

NAKSHBANDI INDUSTRIES LIMITED

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COMPANY INFORMATION

Board of Directors A. RAZAK HAJI SATTAR (Chairman)
 HAMID HAJI LATIF
 AMBREEN A. RAZAK
 JUNAID HAJI LATIF
 MUSTAFA A. RAZAK
 MURTAZAA. RAZAK
 MUHAMMAD ASIF A. GHAFAR (Chief Executive)

CHIEF FINANCIAL OFFICER (CFO) MUHAMMAD HANIF

COMPANY SECRETARY RAUF DAWOOD

AUDIT COMMITTEE A. RAZAK HAJI SATTAR - Chairman
 HAMID HAJI LATIF - Member
 JUNAID HAJI LATIF - Member

REGISTERED OFFICE H-23/4-A LANDHI, KARACHI.

MILLS H-23/4-A LANDHI, KARACHI.

SHARE DEPARTMENT 177-A, S.M.C.H.S., Karachi.

BANKERS HABIB BANK LIMITED
 BANK ALHABIB LIMITED
 ASKARI COMMERCIAL BANK LIMITED
 CITI BANK, N.A.
 UNION BANK LIMITED
 HABIB BANK AG ZURICH
 BANK ALFALAH LIMITED

AUDITORS

KHALI D MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants
180-A.S.M.C.H.S.
KARACHI.

LEGAL ADVISOR

M. ADAM PATEL & CO.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 31st Annual General Meeting of the shareholder of NAKSHBANDI INDUSTRIES LIMITED will be held at the Registered Office of the Company at H-23/4A, Landhi Industrial Area, Karachi, on Thursday January 29, 2004 at 2:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Accounts of the Company and Auditors Report thereon for the year ended September 30, 2003.
2. To approve the payment of dividend @ 5% as recommended by the Board.
3. To appoint Auditors for the Year 2003-2004 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

RAUF DAWOOD

Karachi: December 27, 2003

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from January 26, 2004 to February 6, 2004 (both days inclusive).
2. A Member eligible to attend and vote at this meeting may appoint another member as his/her proxy. Proxies in order to be effective must be received by the Company at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must bring their original Identity Card (NIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the NIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A Proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address if any.

DIRECTORS' REPORT TO THE MEMBERS

Your directors are presenting the 31st Annual Report together with the audited financial statements of the Company for the year ended September 30, 2003.

OPERATING RESULTS

Operating results are as follows:

	Rupees
Loss before taxation	
(after charging depreciation of Rs. 117,228,282)	-49,772,985
Provision for taxation	
(after adjustment of deferred taxation)	-1,900,000
Loss after taxation	-51,672,985
Unappropriated profit brought forward	1,278,113
Accumulated loss	-50,394,872
Transfer from General Reserve	51,000,000
Profit available for appropriation	605,128
Appropriation:	
Proposed Dividend (5%)	-250,858
Unappropriated profit carried forward	354,270

Our capacity remained substantially under-utilized due to recession in the international market and the war in Iraq region, resulting in loss due to depreciation charged on machinery and other assets. Although we exported more in quantitative terms compared to the prior year, sales in terms of monetary value could not be increased to a desired level due to continuous fall in prices of finished products as well as continuous depreciation of US dollar in the international currency market. In order to meet timely deliveries of confirmed orders for the subsequent quarter, the Company had to keep higher stocks as at the close of the accounting year.

DIVIDEND

Your directors have recommended cash dividend @ 5%, i.e., Re. 0.50 per share. However, in view of the current losses, the directors and sponsors have waived dividend on their shareholding. Despite loss for the year under report, the dividend is being paid out of reserves to benefit the minority shareholders.

FUTURE PROSPECTS

Due to adjustments in marketing strategy, the sales have started picking up substantially since October 2003. However, due to steep rise in the prices of cotton and the resultant rise in prices of cotton yarn in the domestic as well as the international market since beginning of the current quarter, cost of production has gone up considerably putting pressure on the profitability. In order to utilize the capacity

and absorb the fixed costs, the Company had to go for volume based products for supply to large retailers. Sufficient orders for supply of towels are in hand for subsequent quarters and the directors are trying to get increase in price of the products from January 2004 onwards and to get additional orders at better prices in order to counter the increase in cost of raw materials.

RIGHT SHARES ISSUE

The right shares issue, announced in July 2003, has been subscribed/completed by the end of October 2003 in accordance with the corporate regulations. Total equity to the extent of Rs.90

million (including Rs.60 million paid-up capital and Rs.30 million premium) has been raised through the right issue in order to avoid depletion of equity due to current losses and to maintain the debt equity ratio.

CORPORATE GOVERNANCE

The directors have taken all necessary measures in order to comply with the Code of Corporate Governance in accordance with the listing rules of the stock exchange and state that:

1. The financial statements of the Company for the year ended September 30, 2003 present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements, and the departure, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
6. There are no significant doubts about the Company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance as defined in the listing regulations of the stock exchange.
8. There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.

Key operating data for the last six years is annexed.

The Audit Committee comprises of:

1. Mr. A. Razak Haji Sattar (Chairman).
2. Mr. Hamid Haji Latif.
3. Mr. Junaid Haji Latif.

BOARD OF DIRECTORS

The last elections of the Board of Directors were held on March 27, 2002.

During the year under report, Ms. Shahnila Parekh (NIT nominee) resigned and the casual vacancy was filled by appointment of Mr. S. Hussain Aqa Naqvi (NIT nominee) in her place. Subsequently, Mr. S. Hussain Aqa Naqvi also resigned and Ms. Ambreen A. Razak was appointed as director to fill the casual vacancy in his place.

During the year, four meetings of Board of Directors were held. Attendance by the directors is as follows:

DIRECTORS

ATTENDANCE

Mr. A. Razak Haji Sattar (Chairman)	3
Mr. Muhammad Asif A. Ghaffar (Chief Executive)	4
Mr. Hamid Haji Latif	4
Mr. Junaid Haji Latif	2
Mr. Mustafa A. Razak	4
Mr. Murtaza A. Razak	4
Ms. Ambreen A. Razak	0
Ms. Shahnaila Parekh (NIT nominee) (resigned)	0
Mr. S. Hussain Aqa Naqvi (NIT nominee) (resigned)	1

AUDITORS

The present auditors, M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire at the forthcoming Annual General Meeting of the Company and offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on September 30, 2003 is annexed to this report.

