

NINA INDUSTRIES LIMITED

Annual Reports 2003

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Mission Statement

Our mission is *commercial success
with social and environmental responsibility
and to be a responsible corporate citizen
of the world.*

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Saeed A. Sattar	Chairman
Mr. Waqar A. Sattar	Chief Executive
Mr. Urooj Saeed	Director
Mr. Kashif Saeed Sattar	Director
Mr. Yasir Waqar	Director
Mrs. Saeeda Saeed	Director
Mr. Karim Hatim	Director (Nominee of National Bank of Pakistan)
Mr. M. Talib Ali	Director (Nominee of State Life Insurance Corporation)

COMPANY SECRETARY

Mr. Mehtab Saeed

AUDIT COMMITTEE

Mr. Saeed A. Sattar	Chairman
Mr. Kashif Saeed Sattar	Member
Mr. Yasir Waqar	Member

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

BANKERS

Habib Bank Ltd.

Bank Al-Habib Ltd.
Habib Bank A.G. Zurich
Union Bank Ltd.
United Bank Ltd.
Askari Commercial Bank Ltd.
PICIC Commercial Bank Ltd.
Saudi Pak Commercial Bank Ltd.

LEGAL ADVISER

M/s. Nafees Siddiqui Law Associates,
205, Clifton Centre, Clifton, Karachi.
MILLS & REGISTERED OFFICE
A-29/A, S.I.T.E., Manghopir Road, Karachi
Tel : 2575043-46, 2575571-73
Fax : 2562315-2562319

SHARES OFFICE

M/s. Uni Corporate & Financial Services
West land Trade Centre, Opposite flyover
Shaheed-e-Millat Road, Karachi.
Tel : 4313205-6
Fax : 4313207

NOTICE OF 11TH ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of the Shareholders of Nina Industries Limited will be held on Thursday, October 30, 2003 at 3.00 p.m. at Beach Luxury Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of 10th Annual General Meeting held on November 11, 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' report thereon.
3. To appoint the Auditors for the year 2003-2004 and fix their remuneration. Existing auditors M/s Muniff Ziauddin & Co. Chartered Accountants have retired. As Required by paragraph xxxix of the Code of Corporate Governance and based on the recommendation of the Audit Committee the Board of Directors has recommended the appointment of M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants in place of retiring auditors.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Karachi:- October 7, 2003.

(Mehtab Saeed)
Company Secretary

Notes:

1. The Shares Transfer books of the Company will remain closed from October 17, 2003 to October 30, 2003 (both days inclusive).

2. A member entitled to attend and vote at this General Meeting is entitled to appoint another member as his / her proxy to attend and vote on his / her behalf.
3. The Instrument Appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before time of meeting.
4. Members are requested to notify any change in their addresses immediately.

CHAIRMAN'S REVIEW

The year 2002-2003 under review for stakeholders in the company, I am pleased to inform you that the company as per commitment has been able to surpass the targeted sales figure of Pak Rs. 1.6bn by an amount of Pak Rs. 116,436,013. It is a happy note to achieve a sales figure of Pak Rs. 1,716,436,013.00. In spite of this achievement, company has failed to register substantial profit as compared with its sales growth.

It is pertinent to point out that the company felt that by achieving sales of Rs. 1.7bn along with the additional capacities of BMR of about 500m which by the grace of God completed but it had its own draw backs as some of the suppliers delayed the machine and most of the engineers delayed their arrivals due to internal situation of the country. Hence, the committed sales were sent outside processing units at a heavy cost. Plus the US\$ rate came down considerably affecting overall profitability of the company.

In any event the company is now fully geared up to meet all challenges world wide. Here I must point out that WTO talks in Cancun have presently failed between the Governments and we sincerely hope that a positive outcome will emerge with the support of the world community.

We expect this impasse shall resolve between the Governments and our sales shall continue to grow with profits.

(Saeed A. Sattar)
Chairman

Karachi :- October 7, 2003.

DIRECTORS' REPORT

The Directors feel pleasure in presenting the financial results of the Company for the year ended June 30, 2003

OVERVIEW:

Your management during the concluded fiscal year largely engaged in BMR activities and consolidation of its export market to book new customers and export orders especially in USA and EU markets. The efforts of the management and the entire team resulted in surpassing sales & export sales targets though but profitability results have not been achieved as expected due to many reasons which largely remained beyond the company's control.

Despite achieving below the expected profitability margins, the efforts of the management despite working under tremendous pressure are commendable by looking at the export sales figure alone which has increased from Pak Rs. 1,009,313,710.00 to Pak Rs. 1,627,492,144.00 during the ensuing year. A jump of 61.25% during the current year as compared to last year's corresponding figure of 33.99%.

International market remained completely buyers' dominant market during the ensuing year that has forced

the company to operate on thin profitability margins. On the other hand, your management continued to face the blur of abnormal high cost of inputs and other indigenous raw materials including utilities charges. All these factors coupled with others including payment of air freight charges have deprived the company to further increase its bottom line revenue figure.

Overall, the position during the year remained depressed but your management has been able to achieved satisfactory results.

ACCOUNTS:	Rupees
Net profit before taxation	8,037,083
Less: Provision for taxation	14,477,054
Profit (Loss) after taxation	-6,439,971
Add: Un-appropriated profit brought forward	120,711,570
Add: Transfer from surplus on revaluation of fixed assets	52,294,023
Profit available for appropriation	166,565,622
Less: Proposed cash dividend	NIL
Un-appropriated profit carried forward	166,565,622

COMPANY'S PERFORMANCE AT A GLANCE:

During this year, over all sales has been increased by 49.76% as compared to corresponding last year figure of 28.44%. Out of total sales, export sales alone have been increased drastically by 61.25% as compared to corresponding last year figure of 33.99%. During the current year, contribution of export sales in the overall company's sales figure has been marvelous that consititute around 94.818% as compared to corresponding last year figure of 88.063%.

