124
Financial	16	10,521,270	14,109,172
		46,077,206	43,687,995
Operating Profit / (Loss)		5,292,712	-3,183,364
Other Income		8,830,725	11,266,620
Profit before taxation		14,123,437	8,083,256
Prior period and unusual items		-	231,495
Profit before tax		14,123,437	8,314,751
Provision for taxation		5,834,806	1,304,905
Profit after tax		8,288,631	7,009,846
Un-appropriated profit brought forward		24,373,151	17,363,305
Profit available for appropriation		32,661,782	24,373,151
Proposed Dividend @5%(Re.0.5 per share of Rs.10)		5,000,000	-
Un-appropriated profit carried forward to balance sheet		27,661,782	24,373,151
Earning per share before taxation provision is		Re.1.41	Re. 0.83

The annexed notes form an integral part of these accounts.

Lahore: October 07,2003

UMER HAYAT SHEIKH

MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 RUPEES	2002 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Funds generated from operations			
Profit for the year		8,288,631	7,009,846
Adjustment for items not involving movement of funds			
Depreciation		12,087,315	11,815,272
Provision for bad debts		-104,336	1,561
Deferred liability		-276,316	199,525
Loss on sales of fixed assets		-	19,292
Gain on sale of fixed assets		-587,567	-4,176,501
		11,119,096	7,859,149
(Increase) / decrease in Current Assets			
Stocks		1,510,852	-233,526
Trade Debts		2,086,731	-31,227
Advances, prepayments & receivables		-53,530,855	-22,757,597
		-49,933,272	-23,022,350
Increase / (decrease) in Current Liabilities			

Short term borrowings	-3,528,821	-14,120,048
Creditors, accrued & other liabilities	49,217,330	14,731,924
Provisions for taxation	3,928,261	1,304,905
Un-Claimed Dividend	-	-3,384,598
	49,616,770	-1,467,817
NET CASH FLOW FROM OPERATING ACTIVITIES	19,091,225	-9,621,172
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets	-21,992,680	-29,941,997
Leased assets taken back	13,122,000	16,191,280
Long term deposits	-	2,384,000
Sale of fixed assets	915,500	17,154,673
NET CASH FROM INVESTING ACTIVITIES	-7,955,180	5,787,956
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from obligations under finance lease	5,949,500	25,500,000
Payment of obligations under finance lease	-16,098,790	-17,472,658
Long term deposits to leasing companies	811,000	-5,250,000
Demand finance	-	10,000,000
Repayment of demand finance	-	-6,476,000
NET CASH FROM FINANCING ACTIVITIES	-9,338,290	6,301,342
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	1,797,755	2,468,126
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	5,923,219	3,455,093
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	7,720,974	5,923,219

Lahore: October 07,2003

UMER HAYAT SHEIKH

MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003**

	Share Capital Rupees	Share Premium Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as on June 30, 2001	100,000,000	25,000,000	17,363,305	142,363,305
Net profit for the year	-	-	7,009,846	7,009,846
Balance as on June 30, 2002	100,000,000	25,000,000	24,373,151	149,373,151
Net profit for the year	-	-	8,288,631	8,288,631
Balance as on June 30, 2003	100,000,000	25,000,000	32,661,782	157,661,782
Proposed Dividend	-	-	5,000,000	5,000,000
Balance as on June 30, 2003	100,000,000	25,000,000	27,661,782	152,661,782

The annexed notes form an integral part of these accounts.

**CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2003**

THE STATUS AND NATURE OF BUSINESS

The Group consists of Al-Khair Gadoon Limited (the holding company) incorporated in Pakistan and listed on Karachi , Lahore and Islamabad Stock Exchanges and Al-khair Mirpur (Pvt) Limited (the subsidiary Company) is incorporated in AJK which is a wholly owned subsidiary of Al-Khair Gadoon Limited. Both the companies are involved in the manufacturing of foam and allied products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Fixed Assets

a) Owned

Fixed assets are stated at cost less depreciation except the land, which is stated at cost. Depreciation is charged on reducing balance method at the rates stated in note 7. Full year's depreciation is charged on additions made during the year while no depreciation is charged on deletions during the year.

b) Leased

Leased assets held under finance lease are stated at cost less accumulated depreciation. Depreciation is provided at the same rates applicable to the Company's owned assets. Full year's depreciation is provided on additions and no depreciation is provided on deletions irrespective of the dates of additions or deletions. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability in note 3. The financial charges are calculated at the mark-up rate implicit in the lease and are charged to profit & loss account.