ACKNOWLEDGEMENT

The directors appreciate the commitment, dedication and devotion of the employees towards the Company. Ever increasing emphasis on human resource development is always the priority.

For and on behalf of the Board

A. RAZAK HAJI SATTAR

Karachi: December 27, 2003.

CHAIRMAN

YEAR WISE STATISTICAL SUMMARY

Year Ended September 30,	2003	2002	2001	2000	1999	1998
TOWEL PRODUCTION SUMMARY						
Towel (Kgs, 000)	2,894	1,695	1,487	1,477	1,416	1,522
CLOTH PRODUCTION SUMMARY						
Cloth (Sq.mtr, 000)	-	1,381	3,834	6,530	6,259	6,115
ASSETS EMPLOYED					(Rs. in million)	
Fixed Assets	1,037.16	1,052.54	687.38	544.37	514.68	527.79
Investments, Long term, Advances and Deposits	0.45	0.27	0.27	0.27	0.27	0.27
Current Assets	1,091.53	798.8	659.93	532.86	468.13	365.84
Total Assets Employed	2,129.14	1,851.61	1,347.58	1,077.50	983.08	893.9
FINANCED BY						
Shareholders' Equity	377.49	429.41	429.71	262.59	246.28	246.19
Long Term Liabilities	500.5	510	167.38	145.55	116.33	163.35
Obligation under Finance Lease	13.09	25.39	30.41	0	0	0
Deferred Liabilities	32.88	36.74	36.86	34.96	29.72	27.46
Current Liabilities	1,205.18	850.07	683.21	634.42	590.75	456.9
Total Funds Invested	2,129.14	1,851.61	1,347.57	1,077.52	983.08	893.9
TURNOVER & PROFIT						
Turnover (Net)	1,147.10	1,094.98	1,185.62	1,067.19	968.61	824.87

Gross Profit	145.87	196.45	200.91	172.33	141.45	111.39
Operating Profit	40.68	102.41	107.25	96.7	79.03	66.42
(Loss)/Profit Before Taxation	-49.77	19.22	36.54	35.73	11.2	14.07
(Loss)/Profit After Taxation	(51.67)	8.77	26.44	27.63	6.45	4.54
Dividend	0.25	9.08	13.62	11.35	6.35	4.54
Transfer (from)/to General Reserve	(51.00)	0	12	16	0	0
(Loss) Profit C/F	0.35	1.28	1.58	0.76	0.47	0.38
Financial Charges	90.46	83.31	68.71	58.75	67.19	52.28
Earning per share	-2.85	0.48	1.46	3.04	0.71	0.5
BREAKUP VALUE OF SHARES				(Amount in Rupees)		
No. of Shares	18,155,280	18,155,280	18,155,280	9,077,640	9,077,640	9,077,640
Capital + Rev. Reserve	377,484,290	429,408,133	429,711,631	262,568,416	246,284,574	246,188,867
Breakup Value	20.79	23.65	23.67	28.92	27.13	27.12

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF

CORPORATE GOVERNANCE

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

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

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes at least 3 independent non-executive directors 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an 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 the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the 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 the Board have been duly exercised and Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven

days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

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.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 3 members, of whom 2 are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide others services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors
MUHAMMAD ASIF A.GHAFFAR

Karachi: Dated : December 27, 2003

Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable of the Company for the year ended September 30, 2003 prepared by the Board of Directors of NAKSHBANDI INDUSTRIES 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 Boards statement on internal control covers all controls and the effectiveness of such internal controls.

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

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBALRAFIQ

Karachi: Dated : December 27, 2003

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NAKSHBANDI INDUSTRIES LIMITED as at September 30, 2003 and the related profit and loss account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of 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 purpose of the company's business; and

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

(c) in our opinion to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended;and

(d) in our opinion, "Zakat deductible at source under the Zakat and Ushr Ordinance, 1980" was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBALRAFIQ

Karachi: Dated : December 27, 2003

Chartered Accountants

BALANCE SHEET AS AT

	NOTE	2003 Rupees	2002 Rupees
SHARE CAPITAL AND RESERVE			
Authorized Capital			
30,000,000 Ordinary Shares of Rs. 10/- each		300,000,000	300,000,000
Issued, Subscribed and Paid - up Capital	3	181,552,800	181,552,800
Reserve	4	195,577,220	246,577,220
Unappropriated Profit		354,270	1,278,113
		377,484,290	429,408,133
LONG TERM LOAN	5	500,500,000	510,000,000
OBLIGATIONS UNDER FINANCE LEASE	6	13,090,350	25,393,110
DEFERRED LIABILITIES	7	32,878,079	36,740,459
CURRENT LIABILITIES			
Short Term Finances	8	887,005,508	558,093,923
Current portion of long term liabilities	9	114,093,380	53,340,155
Creditors, Accrued & Other Liabilities	10	191,932,792	219,108,032
Taxation	11	1,900,000	10,450,000
Proposed Dividend		250,858	9,077,640
		1,205,182,538	850,069,750
CONTINGENCIES AND COMMITMENTS	11	—	—
		2,129,135,257	1,851,611,452

Note : The annexed notes form an integral part of these financial statements

30TH SEPTEMBER, 2003

	NOTE	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating Assets	12	1,032,098,576	614,998,111
Capital Work-in-Progress.	13	5,060,127	437,541,219
		1,037,158,703	1,052,539,330
LONG TERM DEPOSITS			
		454,105	273,780
CURRENT ASSETS			
Store and Spares	14	130,429,097	90,621,653
Stock-In-Trade	15	587,034,004	356,415,980
Trade Debts	16	94,753,752	170,218,474
Advances, Deposits, Prepayments & Other Receivable	17	268,185,414	177,304,742
Cash and Bank Balances	18	11,120,182	4,237,493
		1,091,522,449	798,798,342
		2,129,135,257	1,851,611,452