COGS figure have been increased due to various factors including increase in cost of raw materials procured from local as well from international market, increase in utilities and other tariff charges etc. This also includes high cost of processing charges paid to various out side processing units for their various services acquired by the Company during BMR. During the year 2002-2003, the financial charges have been increased by 6.80% as compared to corresponding last year figure of 16.99%. The profitability margins during the current year remained under pressure due to above factors and could not manage to improve its bottom line revenue figure.

BMR ACTIVITIES:

During the ensuing year, the management of your company largely & dedicatedly engaged in the BMR activities to ensure availability of additional production capacities in hand to meet large export commitments. The management of your company had to face many un-foreseen & un-thinkable challenges while executing BMR strategy. On top of it; refusal of Erecters' to visit Pakistan for security reason further delayed timely commissioning of various machines.

Despite above and other factors did not stopped your management and with the Grace of Allah, all machines have now been taken into production while writing this report excluding gas generator which is under full swing of installation and hopefully it will commisson very soon. For gas generator, M/s. Sui Southern Gas Company Ltd. is already in process of laying down additional gas supply line and work is still going on and hopefully the generator shall also be available for smooth supplies of desired power at low cost.

FUTURE OUTLOOK:

The management of your company is fully geared up to meet future demands of its buyers' and compliance with regulations of individual importing countries that will be implemented in near future in the light of WTO regime dictated terms. Your company has sufficient production capacities in hand and professional & very high skilled man power inventory-to face any challenges that will come across once post non-quota arena starts.

The situation of textile industry in general and your company in particular is very bright in view of availability of complete in house door-to-door production & finishing capacities. However, threat from China and other

emerging exporting countries shall remain hovering on the heads of Pakistani Bed linen exporting companies. The outcome of on going anti-dumping duties proceedings against Pakistani Bed Linen industry shall also remain a matter of grave concern and its impact on the overall economy of the country in general.

BOARD OF DIRECTORS;

There has been no change in the pattern of Board of Directors.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The management of your company has always tried to follow & comply with the regulations being received from various regulatory authorities from time to time in later & spirit and following with this professional & business ethics, the management of your Company is pleased to inform you that as per directives of SECP, necessary steps have taken to ensure compliance with the provision of the Code of Corporate Governance.

The Accounts for the year ended June 30, 2003 have been prepared and are presented in accordance with Companies Ordinance, 1984.

The Company has maintained proper books of accounts as required by the law.

The Accounting Policies and disclosures are in accordance with the International Accounting Standards applicable in Pakistan.

There are no significant doubts upon the Company's ability to continue as a going concern.

The Company has paid all taxes, duties and there are no unpaid disputed balances.

There has been no material deviation in observing the code of corporate governance.

During the year, 7 meetings of the BODs of the Company held. Attendance by each director is as

follows:

Name of Director	No. of Meetings Attended
Mr. Saeed A. Sattar	6
Mr. Waqar A. Sattar	7
Mr. Urooj Saeed	5
Mr. Kashif Sattar	2
Mr. Yasir Waqar	7
Mrs. Saeeda Saeed	4
Mr. M. Talib Ali (Nominee-State Life)	4
Mr. Karim Hatim (Nominee-NBP)	2
Mr. Ansar Hussain (Out going Director-State life)	1

Leave of absence was granted to Directors who could not attend some of the Board meetings. All meetings of board are presided over by the Chairman.

In the present Board of Directors, only 3 are executive Directors.

Directors of the Company are not serving as a Director of 10 other listed Companies; they have filed a declaration to this.

Directors are borne on the register of National Tax Payers.

Directors of the Company have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to Banking Company, a Development Financial Institution or a Non-Banking

Financial Institution or he/she, being a member of a Stock Exchange has not been declared as a defaulter by such Stock Exchange.

None of the Directors of the Company or their spouse are engaged in the business of stock brokerage.

Mr. Saeed A. Sattar-Director and Mr. Waqar A. Sattar-Director have purchased 430,500 shares each of Nina Industries Limited. Mrs. Saeeda A. Saeed, Mr. Yasir Waqar and Mr. Kashif Saeed Sattar-Directors have purchased 3,850 shares, 2,000 shares and 1,500 shares respectively of Nina Industries Limited.

The tenure of the board is three years.

Company has reasonable and efficient system of internal checks and controls in place that is being continuously monitored and updated with the growing requirements of the textile industry.

Board Meetings are held as per Companies Ordinance, 1984.

Notice of Meeting is sent to the Directors at least seven days before the Meeting as per legal requirement.

Printed (un-audited) quarterly and half-yearly accounts of the Company are circulated in time along with directors' review on the affairs of the Company.

AUDIT COMMITTEE:

Mr. Saeed A. Sattar	Chairman
Mr. Kashif Sattar	Member
Mr. Yasir Waqar	Member

AUDITORS:

M/s. Muniff Ziauddin & Co. Chartered Accountants have retired. As required by paragraph xxxix of the Code of Corporate Governance and based on the recommendation of the Audit Committee the Board of Directors has recommended the appointment of M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants in place of retiring auditors.

PATTERN OF SHAREHOLDING:

The pattern of shareholding as at June 30, 2003 is annexed to this report in accordance with the Code of Corporate Governance.

ACKNOWLEDGEMENT:

Your Directors would like to thanks its buyers, suppliers, its bankers, leasing & insurance companies, its staff and workers and the management & shareholders for their continued support and encouragement.

For and on behalf of the Board

(Waqar A. Sattar)
Chief Executive

Karachi :- October 7, 2003.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Nina Industries Limited is in the process of implementing all aspects of the Code of Corporate Governance as per Listing Regulation No. 37, issued by the Karachi Stock Exchange (Guarantee) Limited. Board of Directors of the Company is pleased to state that provisions of the Code of Corporate Governance, relevant for the year

ended June 30, 2003 have duly been complied with.

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 to the Company for the year ended June 30, 2003, prepared by the Board of Directors of NINA 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 Board's statements on internal control cover all controls and the effectiveness of such internal controls.

