

AL-ABID SILK MILLS LIMITED

ANNUAL REPORT 2004

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, 2004, prepared by the Board of Directors of AL-ABID SILK MILLS LIMITED to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 40 (Chapter XIII) of the Lahore 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, 2004.

REPORT TO THE SHARE HOLDERS

The Board of Directors is pleased to present The Thirty Sixth Annual Report and the Audited Accounts of the Company for the year ended June 30, 2004.

WELCOME: I welcome you all to the 36th Annual General Meeting of the Company.

PERFORMANCE: During the period under review, the turnover of the company has declined by approximately 8.7%. The reasons for decline in sales are given as follows :

- In October, November & December 2003, quotas were blocked for shipment by EPB as there were apprehensions that there may be an embargo, consequent to which orders were refused and also cancelled.
- Subsequently anti-dumping proceedings had a chilling effect and buyers shifted their positions.
- In the American market scenario is changing, importers who were supplying to retailers are withdrawing as retailers are coming directly to tackle the situation which will arise in 2005. The transition period has somewhat slowed down the regular import which has hitherto major with the importers. Now with the retailers coming directly, we are expecting things to normalize and accelerate.

The decline in sales as discussed above, has also contributed towards the decline in profits. The other contributing factor towards the decline in profitability has been the increased depreciation charge on increased capital expenditure being incurred by the company in view of the challenges of post quota era ahead. The increase in depreciation expense as compared to the previous year is Rs. 31 million. During the last quarter though sales have been increased but unexpected increase in-grey cloth prices had a negative effect on the profitability of the company. We, however, consider the present stage as gestation phase for the textile industry in view of the possible opportunities ahead that are expected to be emanated in the post quota era commencing from January 2005. In the quota free era competition is expected to increase manifold, however, opportunities are also expected to arise for the local industry on account of certain natural economies of scale.

To tackle 2005 where we are expecting lot of competition, also increased business for which efficiency, cost cutting, social compliance will be essential factors. Your company has taken care and is continuously taking care of all these prerequisites to get a share in the International market. To meet the bulk requirements and higher qualities, plant and machinery of latest designs and versatility have been imported, partly installed and partly on their way.

Accordingly in social compliance, the company has taken care of various aspects including Waste Water Treatment Plant which has been imported and construction of the plant is on its way and is expected to be operational before 2005.

The year under review has been virtually year of consolidation by BMR and various type of compliances essentially required to do international business for 2005 onward. The results of our efforts in preparing the company after 2005 scenario are expected to be positive and should start appearing after the 1st quarter of 2005.

BMR AND EXPANSION PROGRAMME: The BMR programme is being pursued as reported earlier to compete in the international market in the post 2005 scenario when quotas will be removed and fierce competition is expected in respect of quantity and quality both. During the period under review various machines have been arrived and are under process of erection e.g. Bleaching and Drying Ranges, Stentering and drying range, Singeing machine and Gas Generators.

Letter of Credits have also been opened for One Mercerizing Range, One Continuous Dyeing Range and One Preshrinking Range.

DIVIDEND: Keeping in view the requirement of liquidity by the company, we propose a final cash dividend of Rs. 0.50 per share i.e. 5% of the paid-up capital.

BALANCE SHEET AS AT

	Note	2004 Rupees	2003 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital			
1 0,000,000 Ordinary Shares of Rs. 1 0/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	3	74,250,000	74,250,000
Reserves			
Capital reserve	4	128,700,000	128,700,000
Unappropriated profit		420,323,404	405,878,768
		549,023,404	534,578,768
		623,273,404	608,828,768
LONG TERM LOANS	5	442,057,012	157,750,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
DEFERRED LIABILITIES	6	112,954,580	95,556,784
	7	20,548,469	19,512,621
CURRENT LIABILITIES AND PROVISIONS			
Short term finances	8	1,405,292,907	1,174,853,360
Current maturity of long-term loans and finances	9	153,415,534	103,085,401
Creditors, accrued charges and other liabilities	10	692,854,521	686,530,363
Dividends	11	3,802,133	7,513,172
		2,255,365,095	1,971,982,296
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		3,454,198,560	2,853,630,469

INTERNAL AUDIT FUNCTION: The Board/Audit Committee is assisted by the Internal Audit Function in maintaining a sound system of internal controls and best practices.