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

	NOTE	2003 Rupees	2002 Rupees
Sales	19	1,147,104,684	1,094,980,677
Cost of Sales	20	-1,001,234,595	-898,533,616
Gross Profit		145,870,089	196,447,061
Operating Expenses			
Administrative & General	21	37,432,658	34,300,267
Selling	22	67,701,106	59,740,572
		-105,133,764	-94,040,839
Operating Profit		40,736,325	102,406,222
Other (Loss)/Income	23	(51,825)	1,140,873
		40,684,500	103,547,095
Other Charges			
Financial	24	90,457,485	83,311,156
Worker's Profit Participation Fund	10.1	—	1,011,797
		-90,457,485	-84,322,953
(Loss)/Prof it before Taxation		-49,772,985	19,224,142
Provision for Taxation			
- Current year	25	11,000,000	10,200,000
- Prior year		900,000	250,000
- Adjustment Deferred Taxation		-10,000,000	—
		(1,900,000)	-10,450,000
(Loss)/Prof it after Taxation		(51,672,985)	8,774,142
Unappropriated Profit Brought Forward		1,278,113	1,581,611
(Loss)/Profit available for Appropriation		-50,394,872	10,355,753
Transfer from General Reserve		51,000,000	—
Profit available for Appropriation		605,128	10,355,753
Appropriation			
Proposed Dividend @ 5% (2002 : 5%)		250,858	9,077,640

Unappropriated Profit Carried Forward		250,858	-9,077,640
Earning Per Share	26	354,270	1,278,113
		-2.85	0.48

The annexed notes form an integral part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2003

	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss)/Profit before taxation		
Adjustment For :	-49,772,985	19,224,142
Depreciation		
Financial Charges	117,228,282	70,826,365
Gratuity	90,457,485	83,311,156
Loss/(Profit) on sale of fixed assets	6,137,619	7,682,340
	51,825	-1,140,873
Cash flow from operating activities before working capital changes	213,875,211	160,678,988
(Increase)/Decrease in Current Assets	164,102,226	179,903,130
Stores and spares		
Stock-in-Trade	-39,807,444	-13,021,823
Trade debtors	-230,618,024	-118,135,808
Advances, deposits and prepayments	75,464,722	41,610,317
Creditors, accrued & other liabilities	-90,880,672	-49,140,887
	-44,597,268	51,485,100
Cash (used in)/generated from operating activities	-330,438,686	-87,203,101
Gratuity paid	-166,336,460	92,700,029
Financial Charges Paid	-2,529,836	-3,902,853
Income Tax Paid	-72,993,424	(61,632,827)
	-10,450,000	-10,500,767
Net cash (used in)/generated from operating activities	-85,973,260	-76,036,447
CASH FLOW FROM INVESTING ACTIVITIES	-252,309,720	16,663,582
Fixed Capital Expenditure		
Sale Proceeds of Fixed Assets	-103,618,799	-477,858,807
Net cash used in Investing Activities	1,719,319	43,009,630
CASH FLOW FROM FINANCING ACTIVITIES	-101,899,480	-434,849,177
Long Term Loans Disbursements		
Obligation Under Finance Lease	233,000,000	463,895,351
Repayment of Long Term Loan	1,859,000	7,850,000
Repayment of Finance Lease	-181,466,057	-152,525,000
Dividend Paid	-12,133,535	-9,687,050
Net Cash from financing Activities	-9,079,105	-13,583,254
Net (Decrease) in Cash and Cash Equivalent	32,180,303	295,950,047
Cash and cash equivalent at the beginning	-322,028,897	-122,235,548
Cash and cash equivalent at the end	-553,856,430	(431,620,882)
CASH AND CASH EQUIVALENTS	-875,885,327	-553,856,430
Cash and bank balance		
Short term finances	11,120,182	4,237,493
	-887,005,509	-558,093,923
	-875,885,327	-553,856,430

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

MUHAMMAD ASIF A. GHAFAR

MURTAZA A. RAZAK

Chief Executive

Director

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

	Share Capital Rupees	Reserve Rupees	Accumulated Profit Rupees	Total Rupees
Balance as at September 30,2001	181,552,800	246,577,220	1,581,611	429,711,631
Profit for the year	-	-	8,774,142	8,774,142
Dividend	-	-	-9,077,640	-9,077,640
Balance as at September 30,2002	181,552,800	246,577,220	1,278,113	429,408,133
(Loss) for the year	-	-	-51,672,985	-51,672,985
Transfer from General Reserve	-	-51,000,000	51,000,000	-
Proposed Dividend	-	-	-250,858	-250,858
Balance as at September 30,2003	181,552,800	195,577,220	354,270	377,484,290

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

MUHAMMAD ASIF A. GHAFAR

MURTAZA A. RAZAK

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

1. STATUS AND NATURE OF BUSINESS

The Company is incorporated in Pakistan and is listed on Karachi Stock Exchange. It is principally engaged in production and export of towels and fabrics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

I) **Basis for Preparation of financial statements**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the companies ordinance 1984. Approved accounting standard comprised of such International Accounting Standards (IAS) as notified under the provision of the Companies Ordinance 1984. Where ever the requirements of the Companies Ordinance 1984 or the directive issued by the Securities and Exchange Commission of Pakistan(SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance 1984 or the requirements of the said directives take precedence.

II) Overall Valuation Policy

These financial statements have been prepared on the basis of historical cost convention

and for financial assets and financial liabilities, if any, in accordance with the recognition and measurement criteria as laid down in IAS-39 (Financial Instruments : Recognition and Measurement).

2.2 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the year end except where exchange risk cover has been obtained for repayment of liabilities in which case rate contracted for, is used. Exchange difference in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange difference capitalized include loss or gain on the repayments and the year end translation of foreign currency loans and translation and utilization of the bank balances held out of the proceeds of these loans. All other exchange differences are taken to profit and loss account.

2.3 Staff Retirement Benefits

The Company operates an unfunded gratuity scheme. Provision for employees gratuity is made annually for employees eligible for such benefits. Provision of Rs.6,137,619 (2002:Rs.3,779,487) in respect of gratuity has been made in these financial statements during the year.

2.4 Provisions

Provisions are recognized when the company has a present 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 of the obligation can be made.