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

Muniff Ziauddin & Company
Chartered Accountants

Karachi :- October 7, 2003.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Tfata** INDUSTRIES LIMITED as at 30 June 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information, and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.5 with which we concur.

(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 and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2003 and of the loss, 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.

Karachi :- October 7, 2003.

MUNIFF ZIAUDDIN & CO.

CHARTERED ACCOUNTANTS

PATTERN OF HOLDING OF SHARES HELD

BY THE MEMBERS OF NINA INDUSTRIES LIMITED

AS AT 30 JUNE 2003

No. of Shareholders	Share holdings		Total Shares Held	Percentage of Issued Capital
	From	To		
87	1	100	4,350	0.02%
201	101	500	100,000	0.41%
22	501	1000	13,900	0.06%
7	1001	5000	16,800	0.07%
1	5001	10000	8,500	0.04%
1	10001	15000	12,000	0.05%
2	15001	20000	37,150	0.15%
1	20001	25000	22,000	0.09%
1	95001	100000	97,500	0.40%
1	475001	480000	478,850	1.98%
1	675001	680000	678,000	2.80%
1	725001	730000	727,732	3.01%
1	1995001	2000000	2,000,000	8.26%
1	3995001	4000000	3,995,750	16.51%
1	4950001	4955000	4,950,318	20.46%
1	5160001	5165000	5,163,500	21.34%
1	5890001	5895000	5,893,650	24.35%
331			24,200,000	100%

Categories of Shareholders.

Number Shares Held Percentage

Associated Companies, Undertakings
and Related Parties.

BELA TEXTILES LIMITED	1	3,995,750	16.51%
Directors. CEO & their Spouse and Minor Children	9		
MR. SAEED A. SATTAR		4,950,318	20.46%
MR. WAQAR A. SATTAR		5,893,650	24.35%
MR. UROOJ SAEED		727,733	3.01%
MR. YASIR WAQAR		478,850	1.98%
MR. KASHIF SAEED SATTAR		663,150	2.74%
MRS. SAEEDA SAEED		18,150	0.08%
MRS. ANJUM WAQAR		3,300	0.01%
MR. TALHA WAQAR		1,000	0.00%
MR. SAQIB WAQAR		1,000	0.00%
Public Sector Companies and Corporation Banks. Development Finance/Institutions. Non-Banking Financial Institutions. Insurance Companies. Modarabas and Mutual Funds	-		
NATIONAL BANK OF PAKISTAN		5,163,500	21.34%
STATE LIFE INSURANCE CORPORATION		2,000,000	8.26%
E.F.U. GENERAL INSURANCE LIMITED		97,500	0.40%
Individuals			
Holding more than 10%	-	-	-
Holding less than 10%	318	206,099	0.85%
TOTAL	331	24,200,000	100.00%
Shareholders 10 percent or more voting interest in the Company			
Mr. Saeed A. Sattar		4,950,318	20.46%
Mr. Waqar A. Sattar		5,893,650	24.35%
M/s. National Bank of Pakistan		5,163,500	21.34%
M/s. Bela Textiles limited		3,995,750	16.51%
Total		20,003,218	82.66%

BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
CAPITAL & LIABILITIES			
AUTHORIZED			
SHARE CAPITAL			
25,000,000 Ordinary shares of Rs. 10/- each		250,000,000	250,000,000
CAPITAL AND RESERVE			
Issued subscribed and paid-up capital	3	242,000,000	220,000,000
Un-appropriated profit		166,565,622	120,711,570
		408,565,622	340,711,570
Surplus on Revaluation of fixed Assets	4	158,179,028	210,473,051
Long term loans	5	311,512,088	64,931,018
Liabilities against assets subject to finance lease	6	130,373,400	15,669,964
Deferred Liabilities	7	5,237,647	3,952,368
Directors loan	8	3,172,329	7,067,301
CURRENT LIABILITIES			
Short term finances utilized under mark up arrangements - secured	9	1,158,269,524	665,176,948
Current maturity of long term liabilities	10	111,818,058	39,096,699
Creditors, accrued charges and other liabilities			

Proposed Dividend	11	652,070,527	253,843,832
		-	22,000,000
Contingencies and commitments	12	1,922,158,109	980,117,479
		-	-
		2,939,198,223	1,622,922,751
	Note	2003	2002
		Rupees	Rupees
PROPERTY AND ASSETS			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	992,960,833	679,690,760
Capital work in progress	14	152,872,710	-
		1,145,833,543	679,690,760
Long term deposits and deferred cost	15	33,587,322	13,197,020
CURRENT ASSETS			
Stores and spares	16	89,834,628	83,994,946
Stock in trade	17	806,724,112	513,682,676
Trade debts	18	628,165,209	160,623,646
Advances, deposits, prepayments & other receivables	19	79,729,611	70,048,542
Export rebates and sales tax receivable	20	135,691,686	81,852,627
Bank and cash balances	21	19,632,112	19,832,534
		1,759,777,358	930,034,971
		2,939,198,223	1,622,922,751

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

	Note	2003	2002
		Rupees	Rupees
SALES	22	1,716,436,013	1,146,120,925
COST OF SALES	23	1,528,867,064	949,715,535
GROSS PROFIT		187,568,949	196,405.39
OPERATING EXPENSES			
General and administrative	24	52,015,371	46,242,517
Selling & distribution	25	28,466,386	20,445,936
		80,481,757	66,688,453
Operating profit		107,087,192	129,716,937
Financial charges	26	102,515,575	95,985,348
Other charges	27	423,004	1,847,999
Other income	28	-3,888,470	-3,228,400
		99,050,109	94,604,947
Profit before taxation		8,037,083	35,111,990
Taxation			
Current		12,300,000	8,000,000
Prior year		2,177,054	4,427,040
Deferred		-	-446,258
		14,477,054	11,980,782
Profit (loss) after taxation		-6,439,971	23,131,208
Unappropriated profit brought forward		120,711,570	119,580,362
		114,271,599	142,711,570
Trasfer from surplus on revaluation of fixed assets			
Prior year		36,598,689	-
Current year		15,695,334	-
		52,294,023	-