2.3 Stocks, Stores & Spares

Raw material	-	at average cost
Work in process	-	at average cost
Finished goods	-	at lower of cost or net realizable value.
Stores & spares	-	at cost

2.4 Staff Retirement Benefits

The Company is maintaining a non funded gratuity scheme for its employees. The provision made for gratuity is shown as deferred liability.

2.5 Taxation

The Holding Company was enjoying a tax holiday under clause (122C) of the second schedule to the Income Tax Ordinance, 1979 for a period of 10 years w.e.f 1993 to 2002 and this is the first year under the normal tax regime. The subsidiary company was also enjoying tax holiday for a period of 10 years but the exemption was unlawfully withdrawn by the tax authorities and the matter is pending in Income Tax Appellate Tribunal. Provision for taxation is made at the normal rate to cover all the potential loss due to withdrawal of exemption.

2.6 Revenue Recognition

Revenue from sales is recognized on despatch of goods to the customers.

3. LIABILITIES AGAINST ASSETS SUBJECT TO

FINANCE LEASE

	Residual Value	2003 Rupees	2002 Rupees
Dawood Leasing Company Limited	1,000,000	-	3,527,992
Security Leasing Corporation Limited	1,000,000	-	3,517,063
Pak Apex Leasing Co. Ltd	1,500,000	6,854,870	11,812,466
Orix Leasing Pakistan Limited	4,500,000	16,858,924	15,005,564
	8,000,000	23,713,794	33,863,085

Less: Current Portion shown under current liabilities	10,187,839	14,297,900
	13,525,955	19,565,185

The rate of markup used as discount factor (i.e. implicit in the lease) ranges from 19% to 24% per annum. Orix Leasing Pakistan Limited has agreed to reduce mark-up rate from 18% to 10% per annum from the outstanding lease amount effective from July, 2003. The amount of future payment and the periods during which they will fall due are:-

Year Ending June, 30

2003		17,253,016
2004	10,145,660	10,323,920
2005	7,641,660	6,726,480
2006	5,052,060	3,792,140
2007	1,624,295	344,740
2008	437,560	-
	24,901,235	38,440,296
Less: Financial charges not yet due	1,187,441	4,577,211
	23,713,794	33,863,085

In all the above leases, purchase option is available to the Company. The lease are terminable at any time during the lease period except with Pak Apex Leasing Company Ltd. There are no financial restrictions imposed by any other leasing company.

	Note	2003 RUPEES	2002 RUPEES
4. SHORT TERM BORROWING - Secured			
ABL - Running Finance	4.1	29,734,368	24,973,316
ABL-FIM	4.2	1,142,813	-
ABL - PAD	4.3	14,678,323	14,363,244
ABL - FAIR	4.4	34,879,882	28,019,933
ABL - Demand Finance		-	3,524,000
Islamic Investment Bank Ltd.		8,901,933	11,985,648
Orix Investment Bank		-	10,000,000
		89,337,319	92,866,141

4.1 It represents Running Finance facility obtained from Allied Bank of Pakistan. It is secured against 1st charge on fixed assets, hypothecation of stock in trade and personal guarantees of Directors. It carries markup @ 16% per annum. The bank has quite favorably reduced mark-up rate from 16% to 9% per annum.

4.2 It represents temporary Cash Finance facility obtained from Allied Bank of Pakistan Ltd. It is secured against pledge of imported materials and personal guarantees of the Directors. It carries markup @ 17% per annum. The bank has quite favorably reduced mark-up rate from 16% to 9% per annum.

4.3 It represents temporary Finance, payment against L/C documents. It is secured against title of the goods imports, and personal guarantees of the Directors.

4.4 It represents Finance Against Trust Receipts obtained from Allied Bank of Pakistan Limited against hypothecation of stocks, first charge on Fixed Assets and personal guarantees of Directors. It carries markup @ 17% per annum. The bank has quite favorably reduced mark-up rate from 16% to 9% per annum.

5. CREDITORS AND ACCRUED LIABILITIES			
Creditors		13,507,266	8,967,836
Other payable			

	1,887,244	2,008,020
Markup payable	389,970	870,706
Expenses payable	538,936	339,524
Provision against letter of guarantees	116,109,600	71,029,600
	132,433,016	83,215,686

6. CONTINGENCIES AND COMMITMENTS

The total bank guarantees issued on behalf of the Company amounting to Rs. 0.137 million (2001: Rs. 0.137 million). In addition to above also see note 3 for commitments regarding future lease payments.