2.5 Taxation

Provision for current taxation is calculated in accordance with the provisions of the Income Tax Ordinance, 2001. The Company accounts for deferred taxation on all major timing difference by using liability method. However, as a matter of prudence, the company does not recognize net deferred tax debit balance, if any in the financial statements.

2.6 Fixed Assets

Owned

Fixed assets are stated at cost less accumulated depreciation except lease hold land and capital work-in-progress which are stated at cost.

Depreciation is charged to Profit and loss account by applying reducing balance method.

Full year's depreciation is charged on addition during the year whereas no depreciation is charged on assets disposed during the year.

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

Gains and losses on disposal of fixed assets are taken to profit and loss account.

Leased

These are stated at the lower of present value of minimum leases payment under the lease

agreement and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities.

Amortization of leased assets is charged to current year's income as part of depreciation on the rate and basis used for owned assets.

Lease finance charge is allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Capital Work in Progress

Capital Work in Progress is stated at cost including where relevant, related financing costs. These are transferred to fixed assets as and when assets are available for use.

2.7 Financial Assets

Financial Assets are trade debts, advances, deposits, other receivables and cash and bank balances which have been stated as per the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial assets are initially recognized at cost representing fair value of the consideration given for it and subsequent to initial recognition financial assets are carried at fair value except for the financial assets whose fair value can not be reliably measured.

A "regular way" purchase or sale of financial assets is recognized using trade date accounting.

2.8 Financial Liabilities

Financial Liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, short term finances, creditors, accrued and other liabilities.

Financial instruments are offset when the company has the legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

All financial liabilities are initially recognized at cost, representing fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost, except for liabilities against assets subject to finance lease which are valued under IAS-17 (leases).

2.9 Stores and Spares

Stores, chemicals and spares are valued at average cost and goods-in-bond are stated at actual.

2.10 Stock-in-Trade

Raw materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Waste products are valued at market rates.

2.11 Impairment of Assets

In accordance with IAS-36 assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

2.12 Trade Debts

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

2.13 Cash & Cash Equivalent

Cash and cash equivalent comprises cash and bank balances. Short term running finances that are payable on demand and form an integral part of the Company's cash management are included as a component of cash equivalents for a purpose of the statement of cash flows.

2.14 Revenue Recognition

Sales are recorded on dispatch of goods to customers.

2.15 Borrowing Cost

Borrowing cost are charged to the year in which they are incurred.

	2003 Rupees	2002 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL		
17,296,260 Ordinary shares of Rs.10/- each fully paid in cash	172,962,600	172,962,600
859,020 Ordinary shares of Rs. 1 0Aeach issued as bonus shares	8,590,200	8,590,200
18,155,280	181,552,800	181,552,800
4. RESERVES		
General Reserve	110,000,000	110,000,000
Less: Transfer to Profit & Loss Account	(51,000,000)	-
	59,000,000	110,000,000
Capital Reserve		
Premium on issue of ordinary shares	136,577,220	136,577,220
	195,577,220	246,577,220

5. LONG TERM LOAN (SECURED)

Particulars	Habib Bank Limited	Bank Al-Ha bib Limited	Askari Comm. Bank Ltd	Union Bank Ltd
	Loan No. 3 Rupees	Loan No. 2 Rupees	Loan No. 3 Rupees	Loan No.1 Rupees
Opening balance as on October 01 , 2002	156,275,000	100,000,000	75,000,000	100,000,000
				—

Obtained during the year					150,000,000
Outstanding balance	156,275,000	100,000,000	75,000,000	100,000,000	150,000,000
Repaid during the year	-43,775,000	-10,000,000	—	-10,000,000	—
	112,500,000	90,000,000	75,000,000	90,000,000	150,000,000
Current Portion					
Current Maturity	-25,000,000	-20,000,000	-15,000,000	-20,000,000	-15,000,000
Closing balance as on September 30, 2003	87,500,000	70,000,000	60,000,000	70,000,000	135,000,000
Significant terms and conditions:					
Date of disbursement	11-Feb-02	17-Feb-01	09-Aug-02	22-Jan-02	31-Dec-02
	14-Mar-02	17-Feb-01		27-Feb-02	
	05-Jul-02	12-Mar-01		18-Apr-02	
	1 2-Jul-02	20-Aug-01			
	08-Aug-02	19-Oct-01			
Amount of disbursement	4,500,000	3,076,315	75,000,000	33,785,000	150,000,000
	105,313,000	74,334		14,391,600	
	4,522,668	49,154,000		51,823,400	
	8,700,000	3,800,000			
	1,964,332	43,895,351			
installments	Half-yearly	Half-yearly	Half-yearly	Half-yearly	Half-yearly
No. of installment	10	10	10	10	10
nstallment amount (Rupees)	12,500,000	10,000,000	7,500,000	10,000,000	15,000,000
Repayment date	12-Aug-03	22-Apr-03	08-Feb-04	25-Jul-03	30-Jun-04
Rate of mark up per 1 000 rupees per jay as on September 30, 2003	16 paisa	18 paisa	1 8 paisa	16 paisa	18 paisa

Securities

Par! Passu charge on the fixed assets of the Company.

Bank Al-Falah Limited			Total	
Loan No. 1	Loan No. 2	Loan No. 3	2003	2002
Rupees	Rupees	Rupees	Rupees	Rupees
—	—	—	431,275,000	229,904,649
50,000,000	20,500,000	12,500,000	233,000,000	463,895,351
50,000,000	20,500,000	12,500,000	664,275,000	693,800,000
—	—	—	-63,775,000	-142,525,000
50,000,000	20,500,000	12,500,000	600,500,000	551,275,000
-5,000,000	—	—	-100,000,000	-41,275,000
45,000,000	20,500,000	12,500,000	500,500,000	510,000,000
08-Feb-03	21-Jun-03	16-Aug-03		
50,000,000	20,500,000	12,500,000		
Half-yearly	Half-yearly	Half-yearly		
10	10	10		
5,000,000	2,050,000	1,250,000		
10-Aug-04	21-Dec-04	15-Feb-05		
16 paisa	16 paisa	16 paisa		