Appropriations		166,565,622	142,711,570
Proposed cash dividend Nil (2002 Rs. 1 per share)		-	22,000,000
Unappropriated profit carried forward		166,565,622	120,711,570
Basic earning per share	29	-0.28	1.05

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

	Note	2003 Rupees	2002 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation		-6,439,971	23,131,208
Adjustments for			
Depreciation & amortization		73,995,472	71,731,685
<i>Deferred</i> liabilities		1,285,278	446,485
Loss / (Gain) on disposal of fixed assets		30,786	-507,994
		75,311,536	71,670,176
Net cash inflows		68,871,565	94,801,384
CASH FLOWS FROM WORKING CAPITAL CHANGES			
(Increase) / Decrease in current assets			
Stores, spare parts & loose tools		-5,839,682	-5,921,730
Stock-in-trade		-293,041,436	-98,288,976
Trade debts		-467,541,563	47,635,700
Advances, deposits, prepayments, other receivables, export rebates and sales tax receivables		-63,520,128	3,137,977
		-829,942,809	-53,437,029
Increase / (Decrease) in current liabilities			
Increase in short term finances		493,092,576	145,538,738
Creditors, accrued charges and other liabilities		398,226,696	-75,447,257
		891,319,272	70,091,481
Net cash inflow from working capital changes		61,376,463	16,654,452
Net cash inflow from operating activities		130,248,028	111,455,836

	Note	2003 Rupees	2002 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term deposits and deferred cost		-25,706,733	-7,695,645
Proceeds from disposal of operating fixed assets		145,000	872,750
Fixed capital expenditure including capital work in progress		-534,997,609	-46,795,667
Net cash flows from investing activities		-560,559,342	-53,618,562
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term directors loan		-3,894,972	-2,771,938
Inflow and outflow of long term loans and lease financing-net		434,005,864	-36,620,711
Issuance of right shares		22,000,000	-
Share premium paid to the State Life Insurance Corporation		-	-10,000,000
Dividend Paid		-22,000,000	-
Net cash inflow / (outflow) from financing activities		430,110,892	-49,392,649
		-130,448,450	-103,011,211
Net increase / (decrease) in cash and cash equivalents		-200,422	8,444,625
Cash & cash equivalents at the beginning of the year		19,832,534	11,387,909
Cash & cash equivalents at the year end		19,632,112	19,832,534

CHAIRMAN

CHIEF EXECUTIVE

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

	Share Capital	Capital Reserve (Share Premium)	Unappropriated Profit ees)	Total
Balance as at July 01, 2001	220,000,000	10,000,000	119,580,362	349,580,362
Share premium refunded to the State Life Insurance	-	-10,000,000	.	-10,000.00
Profit for the year ended June 30, 2002	-	-	23,131,208	23,131,208
Proposed dividend	-	-	-22,000,000	-22,000,000
Balance as at June 30, 2002	220,000,000	-	120,711,570	340,711,570
Issue of Right Shares	22,000,000	-	-	22,000,000
Loss for the year ended June 30, 2003	-	-	-6,439,971	-6,439,971
Transfer from surplus on revaluation of fixed assets to unappropriated profit :				
Prior year	-	-	36,598,689	36,598,389
Current year	-	-	15,695,334	15,695,334
Balance as at June 30, 2003.	242,000,000	-	166,565,622	408,565,622

CHAIRMAN

CHIEF EXECUTIVE

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

1. STATUS OF THE COMPANY

The company was incorporated in Pakistan under the Companies Ordinance, 1984 and is listed at Karachi Stock Exchange. The company operates textile processing unit and is also engaged in exports.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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 standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Company Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirement of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of said directives take precedence.

2.2 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention as modified by revaluation of certain fixed assets as referred to in note 2.5.

2.3 GRATUITY

The company operates an unfunded gratuity scheme for non-managerial employees. The present value of the defined benefit obligation has been determined on the basis of actuarial valuation carried out on the Balance Sheet date. In accordance with the requirements of IAS - 19, Employees Benefits actuarial valuation has been carried out using the Projected Unit Credit Method. Actuarial gains and losses at each valuation date are charged to profit & loss account. Main valuation assumption used for actuarial valuation were as under:-

Discount rate - 08% per annum

Expected rate of increase in salaries 07% per annum

2.4 TAXATION

Current

The charge for current taxation is based on profit as adjusted for tax purposes and also considering chargeability of export sales u/s 154 of the Income Tax Ordinance, 2001.

Deferred

The company accounts for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. This is recognised on the basis of expected manner of settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse and sufficient taxable income will be available against which the temporary differences can be utilised.

2.5 FIXED ASSETS

a) Fixed Assets are stated at cost less accumulated depreciation except for leaseholdland, building on lease hold land, plant & machinery, installation and equipments which are stated at revalued amount less accumulated depreciation.

b) Depreciation is charged to income applying the reducing balance method without considering extra shift worked.

c) In the current period the company has changed its accounting policy in respect of charge for depreciation as under:

Depreciation is charged on assets from the month of purchase or from the month of commercial production for additions in respect of additions made during the year while proportionate depreciation is charged on assets disposed off during the year till the month of disposal.

This change in accounting policy is made, as the management is of the view that the depreciation charge should reflect appropriately the value of consumption of the respective assets economic benefit utilized by the company during period of its commercial use. Had there been no change in accounting policy the loss for the year ended June 30, 2003 would have been higher by Rs. 22,784,875/- and accordingly accumulated profit would have been lower by Rs. 22,784,875/-. This change in accounting policy has not been applied retrospectively as the amount of any resulting adjustment that relates to prior periods is not reasonably determinable.

d) Minor renewals, replacements, maintenance and repairs are charged to expense. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

2.6 ACCOUNTING FOR LEASE

The company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payment under the lease agreement and fair value of assets. Finance charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is provided at the rates specified in the depreciation schedule.

2.7 CAPITALIZATION OF BORROWING COST

Borrowing cost on loans obtained for acquisition of plant and machinery for the period till

commissioning of production is capitalized.