The Internal Audit Function reviews internal controls in all key activities of the company. It acts as a service to the business by assisting with continuous improvement of controls and procedures. Actions are agreed in response to its recommendation and these are followed up to ensure that satisfactory control is maintained.

Quarterly reviews are also conducted between internal audit management and senior management of Business and major functions to assess their current control status and to identify and address any areas of concern.

The Board is responsible for effectiveness of the company's system of internal control. The internal control systems are designed to meet company's requirement to avoid the risk to which it may be exposed.

There is no restriction placed upon the scope of the internal audit function. The members of the internal audit function are authorized to have full, free and unrestricted access to all departments, their personnel, records and information (in what ever form) and physical property. Documentation and information provided are subject to the appropriate levels of security and confidentiality.

AUDITORS: M/s. Muniff Ziauddin & Co. Chartered Accountants have retired. As required by the Code of Corporate Governance and based on the recommendation of the Audit Committee the Board of Directors has recommended the appointment of Muniff Ziauddin & Company, Chartered Accountants for the year ending 30th June, 2005.

PATTERN OF SHAREHOLDINGS: The Pattern of Shareholding and additional information regarding pattern of shareholdings is attached to the financial statements included in this report.

EARNING PER SHARE: Based on the net profit for the current year the basic earning per share was

Rs. 2.45 (Rs. 8.20 year 2003).

ACKNOWLEDGMENT: In the end your Directors are pleased to appreciate for the services rendered by the workers, staff and executives of the Company and look forward to their continued efforts and dedication. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time we thank for the well wishes of our valued shareholders. Thanks to all of you.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 Rupees	2003 Rupees
Sales and services	23	2,846,141,365	3,124,500,698
Cost of sales	24	2,434,715,362	2,662,878,707
GROSS PROFIT		411,426,003	461,621,991
OPERATING EXPENSES			
Administrative	25	113,972,257	111,119,724
Selling and distribution	26	156,240,637	145,899,652
		270,212,894	257,019,376
OPERATING PROFIT		141,213,109	204,602,615
Other income	27	2,171,270	2,954,925
		143,384,379	207,557,540
Financial charges	28	99,145,283	123,409,631
Other Charges	29	2,211,955	4,207,395
		101,357,238	127,617,026
Profit before taxation		42,027,141	79,940,514
Taxation	30	-23,870,005	-24,984,413
Prof it after taxation		18,157,136	54,956,101
Unappropriated profit brought forward		405,878,768	358,347,667
		424,035,904	413,303,768
APPROPRIATION			
Proposed dividend Rs. 0.50 per share (2003 : Rs. 1 .00 per share)		3,712,500	7,425,000
Unappropriated profit carried forward		420,323,404	405,878,768
Basic Earning Per Share	31	2.45	8.2

17. The board has setup an effective internal audit function.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse 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 the Institute of Chartered Accountants of Pakistan.

19. The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the code have been complied with. All reasonable efforts are being made by the company to comply with all the requirements of the code.

For and on behalf of the Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2004

	Share Capital	Share Premium Rupees	Unappropriated Profit	Total
Balance as at June 30, 2002	59,400,000	39,600,000	358,347,667	457,347,667
Issued during the year	14,850,000	89,100,000	-	103,950,000
Profit after tax for the year ended June 30, 2003	—	—	54,956,101	54,956,101
Dividend	-	-	-7,425,000	-7,425,000
Balance as at June 30, 2003	74,250,000	128,700,000	405,878,768	608,828,768
Profit after tax for the year ended June 30, 2004	—	—	18,157,136	18,157,136
Dividend	-	-	-3,712,500	-3,712,500
Balance as at June 30, 2004	74,250,000	128,700,000	420,323,404	623,273,404

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABID SILK MILLS LIMITED as at 30 June 2004 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;
 - (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 2004 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 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

c. 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 LEASES

The Company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payments under the lease agreement and the 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 applicable to operating fixed assets.

2.7 DEFERRED COSTS

Cost of Export Quota purchased are deferred and amortised in equal installment over the period of four years from the year in which these are purchased.