2003
Rupees

2002
Rupees

6. OBLIGATIONS UNDER FINANCE LEASE

Opening Balance	37,458,265	39,295,313
Obtained during the year	1,859,000	7,850,000
Repaid during the year	-12,133,535	-9,687,048
	27,183,730	37,458,265
Current portion	-14,093,380	-12,065,155
	13,090,350	25,393,110

The future minimum lease payments and the periods in which they become due are:

Year ended September 30,	Rupees	Rupees
2003	—	17,382,600
2004	16,881,088	16,952,320
2005	11,315,818	11,447,760
2006	2,256,493	883,110
2007	329,007	-
	30,782,406	46,665,790
Less: Financial charges allocated to future periods	-3,598,676	-9,207,525
Net present value of minimum lease payments	27,183,730	37,458,265

6.1 Significant terms and conditions - Finance Lease

Description	Lease Key	Implicit Rate of Interest %age	Lease Rentals (Rupees)	No. of Installments	Frequency of Installments	Date of first Installments
Plant & Machinery						
Monforts Stenter	-	16.25	3,357,460	17	Quarterly	June 15, 2001
Vehicles						
Honda City ADE-768,769	.	16.5	148,755	13	Quarterly	April 10, 2001
Honda City ADG-422	-	16.5	74,380	13	Quarterly	June 10, 2001
Honda City ADK-449	-	16.5	74,380	13	Quarterly	Aug. 10, 2001
Suzuki Mehran ADD-947	-	16.5	34,640	13	Quarterly	April 10, 2001
Hundai Shehzore KH-9136	-	16.5	49,680	16	Quarterly	Dec. 25, 2001
Toyota Corolla ADS-363	-	16.5	71,610	16	Quarterly	Dec. 25, 2001
Honda City ADQ-963	-	16.5	61,995	16	Quarterly	Dec. 25, 2001
Suzuki Mehran ADT-552	-	16.5	25,22	16	Quarterly	Jan 20,2002
Toyota Corolla ADT-363	-	16.5	68,235	16	Quarterly	Feb. 15, 2002
Suzuki Cultus 2 ADY-183,184	-	16.25	93,170	16	Quarterly	May 15, 2002
3 Suzuki Cultus AED-071 , 172,173	-	14	137,725	16	Quarterly	Sep. 25, 2002
5 Suzuki Mehran VX AED-072, AED-073, 074, 075, 309	-	14	123,665	16	Quarterly	Sep. 15, 2002
1 Suzuki Mehran VX AEE-773	-	14	24,735	16	Quarterly	Jan. 1 1 , 2002
1 Suzuki Baleno AEK-320	-	9	59,225	16	Quarterly	Jan. 25, 2003
2 Suzuki Cultus AES-936,937	-	9	85,425	16	Quarterly	May 25, 2003

6.2 No restriction has been imposed on the Company under the lease arrangement.

	2003 Rupees	2002 Rupees
7. DEFERRED LIABILITIES		
Gratuity	32,262,465	26,124,845

Deferred taxation	615,614	10,615,614
	32,878,079	36,740,459
8. SHORT TERM FINANCES -SECURED		
Export Refinance		
- Bank Al-Habib Limited	200,000,000	300,000,000
- Habib Bank Limited	100,000,000	125,000,000
- Bank Alfalah Limited	60,000,000	-
- Askari Bank Limited	75,000,000	-
	435,000,000	425,000,000
Running/Short Term Finances		
- Bank Al-Habib Limited	53,785,511	30,757,835
- Habib Bank Limited	13,851,592	2,226,437
- Citibank, N.A.	100,000,000	100,000,000
- Habib Bank A.G Zurich	100,000,000	109,651
- Bank Alfalah Limited	19,368,405	-
- Union Bank Limited	115,000,000	-
- Askari Commercial Bank Ltd	50,000,000	-
	452,005,508	133,093,923
	887,005,508	558,093,923

8.1 This represents short term finance facility of Rs. 900 Million (2002: Rs. 639 million) which is secured by pari passu charge by way of hypothecation of stock of store and spares, cotton yarn, finished goods and export bills under collection and trade debts of the company. The rate of mark-up ranges between 16 to 39 paises per Rs. 1,000 per day, except in case of refinance loan which carries mark-up between 8% to 2% per annum.

	2003	2002
	Rupees	Rupees
9. CURRENT PORTION OF LONG TERM LIABILITIES		
Current maturity of long term loan	100,000,000	41,275,000
Current maturity of lease liabilities	14,093,380	12,065,155
	114,093,380	53,340,155
	2003	2002
	Rupees	Rupees
10. CREDITORS, ACCRUED & OTHER LIABILITIES		
Creditors	149,094,038	166,587,238
Accrued Expenses	23,587,645	29,040,517
Accrued mark-up on finances	17,464,062	21,678,330
Unclaimed Dividend	177,881	179,346
Workers Profit Participation Fund 10.1	440,829	1,271,612
Right Shares Subscription 1 0.2	110,725	110,725
Others	1,057,612	240,264
	191,932,792	219,108,032
10.1 Workers' Profit Participation Fund		
Opening Balance	1,271,612	2,659,969
Add: Interest for year	125,837	259,814
5% contribution on current year's profit	-	1,011,797
	125,837	1,271,611
	1,397,449	3,931,580
Less: Paid during the year	-1,271,612	-2,659,968
Closing Balance	125,837	1,271,612

10.2 This represents the balance refundable to applicants for right shares called but were subsequently cancelled. The Security and Exchange Commission of Pakistan granted permission in 1995 for cancellation of right issue vide their letter No.CLA/CI/457/90 dated April 3,1995.

11. CONTINGENCIES AND COMMITMENTS

Contingency

(i) Guarantee issued by commercial banks on

behalf of the company Rs. 20.9 million Rs. 20.9 million

Commitments

(i) Aggregate commitments for the capital expenditure of Rs.100 million (2002:Rs. 75 million),

(ii) Commitments for export against orders/letters of credit of Rs.350 million (2002:Rs.175 million).