2.8 DEFERRED COSTS

These represent share floatation expenses, cost of design & pattern and cost of export quota which are being amortised over a period of five years commencing from the year in which these are incurred.

2.9 STORES AND SPARES

These are valued at weighted average cost.

2.10 STOCK-IN-TRADE

Stock of raw material, packing material and finished goods are valued at lower of moving average cost and net realizable value. Cost in relation to cloth in process represents cost of raw materials and applicable overheads.

Stock in transit is stated at invoice value plus other charges incurred thereon.

2.11 TRADE DEBTS

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.12 FOREIGN CURRENCY TRANSACTIONS

Foreign exchange transactions have been recorded at the exchange rates prevailing on the date of transactions. Exchange gain or loss on realization of export bills is included in income currently.

2.13 REVENUE RECOGNITION

Sales are recorded on dispatch of goods to customers. Income from processing is recognized on the performance of services.

2.14 FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include receivables, cash & bank balances and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

	Note	2003 Rupees	2002 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
2003	2002		
22,000,000	22,000,000		
	Ordinary shares of Rs. 10/- each		
	fully paid in cash	220,000,000	220,000,000
2,200,000-	Right share issued during the year		
	@ Rs. 10 each fully paid in cash	22,000,000	-
24,200,000	22,000,000	242,000,000	220,000,000
4. SURPLUS ON REVALUATION OF FIXED ASSETS			
This represents surplus over book values resulting from the revaluation of fixed assets carried out in 2000.			
		210,473,051	210,473,051
	Balance as at July 01, 2002		
	Less: Transferred to unappropriated profit on account of		
	incremental depreciation charged in prior years - Note 4.1	36,598,689	-

		173,874,362	210,473,051
Less: Transferred to unappropriated profit on account of incremental depreciation for the year	Note 4. 1	15,695,334	-
Balance as at June 30, 2003		158,179,028	210,473,051

4.1 In accordance with the amendment introduced in section 235 of the companies Ordinance, 1984, and subsequent notification of SECP, amounts equal to incremental depreciation for the year and incremental depreciation charge in previous years have been transferred to unappropriated profit to record realisation of surplus to the extent incremental depreciation charged.

5. LONG TERM LOANS (SECURED)

PICIC Loan	5.1	-	18,197,737
Habib Bank Ltd. Loan	5.2	14,062,500	-
First Habib Bank Modarba	5.3	-	46,733,281
Askari Commercial Bank Ltd.	5.4	91,833,332	-
Orix Investment Bank	5.5	19,444,444	-
Atlas Investment Bank Ltd.	5.5	19,444,444	-
Saudi Pak Industrial & Agricultural Investment Co.	5.6	55,575,790	-
Saudi Pak Commercial Bank	5.6	83,363,684	-
Pak Libya Holding Company	5.6	27,787,894	-
		311,512,088	64,931,018
5.1 PICIC LOAN		18,197,737	40,750,737
Less : Transferred to current maturity		18,197,737	22,553,000
		-	18,197,737

The loan was obtained under ADB-996-Pak credit line amounting to US \$ 3.86 Million (equivalent to Pak Rs. 100.25 Million) during the year 1993 from PICIC to finance plant & machinery. The loan is secured by way of 1st Equitable mortgage on company's Land and Building, Plant and Machinery financed by PICIC and floating charge on undertaking of the company. Interest is payable bi-annually @ 3% per annum above the interest payable by PICIC to Government in respect of loan and Government of Pakistan has notified the rate of 12.61% per annum. Loan is repayable in 20 bi-annual installments commenced from January 01, 1995.

	Note	2003 Rupees	2002 Rupees
5.2 HBL Loan			
Demand Finance Loan		25,000,000	1,659,000
Less : Transferred to current maturity		10,937,500	1,659,000
		14,062,500	-

The loan of Rs. 25 million was obtained during the year 2002-03 and is secured by way of 2nd charge on all fixed assets including land building of the company. The loan carry mark-up @ 13% per annum payable on quarterly basis. The above loan is repayable in sixteen fixed quarterly installments (excluding markup) by October 2006.

5.3 FIRST HABIB BANK MODARBA - MORABAHA FINANCE

Company obtained Morabaha Finance of Rs. 46,733,281/= after termination of existing Lease agreement # FHBM/LEASE/43. Mark up is payable @ 0.41 paisa per thousand per day.

	Note	2003 Rupees	2002 Rupees
5.4 ASKARI COMMERCIAL BANK LTD. Loan		115,000,000	-
Less: Transferred to current maturity		23,166,668	-
		91,833,332	-

This represents amount of Two loans of Rs. 50 Million and 65 Million each are secured by way of 1st

pari passu charge on all Fixed Assets including land and building and 1st charge exclusive on one set Mercerizing Machine. Above loans are repayable in 9 equal biannual installments and carries mark up 13% and 10% per annum.

5.5 CONSORTIUM OF ORIX INVESTMENT BANK AND ATLAS INVESTMENT BANK

Orix Investment Bank

Loan	25,000,000	—
Less: Transferred to current maturity	5,555,556	-
	19,444,444	-

Atlas Investment Bank Ltd.

Loan	25,000,000	—
Less: Transferred to current maturity	5,555,556	-
	19,444,444	-

The loan is secured by way of 1st Pari Passu Charge on all Fixed Assets including land and building. Loan is repayable in 9 biannual installments and carries markup @ 13.5% per annum.

5.6 CONSORTIUM OF SAUDI PAK COMMERCIAL BANK/SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT COMPANY/PAK LIBYA HOLDING COMPANY.

Saudi Pak Industrial & Agricultural Investment company

Loan	60,000,000	—
Less: Transferred to current maturity	4,424,210	-
	55,575,790	-

Saudi Pak Commercial Bank

Loan	90,000,000	—
Less: Transferred to current maturity	6,636,316	-
	83,363,684	-

Pak Libya Holding Company

Loan	30,000,000	—
Less: Transferred to current maturity	2,212,106	-
	27,787,894	-

These loans are secured by way of 1st pari passu charge on all Fixed Assets including land building of the company repayable in 20 equal quarterly installment. Mark up payable @ 13% per annum.