2.8 STORES AND SPARES

These are valued at cost using the moving average method.

2.9 STOCK-IN-TRADE

Stock of raw materials, work-in-process and finished goods are valued at lower of moving

average cost and net realizable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.10 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised at cost which is the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provision of the instrument by following trade date accounting. Any gain or loss on subsequent measurement and derecognition is charged to income.

2.11 REVENUE RECOGNITION

Sale of goods and services are recognized on despatch of goods to customers or on the performance of services.

2.12 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Pak rupees at the exchange rates prevailing on the date of transactions. Assets and Liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

2.13 BORROWING COST

Borrowing cost on loans obtained for acquisition of plant and machinery for the period till commissioning of production is capitalized. All other mark-up, interest and other related charges are taken to profit and loss account currently.

	Note	2004 Rupees	2003 Rupees
JUNE 30, 2004			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	984,101,366	957,693,669
Capital work-in-progress	14	317,699,839	—
		1,301,801,205	957,693,669
ADVANCE FOR SHARES	15	1,140,694	1,093,945
LONG TERM DEPOSITS AND DEFERRED COST	16	15,119,700	25,274,879
CURRENT ASSETS			
Stores and spares	17	80,797,194	71,674,351
Stock-in-trade	18	1,647,718,241	1,306,068,168
Trade debtors	19	66,834,160	130,379,510
Advances, deposits and prepayments	20	91,639,892	86,122,209
Other receivables	21	174,488,496	235,872,836
Cash and bank balances	22	74,658,978	39,450,902
		2,136,136,961	1,869,567,976
		3,454,198,560	2,853,630,469
		-	14,850,000
		46,450,000	46,450,000
		27,800,000	27,800,000
		74,250,000	74,250,000
4. CAPITAL RESERVE			
Premium on issue of right shares			
At beginning of the year		128,700,000	39,600,000
Received during the year		-	89,100,000
		128,700,000	128,700,000
5. LONG TERM LOANS FROM BANKS-SECURED			
United Bank Limited Loan 1	(i)	78,750,000	105,750,000
United Bank Limited Loan 2	(ii)	50,000,000	-
United Bank Limited Loan 3	(i)	31,000,000	-
Habib Bank AG -Zurich	(ii)	87,500,000	100,000,000
Faysal Bank Limited	(iii)	85,000,000	-
Union Bank Limited	(iv)	198,478,520	-
		530,728,520	205,750,000
Less : Current maturity		88,671,508	48,000,000
		442,057,012	157,750,000

i) Loans from United Bank Limited

They are repayable over 5 years in monthly installments

Loan 1 Yield on 5 year PIBs plus 3% with a floor of 6%.

Loan 2 6 months TB rate plus 3% with a floor of 6%.

Loan 3 6 months KIBOR plus 2.5% with a floor of 6%.

ii) Loan from Habib Bank AG Zurich is secured against hypothecation of specific Machineries. It carries mark-up rate of Inter Bank 6 months rate plus 3% (minimum 7 percent) per annum and is repayable over four and half years in quarterly installments.

iii) Long term morabaha from Faysal Bank Limited is secured against Equitable mortgage of Plot D-14/C-1, S.I.T.E., Karachi with Building and Plant, Machinery and equipment installed thereon. It carries profit rate of 5 year PIBS auctioned through SBP open market operations plus 3% per annum with a cap of 11 % per annum. However, during the first year of tenor of loan the rate is 5.5% per annum. The Loan is repayable over 5 year form the date of disbursement in equal quarterly installment.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2004

1. COMPANY AND ITS BUSINESS

The company was incorporated in the year 1968 as a Private Limited Company and was converted into Public Limited Company on 24th December, 1987 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other textile made-ups.

2. ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION

These accounts have been prepared on the basis of "historical cost" convention.

2.2 STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. The approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.3 STAFF GRATUITY

The Company operates an unfunded gratuity scheme covering all employees (excluding managerial staff). Provision is made annually based on management estimates which are adjusted periodically to agree with actuarial estimates. Actuarial gains and losses are recognized on a straight line basis over a period of 4 years. As per latest actuarial valuation carried out as at June 30, 2004, the value of scheme's liabilities was Rs. 20.5 million. The Projected Unit Credit Method of Valuation was used to generate actuarial values. The discount rate was taken as 8% and salary increases were assumed to average 7%. The annual provision during the year are charged to income currently.