12. OPERATING FIXED ASSETS

Particulars	Cost			Rate %	Deoreciation		Written down	
	As on October 01 , 2002	Additions/ (Deletion)	As on September 30, 2003		As on October 01 , 2002	For the Year	As on September 30, 2003	value as at September 30, 2003
Leasehold land	250,000	-	250,000	-	-	-	-	250,000
Leasehold land Office	1,500,000	-	1,500,000	-	-	-	-	1,500,000
Building on leasehold land	140,119,803	107,374,449	247,494,252	10%	72,563,764	17,493,049	90,056,813	157,437,439
Office Bldg.on leasehold land	5,868,979	-	5,782,139	10%	3,483,773	234,782	3,669,097	2,113,042
		-86,840.00			-49,458			
Plant & machinery	798,630,809	411,919,531	1,207,568,581	10%	325,388,441	88,420,648	411,782,749	795,785,832
		-2,981,759			-2,026,340			
Electric fitting	4,051,670	9,900,426	13,952,096	10%	1,756,849	1,219,525	2,976,374	10,975,722
Office equipments	7,311,834	369,300	7,013,788	15%	4,199,099	499,654	4,182,417	2,831,371
		-667,346			-516,336			
Computers	10,362,484	791,700	11,036,784	15%	4,523,019	990,596	5,423,407	5,613,377
		-117,400			-90,208			
Furniture & Fixtures	10,894,315	693,235	11,243,506	10%	3,215,372	822,337	3,842,478	7,401,028
		-344,044			-195,231			
Vehicles	16,628,890	3,192,250	19,214,140	20%	9,813,876	1,911,187	11,569,391	7,644,749
		-607,000			-155,672			
Total - owned	995,618,784	534,240,891	1,525,055,286		424,944,193	111,591,778	533,502,726	991,552,560
		-4,804,389			-3,033,245			
Assets subject to finance Lease								
Plant & machinery	40,000,000	-	40,000,000	10%	4,000,000	3,600,000	7,600,000	32,400,000
Vehicles	11,043,000	1,859,000	12,902,000	20%	2,719,480	2,036,504	4,755,984	8,146,016
Total - leased	51,043,000	1,859,000	52,902,000		6,719,480	5,636,504	12,355,984	40,546,016
Grand Total - 2003 (Rs.)	1,046,661,784	536,099,891	1,577,957,286		431,663,673	117,228,282	545,858,710	,032,098,576
		-4,804,389			-3,033,245			
Grand Total - 2002 (Rs.)	984,959,303	201,386,404	1,046,661,784		458,652,473	70,826,365	431,663,673	614,998,111
		-139,683,923			-97,815,166			

Depreciation charge for the year has been allocated as under:-

	2003 Rupees	2002 Rupees
- Cost of goods manufactured	114,915,695	68,393,349
- Administrative expenses	2,312,587	2,433,016
	117,228,282	70,826,365

12.1 Details of Disposal of Operating Fixed Assets during the year are as follows :

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Selling Price	Gain/(Loss) on Sales	Mode of Disposal	Name of Purchaser
Office Building	86,840	49,458	37,382	3,500	-33,882	Negotiation	Star Pipe Store Liaquatabad, Karachi.
Plant & Machinery	967,509	650,037	317,472	194,503	-122,969	Negotiation	Aleem Engg./Ibrahim Mech. & Engg. Malir, Gulshan-e- Qadri, Karachi
Plant & Machinery	1,950,000	1,361,605	588,395	600,000	11,605	Negotiation	Perfect Trading Co. N.R 4/6, Badari Bldg., Marriot Road, Karachi.
Plant & Machinery	64,250	14,698	49,552	69,920	20,368	Claim	EFU General Insurance Co. Ltd.
Office Equipment	190,776	155,450	35,326	9,996.00	-25,330	Negotiation	Modern Equipment Denso Hall, Karachi.
Office Equipment	476,570	360,886	115,684	95,322	-20,362	Negotiation	Classic Equipment New Challi, Karachi.
Furniture & Fixture	27,934	16,038	11,896	2,000	-9,896	Negotiation	Adnan Furniture Works Baldia Town, Karachi.
Furniture & Fixture	316,110	179,193	136,917	110,789	-26,128	Negotiation	Maruf Furniture Works Liaquatabad, Karachi.
Computers	117,400	90,208	27,192	20,289	-6,903	Negotiation	Vision Computers RE.C.H.S., Karachi.
Rupees - As on September 30, 2003	4,804,389	3,033,245	1,771,144	1,719,319	-51,825		Insurance Co. Ltd.
Rupees - As on September 30, 2002	139,683,923	97,815,166	41,868,757	43,009,630	1,140,873		

	2003 Rupees	2002 Rupees
13. CAPITAL WORK-IN-PROGRESS		
Opening balance	437,541,219	161,068,816
Additions during the year:		
Machines under installation	3,436,445	371,803,544
Building under construction	1,623,682	12,859,915
	13.1 5,060,127	384,663,460
Transferred to Fixed Assets	-437,541,219	-108,191,057
	5,060,127	437,541,219
13.1 Installation of plant & machinery	3,436,445	424,681,303
Construction of Building	1,623,682	12,859,915
	5,060,127	437,541,218
14. STORE AND SPARES		

Stores		38,494,556	27,309,221
Dyes & Chemicals		30,614,787	26,461,258
Spare parts		61,319,754	34,388,037
Goods in bond		-	2,463,137
		130,429,097	90,621,653
15. STOCK-IN-TRADE			
Raw Material		27,722,059	27,157,748
Work-in-Process		26,941,604	28,787,292
Finished Goods		532,370,341	300,470,940
		587,034,004	356,415,980
16. TRADE DEBTS - Considered Good			
Local - Unsecured		34,001,846	45,981,557
Bills under collection - Secured	16.1	60,751,906	124,236,917
		94,753,752	170,218,474
16.1	These are secured by irrevocable Letters of Credit and Export Documents.		
17. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Advances to :			
Suppliers		86,618,308	67,016,339
Staff & workers		65,001	65,001
Others		66,619,775	35,006,801
Loan to employees - interest free		5,796,915	5,848,091
Deposits against export quota		24,290,812	1,222,718
Prepayments		18,174,122	9,274,861
Sales tax refundable		51,894,737	41,490,334
Export rebate		3,265,041	5,373,732
Income tax deducted at source		11,344,962	11,891,124
Letter of guarantee margin		115,741	115,741
		268,185,414	177,304,742
17.1	Loan and advances are unsecured but are considered to be good.		
No loan/advances were made to Director or Chief Executive of the Company during the year.			
		2003	2002
		Rupees	Rupees
18. CASH & BANK BALANCES			
-in hand		5,671,369	370,399
-with banks in current account		5,448,813	3,867,094
		11,120,182	4,237,493
19. SALES			
Local		195,126,213	189,481,521
Export		1,007,095,635	951,749,133
		1,202,221,848	1,141,230,654
Less : Sales tax		53,207,618	41,389,696
Brokerage		1,053,852	1,239,483
Commission		855,694	3,620,798
		-55,117,164	-46,249,977
		1,147,104,684	1,094,980,677
20. COST OF SALES			
Opening stock of finished goods		300,470,940	200,998,884