	Note	2003 Rupees	2002 Rupees
6	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
	Amount Payable	160,528,809	28,881,669
	Less: Transferred to current maturity	30,155,409	13,211,705
		130,373,400	15,669,964

6.1 The lease rentals include financial charges at the rates ranging between 1.08% to 1.33% per month and repayable in monthly lease rentals against various lease contracts of various amount and repayable by February 2007. There are no financial restrictions in lease agreements.

6.2 The amount of future payments and the periods during which they will fall due are:

Year ending June 30,

2002-2003	—	17,553,784
2003-2004	69,182,592	12,330,953
2004-2005	55,769,644	4,943,413
2005-2006	49,408,014	1,039,940
2006-2007		

		27,443,827	—
		201,804,077	35,868,090
	Less: financial charges not yet due	41,275,268	6,986,421
		160,528,809	28,881,669
7	DEFERRED LIABILITIES		
	Deferred tax	310,718	310,718
	Staff Gratuity 7.1	4,926,929	3,641,650--
		5,237,647	3,952,368
7.1	The break-up of amount recognised as liability in the Balance Sheet is as follows:-		
	Present value of Defined Benefit Obligation as at June 30, 2002	3,641,650	
	Interest cost for the year	440,972	
	Current Service cost for the year	1,232,527	
	Actuarial gains	-16	
	Charge for the year reported as Salaries & Benefit	1,673,483	
	Benefit paid during the year	-388,204	
	Liability as on June 30, 2003	4,926,929	
8	DIRECTORS LOAN		
	Directors Loan	3,172,329	7,067,301

This represents interest free loans from sponsoring directors. Repayment terms have not yet been determined by the directors.

9	SHORT TERM FINANCES (SECURED) FROM BANKS		
	Export Refinance	1,000,697,000	555,977,806
	Running Finance	21,941,466	33,886,604
	Finance against Imported Merchandise	21,908,468	4,145,799
	Finance against Trust Receipt - FATR	113,722,590	71,166,739
		1,158,269,524	665,176,948

9.1 Security

Above finances are secured by hypothecation of stocks and book debts and pledge of stocks of the company collaterally secured by way of second charge on fixed assets of the company and personal guarantee of the directors.

9.2 Mark-up

Markup on export refinance is charged in accordance with SBP scheme while on other finances ranges between 10% to 15% per annum payable quarterly.

10	CURRENT MATURITY OF LONG TERM LIABILITIES	Note	2003 Rupees	2002 Rupees
	Long term loans		81,662,649	25,884,994
	Liabilities against Assets subject to Finance Lease		30,155,409	13,211,705
			111,818,058	39,096,699
11	CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES			
	Creditors		416,189,904	144,194,360
	Accrued charges		49,268,012	19,145,981
	Provision for taxation		13,285,272	9,414,634
	Other liabilities		4,860,598	3,034,838
	Due to associated undertaking 11.1		-	739,195
	Bills payable under D/A L/C			

	135,706,912	61,516,023
Mark-up accrued on secured loans	32,759,829	15,798,801
	652,070,527	253,843,832

11.1 The maximum aggregate amount due to associated undertaking (M/s International Distribution Services) at the end of any month during the year was Rs. 739,195 (2002 Rs. 739,195)

12. CONTINGENCIES AND COMMITMENTS

Commitments

For outstanding L/C in respect of Raw Material & Spares etc.	4,208,704	12,678,807
Import of various Textile Machineries for BMR	-	174,449,273
Guarantee issued to various utility Corporations	10,000,000	4,648,000

13. OPERATING FIXED ASSETS

DESCRIPTION	COST			Accumulated	Book Value	Depreciation	Rate %
	As on 1 July-02	Additions/ (Deletions)	As on 30 June 03	As on 30 June 03	As on 30 June 03	For the Year	
Leased hold land	36,790,000	-	36,790,000	-	36,790,000	-	-
Building on lease hold land	124,461,467	59,295,845	183,757,312	30,467,425	153,289,887	4,961,711	5%
Plant & machinery	660,575,576	268,914,864	929,490,440	320,437,459	609,052,981	42,942,690	10%
Installation	26,473,628	841,785	27,315,413	13,970,012	13,345,402	1,422,629	10%
Furniture & fixture	14,212,470	2,131,296	16,343,766	7,362,221	8,981,545	898,941	10%
Equipments	62,158,240	562,871	62,721,111	29,502,693	33,218,418	3,677,296	10%
Computers	5,560,706	1,461,739	7,022,445	2,438,788	4,583,657	441,524	10%
Vehicles	12,598,520	123,050	12,192,570	8,886,115	3,659,667	930,877	20%
		-529,000		-353,214			
	942,830,607	333,331,450	1,275,633,057	413,064,713	862,921,557	55,275,668	
		-529,000		-353,214			
ASSETS UNDER FINANCE LEASE							
Computers	1,234,500	-	1,234,500	234,555	999,945	111,105	10%
Plant & Machinery	98,784,697	48,793,448	147,578,145	29,103,958	118,474,187	10,650,981	10%
Vehicles	18,388,554	-	18,388,554	7,823,410	10,565,144	2,641,286	20%
	118,407,751	48,793,448	167,201,199	37,161,923	130,039,276	13,403,372	
Total 2003	1,061,238,358	382,124,898	1,442,834,256	450,226,636	992,960,833	68,679,040	
		(529,000)		(353,214)			
.Total 2002	1,014,454,246	57,995,921	1,061,238,358	381,547,596	679,690,760	67,794,320	
		-11,211,809		-4,149,321			

13.1 Depreciation charge for the period has been allocated as under:

	2003	2002
	Rupees	Rupees
Cost of sales	64,045,554	62,802,588
Administrative expenses	4,633,486	4,991,732
	68,679,040	67,794,320