7. OPERATING FIXED ASSETS

PARTICULARS	COST		As on 30-06-2003	Rate %	DEPRECIATION		As on 30-06-2002	W.D.V AS AT 30TH JUNE 2003
	As on 01-07-2002	Addition/Deletions			As on 01-07-2002	For the Year		
Land - Lease hold	4,119,675	-	4,119,675		-	-	-	4,119,675
Land - Free hold	420,000		420,000		-	-	-	420,000
Building - Lease hold	29,427,229		29,427,229	10	12,903,609	1,652,362	14,555,971	14,871,258
Building - Free Hold	42,209,282		42,209,282	5	10,798,575	1,570,535	12,369,110	29,840,172
Plant & Machinery	28,023,983	15,290,150	43,314,133	10	13,218,261	3,009,587	16,227,848	27,086,285
Tools & Equipments	13,915	3,200	17,115	10	7,219	990	8,209	8,906
Plant Erection Cost	4,076,719	-	4,076,719	10	1,401,984	267,474	1,669,457	2,407,262
Office Equipments	2,209,467	84,655	2,236,622	10	876,429	138,540	989,760	1,246,862
		-57,500			-25,209			
Furniture & Fixtures	1,766,242	14,875	1,752,462	10	708,043	105,787	800,381	952,081
		-28,655			-13,448			
Bi-cycle	27,940		27,940	10	15,115	1,283	16,398	11,543
Motor Vehicles	8,744,150	536,500	8,175,650	20	4,882,520	823,539	4,881,494	3,294,156
		-1,105,000			-824,565			
Arms & Ammunition	10,924	-	10,924	10	9,365	156	9,521	1,403
Tubewell for Factory	167,920	-	167,920	10	57,019	11,090	68,109	99,811
Air Conditioner	1,329,256	-	1,329,256	10	535,875	79,338	615,213	714,043
Computer	1,362,355	113,800	1,476,155	10	412,131	106,402	518,534	957,621
Fire fighting & equipment	478,730	-	478,730	10	142,219	33,651	175,870	302,860
Truck bodies	78,138	-	78,138	20	46,132	6,401	52,534	25,604
Electric installation	755,169	-	755,169	10	233,407	52,176	285,583	469,586
Telephone installation	258,431	-	258,431	10	117,389	14,104	131,493	126,938
	125,479,525	14,852,025	140,331,550		45,502,071	7,873,415	53,375,487	86,956,063
Leased :								
Machinery	55,500,000		35,500,000	10	12,138,000	3,024,000	8,284,000	27,216,000
		-20,000,000			-6,878,000			
Vehicles	-	5,949,500	5,949,500	20	-	1,189,900	1,189,900	4,759,600
	55,500,000	-14,050,500	41,449,500		5,260,000	4,213,900	9,473,900	31,975,600
June 30, 2003 Rupees :	180,979,525	801,525	181,781,050		50,762,071	12,087,315	62,849,387	118,931,663
June 30, 2002 Rupees :	188,714,226	-7,734,701	180,979,525		46,688.02	118,15,271	58,503,294	122,476,231

8. LONG TERM DEPOSITS	Note	2003	2002
		RUPEES	RUPEES
- Dawood Leasing Company Limited		-	1,000,000
- Security Leasing Corporation Limited		-	1,000,000
- Pak Apex Leasing Corporation Ltd.		1,500,000	1,500,000
- ORIX Leasing Pakistan Ltd.		5,689,000	4,500,000
		7,189,000	8,000,000

Long Term deposits represent the amount deposited with M/s ORIX Leasing Pakistan Ltd., and M/s Pak Apex Leasing Company Ltd. against the assets obtained under Finance Lease arrangements. These deposits may be adjusted while exercising the purchase option by the Company.

9.	STOCKS & STORES		
	Stores & Spares	559,574	602,707
	Raw Material	36,216,183	37,590,545
	Work-in-Process	14,288,706	13,807,582
	Finished Goods	20,931,673	21,506,154
		71,996,136	73,506,988
10.	SUNDRY DEBTORS		
	Debtors	51,375,368	53,462,099
	Less: Provision for bad debts	2,568,769	2,673,105
		48,806,599	50,788,994

These are unsecured but considered good by the management. However a provision @ 5% of the outstanding debts has been provided to meet any loss in this respect.