Add: Cost of goods manufactured	20.1	1,233,133,996	998,005,672
		1,533,604,936	1,199,004,556
Less: Closing stock of finished goods		-532,370,341	-300,470,940
		1,001,234,595	898,533,616
20.1 Cost of Goods Manufactured			
Raw materials consumed	20.1.1	663,244,707	549,026,578
Stores consumed		155,509,569	127,928,367
Salaries, wages and benefits		137,411,443	116,809,546
Fuel, power and water		95,121,039	82,407,295
Manufacturing charges		32,749,727	40,082,351
Insurance		4,463,206	4,243,418
Repairs and Maintenance		21,242,647	16,498,642
Building repairs		625,408	844,957
Lease rentals		-	1,273
Other manufacturing expenses		6,004,867	6,664,417
Depreciation		114,915,695	68,393,349
Work-in-process opening		28,787,292	13,892,771
Work-in-process closing		(26,941,604)	-28,787,292
		1,233,133,996	998,005,672
		2003	2002
		Rupees	Rupees
20.1.1 Raw Material Consumed			
Opening stock		27,157,748	23,388,517
Purchases during the year		663,809,018	552,795,809
		690,966,766	576,184,326
Less : Closing stock		-27,722,059	-27,157,748
		663,244,707	549,026,578
21 . ADMINISTRATIVE & GENERAL			
Salaries & Benefits		10,719,317	11,279,959
Rent, Rates & Taxes		777,718	564,292
Vehicle Running		6,800,623	6,340,298
Conveyance & Travelling		1,884,709	1,149,031
Printing & Stationery		4,033,080	3,263,616
Postage, Telegram & Telephone		5,066,123	4,271,269
Miscellaneous		5,478,501	4,652,761
Depreciation		2,312,587	2,433,016
Audit fees		161,000	90,000
Donations	21.1	199,000	256,025
		37,432,658	34,300,267
21.1 None of the directors and their spouses have any interest in donees' fund.			
22. SELLING EXPENSES			
Freight and Insurance		28,874,508	28,448,536
Forwarding Charges		11,258,163	10,694,454
Sales promotion		24,705,768	17,779,431
Export Development Surcharge		1,690,223	2,034,881
Advertisement		1,172,444	783,270
		67,701,106	59,740,572
23. (LOSS) OTHER INCOME			
(Loss)/Gain on disposal of fixed assets		(51,825)	1,140,873

24. FINANCIAL CHARGES

Mark-up on :

- Long term loan	54,060,695	24,952,016
- Obligation under finance lease	3,439,354	6,532,645
-Short term finances	30,114,745	48,896,959
Guarantee commission	-	334,364
Interest on WPPF	125,837	259,814
Bank commission & charges	2,716,854	2,335,358
	90,457,485	83,311,156

2003	2002
Rupees	Rupees

25. PROVISION FOR TAXATION

Current	11,000,000	10,200,000
Prior year	900,000	250,000
	11,900,000	10,450,000

25.1 The company has been complying with the requirements of International Accounting Standard 12, although timing differences between accounting profits and taxable income have ceased to arise since the introduction of presumptive tax scheme in 1992.

Technically provision for deferred taxation was not required during this period. To comply with the requirements of revised IAS-12 applicable for accounting period beginning on or after December 31, 2002; the company hence retains the provision of Rs. 0.616 Million only in the accounts.(refer note 7).

25.2 The Income Tax Assessments of the Company have been finalized upto and including Assessment year 2002-2003.

26. EARNINGS PER SHARE (BASIC)

Net (Loss) profit after tax	(51,672,985)	8,774,142
Number of ordinary shares	18,155,280	18,155,280
Earning per share	-2.85	0.48

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2003				2002			
	Chief Executive	Directors	Executive	Total	Chief Executive	Directors	Executive	Total
Meeting fees	—	5,000	—	5,000	—	6,500	—	6,500
Managerial remuneration	546,000	780,000	4,573,660	5,899,660	546,000	780,000	3,299,790	4,625,790
House rent allowance	239,400	342,000	2,005,374	2,586,774	239,400	342,000	1,446,831	2,028,231
Utility allowance	54,600	78,000	457,366	589,966	54,600	78,000	329,979	462,579
No of persons	1	6	8	15	1	6	6	13 \

In addition, the chief executive, directors and certain executives have been provided with the company maintained car.

28. CAPACITY AND PRODUCTION

TOWEL	Loc ms		Production ('OOOKgs)		% of Capacity	No. of Shifts
	Installed	Worked	Capacity	Actual		
2003	87	87	4875	2894	59.36%	Three

2002 47 47 3017 1695 56.18% Three

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

30. INTEREST/MARK-UP RATE RISK MANAGEMENT

Interest/Mark-up risk arises from the possibility that changes in interest/mark-up rate will effect the value of financial instruments. In respect of interest bearing financial liabilities, the following table indicate their effective interest/mark-up rates at the balance sheet date. The company manages its interest and mark-up risk by entering into agreement in respect of finance required on fixed rate basis.