13.2 DISPOSAL OF FIXED ASSETS

Sold to	Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain / (Loss)	Mode of Disposal
EFU General Insurance Co.	Honda Motor Cyd	69,000	13.8	55.2	65,000	9.8	Insurance Claim
Vlr. Aslam Suleman	Mercedez Car	460,000	339,414	120,586	80	-40,586	Negotiation

Total	529,000	353,214	175,786	145,000	-30,786
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13.3 SURPLUS ON REVALUATION OF FIXED ASSETS

	COST AS AT 30-Jun-00	ACCUMULATED DEPRECIATION UP TO JUNE 30, 2000	WRITTEN DOWN VALUE	DEPRECIATED/ REPLACEMENT COST	SURPLUS ON REVALUATION OF ASSETS
Leased hold land	31,626,260	—	31,626,260	36,790,000	5,163,740
Building on lease hold land	72,594,938	15,721,066	56,873,872	82,928,787	26,054,915
Plant & machinery	473,767,371	187,305,672	286,461,700	459,048,972	172,587,272
Installation	23,783,756	9,294,694	14,489,062	15,313,629	824,567
Equipments	50,065,015	15,872,091	34,192,924	40,035,481	5,842,557
	651,837,340	228,193,523	423,643,818	634,116,869	210,473,051

13.4 As at November 08, 2000 fixed assets were revalued by Valuation & Engineering Consultant, M/s Iqbal A. Nanjee & Co. and the valuation report was examined by Muniff Ziauddin & Company., Chartered Accountants.

The valuation was determined on the following basis:

Leased hold land	Present market value of similar property in the area.
Building on lease hold land	Present cost of construction discounted for approximate depreciation.
Plant & machinery	Foreign currency value of Plant & Machinery converted into Pak Rupees at the current exchange rates plus pre-operational and post-operational expenditures.
Installation	Present depreciated value.
Equipments	Present depreciated value.

The surplus arising on revaluation was credited to surplus on revaluation account.

13.5 Had there been no revaluation, the net book value of respective fixed assets at cost less accumulated depreciation would amount to:

	Amount Rupees
Leased hold land	31,626,260
Building on lease hold land	130,951,054
Plant & Machinery	483,236,860
Installation	12,744,292
Equipments	4,722,321

	Note	2003 Rupees	2002 Rupees
14. CAPITAL WORK IN PROGRESS			
Plant & Machinery under erection		152,872,710	-
		152,872,710	-
15. LONG TERM DEPOSITS AND DEFERRED COSTS			
Security deposits		1,369,550	1,333,650
DEFERRED COSTS			
Share floatation expenses		2,889,185	3,780,837
Export Quota purchase		23,442,456	-
Design & Pattern		15,891,054	12,013,299
		43,592,245	17,127,786
Amortized during the year		10,004,923	3,930,766

16.	STORES & SPARES		33,587,322	13,197,020
	Stores, spares and loose tools		89,834,628	83,994,946
17.	STOCK IN TRADE			
	Raw material		595,548,136	355,826,403
	Work in process		115,188,045	70,687,419
	Raw material in transit		184,350	3,860,668
	Finished goods		95,803,581	83,308,186
			806,724,112	513,682,676
18.	TRADE DEBTS			
	Export proceeds receivables - secured		550,773,296	100,460,441
	Local debts un-secured considered good		8,951,516	11,053,703
	Due from associated undertaking	18.1	68,440,397	49,109,502
			628,165,209	160,623,646

18.1 The maximum aggregate amount due from associated undertaking (M/s Bela Textiles Ltd.) at the end of any month during the year was Rs. 68,440,397 (2002 Rs. 49,109,502)

19.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Advances		47,019,510	7,283,587
	Deposits		7,367,224	25,839,032
	Prepayments		2,750,248	16,104,152
	Advance income tax		13,554,895	11,016,618
	Other receivables		9,037,734	9,805,153
			79,729,611	70,048,542
		Note	2003	2002
			Rupees	Rupees
20.	EXPORT REBATE AND SALES TAX RECEIVABLE			
	Export rebates		46,356,816	42,995,448
	Sales Tax		89,334,870	38,857,179
			135,691,686	81,852,627
21.	BANK AND CASH BALANCES			
	Cash in hand		5,989,727	5,816,728
	Balance with banks in current accounts		13,642,385	14,015,806
			19,632,112	19,832,534
22.	SALES AND SERVICES			
	Sales			
	Export		1,627,492,144	1,009,313,710
	Export rebates		37,040,992	49,914,324
			1,664,533,136	1,059,228,034
	Local sales - retail outlets		9,683,875	18,788,615
	Sales of left overs		16,820,837	5,283,993
	Services - processing		27,970,653	70,684,455
			54,475,365	94,757,063
	Total sales and services		1,719,008,501	1,153,985,097
	Less: Commission and Brokerage		2,572,488	7,864,172
	Net sales and services		1,716,436,013	1,146,120,925
		Note	2003	2002
			Rupees	Rupees
23.	COST OF SALES			
	Cost of materials consumed	23.1	1,090,289,302	657,094,845
	Confection charges		62,590,161	34,682,677
	Salaries, wages and benefits		61,761,118	45,792,651
	Mandatory employees contributions			