11.	ADVANCES, DEPOSITS & OTHER RECEIVABLES		
	Income from L/G margin	2,204,561	1,112,591
	Letter of credit / margin	11,087,231	9,725,550
	Advances to staff	1,232,603	499,763
	Other Receivable	1,834,037	6,003,656
	Letter of Guarantee Margin	116,881,100	71,764,100
	Advance Taxes	24,202,312	16,007,291
	Letter of Credits	2,620,613	1,418,653
		160,062,457	106,531,604

		2003	2002
	Note	RUPEES	RUPEES

12.	CASH & BANK BALANCES		
	Cash in Hand	1,298,517	2,299,824
	Cash at Bank	6,422,457	3,623,395
		7,720,974	5,923,219
13.	COST OF SALES		
	Opening Stock of raw materials	38,193,251	29,346,547
	Purchase during the year	276,971,574	217,127,002
		315,164,825	246,473,549
	Less: Closing Stock of raw materials	36,775,757	38,193,252
	Raw material consumed	278,389,068	208,280,297
	Wages	8,513,605	7,073,726
	Power & Fuel	1,723,683	1,322,441
	Repair & Maintenance	587,075	306,765
	Depreciation	8,095,896	8,768,068
	Insurance	818,482	916,809
		298,127,809	226,668,106
	Add: Opening Stock		
	Finished Goods	21,506,154	27,528,673
	Work-in-Process	13,807,582	16,398,242
		35,313,736	43,926,915
		333,441,545	270,595,021
	Less: Closing Stock		
	Finished Goods	20,931,673	21,506,154
	Work-in-Process	14,288,706	13,807,582
		35,220,379	35,313,736

		298,221,166	235,281,285
		2003	2002
		RUPEES	RUPEES
14.	ADMINISTRATIVE EXPENSES		
	Directors remuneration	2,348,445	2,100,000
	Salaries and benefits	5,402,923	4,836,503
	Travelling and conveyance	515,688	380,125
	Postage, telephone and telegrams	713,463	745,840
	Rent, rates and taxes	249,998	194,000
	Vehicle running and maintenance	657,291	718,334
	Legal & profession charges	441,330	587,102
	Auditors remuneration	126,250	85,000
	Printing & stationery	526,347	384,800
	Charity and donation	200	8,350
	Staff welfare	356,102	255,488
	Entertainment	908,508	742,311
	Electricity	347,406	364,996
	Fee and subscription	115,261	73,655
	Other expenses	846,973	1,376,396
	Depreciation	2,507,596	2,071,794
	Rent	1,200,000	-
	Medical expenses	176,942	106,217
	Newspaper and periodicals	16,391	17,120
	Provision for bad debt	-104,336	1,561
	Repair and maintenance	479,093	200,315
	Utility charges	78,915	31,490
	Insurance	46,885	130,419
	Advertisement	79,075	81,860
	Computer Repair	69,269	45,198
	Bad debts	8,885	57,941
	Property Tax	8,384	310,946
	Zakat Deduction	1,004	4,428
	Internet Charges	51,030	79,510
		18,175,317	15,991,699
14.1	Auditors Remuneration		
	Statutory Audit Fee	105,000	75,000
	Out of pocket expenses	21,250	10,000
		126,250	85,000
		2003	2002
		RUPEES	RUPEES
15.	SELLING AND DISTRIBUTION EXPENSES		
	Salaries & wages	6,216,233	6,418,045
	Advertisement	4,457,985	2,649,040
	Travelling and conveyance	892,365	735,070
	Rent, rate and taxes	595,150	851,350
	Others expenses	251,044	84,615
	Staff welfare	163,680	61,214
	Entertainment	382,894	284,004
	Printing and stationery	237,075	51,927
	Telephone and postage	647,538	418,082
	Electricity	348,783	277,909
	Vehicle repair and maintenance	620,568	439,015
	Depreciation	1,483,824	973,409
	Repair and maintenance	242,640	35,683
	Insurance		

		22,186	74,730
	Newspaper and books	88,958	8,065
	Charity & donation	9,966	14,887
	Utility charges	34,161	13,649
	Incentive to Staff	311,747	196,430
	Business promotion	349,791	-
	Freight charges	24,031	-
		17,380,619	13,587,124
16.	FINANCIAL		
	Markup on finance lease	3,122,779	5,080,454
	Bank charges	336,125	455,700
	Markup on bank borrowing	7,062,366	8,573,018
		10,521,270	14,109,172
17.	PRIOR PERIOD AND UN-USUAL ITEMS		
	Others	-	231,495
		-	231,495
18.	CAPACITY AND PRODUCTION Tons	Tons	Tons
	Rated capacity	26,560	26,560
	Capacity utilized	1,794	1,783

19. FIGURES

- have been rounded off to the nearest rupee.

- of previous year have been rearranged and regrouped for comparison purpose.

Lahore: October 07,2003

(JMER HAYAT SHEIKH

MOHAMMAD SAEED SHEIKH

Chairman

Chief Executive