	2003			Non-Interest Bearing	Total
	Interest Bearing				
	One month to one year	One to Two year	Two years to on ward		
Financial Assets					
Long Term Deposits	—	—	—	454,105	454,105
Trade Debtors	—	—	—	94,753,752	94,753,752
Advances, Deposits, Prepayments & Other Receivables	—	—	—	268,185,414	268,185,414
Cash and Bank Balances	—	—	—	11,120,182	11,120,182
	—	—	—	374,513,453	374,513,453
Financial Liabilities					
Long Term Loan	100,000,000	126,600,000	273,900,000	—	500,500,000
Short Term Finances	887,005,508	—	—	—	887,005,508
Creditors, Accrued & Other Liabilities	—	—	—	191,932,792	191,932,792
	987,005,508	126,600,000	273,900,000	191,932,792	1,579,438,300

(a) Effective rates of markup for financial liabilities are as follows:

	Rate of Interest
Long Term Loans	Refer Note # 5
Obligations under Finance Lease	Refer Note # 6
Short Term Finances	Refer Note # 8

	2002			Non-Interest Bearing	Total
	Interest Bearing				
	One month to one year	One to Two year	Two years to on ward		
Financial Assets					
Long Term Deposits	—	—	—	273,780	273,780
Trade Debtors	—	—	—	170,218,474	170,218,474
Advances, Deposits, Prepayments & Other Receivables	—	—	—	177,304,742	177,304,742
Cash and Bank Balances	—	—	—	4,237,493	4,237,493
	—	—	—	352,034,489	352,034,489
Financial Liabilities					

Long Term Loan	41,275,000	97,142,856	412,857,144	—	551,275,000
Short Term Finances	558,093,923	—	—	—	558,093,923
Creditors, Accrued & Other Liabilities	—	—	—	219,108,032	219,108,032
	599,368,923	97,142,856	412,857,144	219,108,032	1,328,476,955

31. CREDIT RISK

Credit risk represents the accounting loss that could be recognized at the reporting date, if counter parties failed completely to perform as contracted. To reduce exposure to credit risk, export sales are made to buyer against irrevocable letter of credits and export documents while local sales are made against payments. As substantial portion of trade debtors stands realized, the company is not materially exposed to credit risk.

32. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The Company expects to manage its liquidity risk by exercising renewal option of the facilities on the date of their expected maturity as well as through proceed of export of goods in the ensuing period.

33. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transaction in / based on other than Pak Rupees. The company encounters foreign currency risk on export sales and imports. The Company's foreign currency risk arising on exports is managed by making forward sales or discounting of export bills if required. To hedge against its foreign currency risk arising on imports, it enters into forward foreign exchange contracts, when considered appropriate.

34. DATE OF AUTHORIZATION

These financial statements were authorized for issue on December 27, 2003 by the Board of Directors of the company.

35. GENERAL

35.1 Total number of employees including contractor's employees as at September 30, 2003 were 857 (2002: 771).

35.2 Figures have been rounded off to the nearest rupee.

35.3 Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

MUHAMMAD ASIF A. GHAFAR

MURTAZA A. RAZAK

Chief Executive

Director

PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

No. of Shareholders	Shareholding	Total Shares held
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254	From	1	to	100	Share	8,679
114	From	101	to	500	Share	26,592
35	From	501	to	1,000	Share	24,548
36	From	1,001	to	5,000	Share	67,666
2	From	5,001	to	10,000	Share	13,580
2	From	10,001	to	20,000	Share	26,313
2	From	20,001	to	100,000	Share	42,896
1	From	100,001	to	120,000	Share	109,484
2	From	120,001	to	300,000	Share	523,726
1	From	300,001	to	800,000	Share	798,554
5	From	800,001	to	1,500,000	Share	5,805,999
4	From	1,500,001	to	2,500,000	Share	7,211,563
1	From	2,500,001	to	and above	Share	3,495,680
459						18,155,280

Categories of shareholders	Number of Share Holders	Share Held	Percentage
Financial Institutions	1	234,286	1.29
Insurance Companies	3	114,366	0.63
Investment Companies	2	7,840	0.04
Public Sector Companies	3	4,496	0.03
Director, CEO, their Spouses & Minor	11	14,346,894	79.02
Charitable Institution	2	1,111	0.01
Individual	437	3,446,287	18.98
	459	18,155,280	100

DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	No of shareholders	Share held
FINANCIAL INSTITUTIONS		
National Bank of Pakistan Trustee Wing	1	234,286
INSURANCE COMPANIES		
Habib Insurance Co Limited		4,187
Pakistan Reinsurance Company Ltd		331
State Life Insurance Corporation	3	109,848
		114,366
INVESTMENT COMPANIES		
Investment Corporation of Pakistan		7,827
Shirazi Investment Ltd	2	13
		7,840
PUBLIC SECTOR COMPANIES	3	4,496
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN		
A.RAZAKHAJISATTAR	Chairman	1,889,248
HAMID HAJI LATIF	Director	21,448
JUNAID HAJI LATIF	Director	21,448
MUSTAFA A.RAZAK	Director	1,361,275
MURTAZAA.RAZAK	Director	1,147,486
AMBREEN A.RAZAK	Director	798,554
MUHAMMAD ASIF A.GHAFFAR	Chief Executive	1,928,114

JAMILA A.RAZAK		1,733,359
ASIFUN MAHJABEEN		1,660,842
HANIYA MUHAMMAD ASIF	10	289,440
		10,851,214
SHAREHOLDERS HOLDING 10% OR MORE		
MR.ASHFAQUE AHMED A.GHAFFAR	1	3,495,680
SPONSOR	4	3,307,962
CHARITABLE INSTITUTION	2	1,111
INDIVIDUAL	433	138,325
	459	18,155,280

DETAILS OF TRADING IN THE SHARES BY DIRECTORS

A.RAZAK HAJI SATTAR (Chairman)	Purchased	160,235	shares
MUSTAFA A.RAZAK	Purchased	162,089	shares
MURTAZAA.RAZAK	Purchased	160,220	shares
AMBREEN A.RAZAK	Purchased	60,500	shares
MUHAMMAD ASIF A.GHAFFAR (Chief Executive)	Purchased	219,202	shares
SPOUSES			
JAMILA A.RAZAK	Purchased	120,092	shares
ASIFUN MAHJABEEN	Purchased	245,910	shares