		2,885,130	1,651,593
Fuel, water and power		77,859,936	56,698,683
Repair and maintenance		7,967,922	5,568,122
Mending, packing and forwarding		16,202,781	9,561,382
Insurance expenses		6,455,670	1,721,602
Coolies, cartage, freight and duties		144,129,377	67,306,283
Rent, rates and taxes		7,175,508	1,402,597
Depreciation		64,045,554	62,802,587
		1,541,362,459	944,283,022
Add : Finished goods opening		83,308,186	88,740,699
		1,624,670,645	1,033,023,721
Less : Finished goods closing		95,803,581	83,308,186
Cost of Goods Sold		1,528,867,064	949,715,535
23.1 Cost of materials consumed			
Raw materials consumed		967,066,168	591,433,008
Accessories, packing and production stores		123,223,134	65,661,837
		1,090,289,302	657,094,845
24. GENERAL AND ADMINISTRATIVE EXPENSES			
Staff salaries and allowances		17,726,832	16,543,812
Directors' remuneration	24.1	5,689,017	4,221,998
Telephone and telex		1,900,634	2,062,226
Fees and subscription		530,930	500,368
Legal and professional		2,648,201	3,710,370
Postage, courier and telegram		7,518,024	4,379,859
Vehicle repair and maintenance		4,838,398	3,990,222
Office expenses		146,024	258,393
Entertainment		573,576	346,982
Conveyance and travelling		1,973,164	1,413,159
Stationery and printing		1,918,418	2,037,310
Auditors' remuneration	24.2	254,600	223,875
Amortization of <i>deterred</i> cost		1,334,004	1,260,280
Charity, donation and gifts	24.3	112,500	55,000
Staff welfare expenses		192,629	204,516
General expenses		24,934	42,415
Depreciation		4,633,486	4,991,732
		52,015,371	46,242,517

24.1 Remuneration of Chief Executive, Directors and Executives

	2003			2002		
	Directors	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial Remuneration	2,151,724	1,655,172	9,230,080	1,393,548	1,161,290	7,819,394
Perquisites						
House Rent	968,276	744,828	3,678,952	766,452	638,710	3,514,290
Utilities and upkeep	76,082	92,935	819,034	118,171	143,827	761,577
	3,196,082	2,492,935	13,728,066	2,278,171	1,943,827	12,095,261
Number of Persons	2	1	33	1	1	31

In addition, the Chief Executive, two directors and certain executives are provided with free use of company maintained car. (2002: Chief Executive, two directors and certain executives).

The Chief Executive and directors have waived their Meeting fee.

REMUNERATION TO THE OTHER DIRECTOR

Amount charged in the accounts for Board Meeting fee to non-executive director is
Rs. 20,000/= (2002: Rs. 5,000/=)

	Note	2003 Rupees	2002 Rupees
24.2 Auditors Remuneration			
Audit fee		125,000	75,000
Review fee		30,000	-
Tax consultancy services		77,500	137,500
Out of pocket expenses		22,100	11,375
		254,600	223,875

24.3 None of the directors or their spouse had any interest in the donees fund.

25. SELLING AND DISTRIBUTION			
Advertisement expenses		6,050,139	5,383,872
Travelling expenses		9,509,619	9,971,252
Fair expenses		3,540,228	2,409,325
Sales promotion expenses		5,450	4,400
Amortization of export quota		4,688,491	-
Designs and samples		4,672,459	2,677,087
		28,466,386	20,445,936

	Note	2003 Rupees	2002 Rupees
26. FINANCIAL CHARGES			
Bank charges		11,679,578	9,013,842
Finance charges on lease		4,340,297	8,688,313
Stamping charges		68,226	592,080
Interest on WPPF		138,600	126,266
Markup on bank financing		86,288,874	77,564,847
		102,515,575	95,985,348
27. OTHER CHARGES			
Workers profit participation fund		423,004	1,847,999
28. OTHER INCOME			
Sales of scrap		885,799	2,720,406
Gain on sale of fixed assets		3,002,671	507,994
		3,888,470	3,228,400
29. BASIC EARNING PER SHARE			
Profit after tax		-6,439,971	23,131,208
Number of Shares - Weighted average		23,100,000	22,000,000
Basic earning per share		-0.28	1.05
• 30. TRANSACTIONS WITH ASSOCIATED UNDERTAKING			
Fabric processing - sales		9,566,739	16,669,939
Purchased from		14,226,093	21,416,442

31. FINANCIAL INSTRUMENTS AND
RELATED DISCLOSURES
FINANCIAL ASSETS:- Non - Interest bearing

	Maturity within one year	Maturity after one year (Rupees)	Total
Long term deposits	-	33,587,322	33,587,322
Trade debts	628,165,209	-	628,165,209
Advances, deposits & other receivables (excluding taxes and Government duties)	66,174,716	-	66,174,716
Bank and cash balances			

Total	19,632,112	-	19,632,112
FINANCIAL LIABILITIES	713,972,037	33,587,322	747,559,359
a) Interest bearing			
Long term loans	81,662,649	311,512,088	393,174,737
Liabilities against assets subject to finance lease	30,155,408	130,373,400	160,528,808
Short term running finances	1,158,269,524	—	1,158,269,524
	1,270,087,581	441,885,488	1,711,973,069
b) Non interest bearing			
Creditors, accrued charges and other liabilities	652,070,528	-	652,070,528
Directors' loans	-	3,172,329	3,172,329
	652,070,528	3,172,329	655,242,857
Total	1,922,158,109	445,057,817	2,367,215,926

a) Interest / mark-up rate risk

The effective Interest Rates as at June 30, 2003 for the financial instruments are as follows

Liabilities

Running finance / FIM, Demand Finance/ Long Term Loans	10.00 - 15.00 percent
Export refinance	3.00- 8. 00 percent
Trust Receipts	10.00 - 15.00 percent
Liability against assets subject to finance lease	13.00 - 19.00 percent

b) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts

failed to perform as contracted.

The Company believes that it is not exposed to major concentration of credit risk.

c) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to sales and purchase transaction with foreign undertakings. The Company minimized foreign currency risk partly by taking forward cover for import commitments.

d) Fair Value of Financial Instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

32. PRODUCTION CAPACITY

The production capacity of company's plant cannot precisely be determined as being a processing unit, the capacity varies depending upon the processes involved, coverage requirements, the construction of cloth used composing different types of textures etc.

33. NUMBER OF EMPLOYEES

Total number of employees at the year end were 689 (2002: 645)

34. DATE OF AUTHORIZATION

These financial statements were authorised for issue on October 7, 2003 by the Board of Directors of the Company.

35. GENERAL

- a) Previous year's figures have been re-grouped and re-arranged to facilitate comparison.
- b) Figures have been rounded off to the nearest rupee.

CHAIRMAN

CHIEF EXECUTIVE