2.4 TAXATION

Current

Provision for the year is based on taxable income at the current rates of taxation after taking into account tax credit and rebates, if any.

Deferred

Deferred tax is provided using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purpose.

2.5 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

a. Operating fixed assets are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

7.1 Staff and workers gratuity

The amounts recognised in the profit and loss account against defined benefit scheme are as follows:

Current service cost

Interest cost

Movements in the net liability recognised in the balance sheet are as follows:

	2004	2003
	Rupees	Rupees
Opening balance		
Charge for the year	3,171,209	3,232,021
Payments during the year	1,944,946	1,585,294
Closing balance	5,116,155	4,817,315
The amount recognised in the balance sheet are as follows:		
Present value of Defined Benefit Obligations	19,449,457	15,852,937

as on June 30, 2004		5,116,155	4,817,317
Actuarial gain		-4,052,285	(1,220,797)
		20,513,327	19,449,457
7.2 Taxable temporary differences		20,420,190	19,449,457
Deferred tax (asset) / liability on account of :		93,137	-
- accelerated depreciation		20,513,327	19,449,457
- gratuity		55,804	56,328
- finance leases		-5,481	-4,791
- assessed losses		-15,181	1,172,723
		-	-96
8. SHORTTERM FINANCES		35,142	63,164
Export Refinance II - H.B.L.			
US \$ Loan - H.B.L.	-8.1	485,000,000	55,000,000
Export Refinance I - Citi Bank	-8.1	176,375,192	580,376,854
US \$ Loan - Citi Bank	-8.2	40,000,000	40,000,000
Export Refinance II - Citi Bank	-8.2	-	48,428,984
Export Refinance II - H.B. AG Zurich	-8.2	90,000,000	40,000,000
US \$ Loan - ABN Amro	-8.3	120,000,000	120,000,000
Export Refinance II -ABN Amro	-8.4	-	76,527,674
Export Refinance II - UNION BANK	-8.4	140,000,000	58,000,000
TR Account -H.B.L.	-8.5	100,000,000	100,000,000
TR Account - H.B. AG Zurich	-8.6	52,281,922	40,381,969
Export Refinance II - Meezan Bank	-8.7	51,635,793	16,137,879
	-8.8	150,000,000	-
		1,405,292,907	1,174,853,360

2.15 PROVISIONS

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

2.16 TRADE DEBTS AND OTHER RECEIVABLES

Known bad debts and other receivables are written off and provision is made against those debts and other receivables considered doubtful.

2.17 IMPAIRMENT

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

2.18 OFFSETTING

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

10. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

	Note	2004 Rupees	2003 Rupees
Trade creditors		456,115,669	496,027,264
Other creditors		146,240,063	117,637,293
Accrued liabilities		24,633,311	31,055,717
Workers' profit participation fund		9,875,232	11,228,536
Deposits from contractors		2,865,340	2,724,968
Bills payable under letter of credit		33,570,282	16,790,163
Mark-up accrued on export refinance loan & US \$ loans		8,799,680	7,498,113
Mark-up accrued on Lease finance		2,038,246	1,875,369
Mark-up accrued on Long term loans		4,201,956	943,426
Advance from customers		3,995,824	391,075
Other liabilities		518,918	358,439
		692,854,521	686,530,363
10.1 Workers' profit participation fund			
Opening balance		11,228,536	12,866,943
Interest on W.P.P.F.		44,634	1,525,790
		11,273,170	14,392,733
Paid during the year		3,609,893	7,371,592
		7,663,277	7,021,141
Provision for the year		2,211,955	4,207,395
		9,875,232	11,228,536

Interest is charged @ 7.50% (2003 : 22.50%) per annum on outstanding balance.

10.2 This represents 7% security deposits retained from contractors bills.

11. DIVIDENDS

Unclaimed	-10.1	89,633	88,172
Proposed	-10.2	3,712,500	7,425,000
		3,802,133	7,513,172

12. CONTINGENCIES AND COMMITMENTS

12.1 Commitments for capital expenditure		103,918,700	—
Other commitments (LCs for raw material)		63,106,991	40,000,000
Bank guarantees		41,790,000	29,026,000

12.2 The Sales Tax department has filed an appeal in the Honorable High Court of Sindh on 23-08-2000 against the Order of the Learned Appellate Tribunal Customs and Sales Tax for recovery of Additional Tax and Surcharge amounting to Rs. 3.449 million for the year 1992-93. There is no provision for this amount in the account as the management of the Company is of the view that the decision of the Learned Appellate Tribunal Customs and Sales Tax given in favour of the Company will be successfully defended in the Honorable High Court.

12.3 There are certain other suits pending with the Custom, Excise & Sales Tax Appellate Tribunal and the Honorable High Court of Sindh against the company, which if ultimately decided against the company could result in liabilities of approximately Rs. 0.89 million. No provision for this amount has been made in the account as the management is of the view that the same will be successfully defended and in this respect no liability against the company would arise.

6. LIABILITIES AGAINST ASSETS SUBJECT TO

FINANCE LEASE

Present value of minimum lease payments
Payable within the following twelve months

6.1 The amounts of future payments and the periods during which they will fall due are :

Year ended 30th June, 2004
2004 - 2005 (2003 : 2003 - 2004)
2005 - 2009 (2003 : 2004 - 2008)

Less : Finance charges not yet due

Classified as under :

Long term obligation
Current obligation

7. DEFERRED LIABILITIES

	2004	2003
	Rupees	Rupees
Staff and workers gratuity	177,698,606	150,642,185
Deferred Taxation	-64,744,026	-55,085,401
	112,954,580	95,556,784

13.1 The depreciation charge for the year has been allocated as follows :

Factory overhead	79,563,820	112,400,619
Administrative	127,339,349	73,933,381
	206,903,169	186,334,000
	-29,204,563	-35,691,815
	177,698,606	150,642,185

13.2 DISPOSAL OF FIXED ASSETS

Particulars	112,954,580	95,556,784
	64,744,026	55,085,401
	177,698,606	150,642,185

21. OTHER RECEIVABLES

Duty drawback	56,588,151	126,478,197
Sales tax	10,246,009	3,901,313
Others	66,834,160	130,379,510

22. CASH AND BANK BALANCES

Cash in hand	1,548,291	1,398,741
Cash with banks	33,913,559	35,023,849
- Current account	11,493,568	17,288,672
- Deposit account	15,323,376	15,441,090
P.L.S.TDRs	5,883,169	10,755,928
	23,477,929	6,213,929
	91,639,892	86,122,209

14. CAPITAL WORK IN PROGRESS

Machinery	130,058,393	188,502,282
	3,289,594	4,298,538
15. ADVANCE FOR SHARES	174,488,496	235,872,836
	2,458,005	2,088,286
16. LONG TERM DEPOSITS AND DEFERRED COST		
Deposits	53,656,688	11,060,711
Security deposits	1,741,387	12,580,754
Deferred cost	16,802,898	13,721,150
Export Quota Purchase	74,658,978	39,450,902
At the beginning of the year		
During the year		
Less : amortisation		
At the beginning of the year		
During the year	2004	2003
	Rupees	Rupees
17. STORES AND SPARES		
Stores	317,699,839	-
Spares	1,140,694	1,093,945
18. STOCK-IN-TRADE		
Raw materials	2,209,544	2,064,044
Work-in-process	45,521,716	40,872,208
Finished goods	1,079,750	4,649,508
24.2 Factory Overheads	46,601,466	45,521,716
Insurance premium		
Repairs and maintenance	22,310,881	12,040,390
Rent, rates and taxes	11,380,429	10,270,491
Heat, light and power	33,691,310	22,310,881
Water consumption charges	15,119,700	25,274,879
Service charges	20,435,431	19,913,511
Checking, mending, stitching and packing charges	60,361,763	51,760,840
Coolie, cartage and freight	80,797,194	71,674,351
Cloth cutting and stitching charges		
Depreciation		
	2004	2003
	Rupees	Rupees
25. ADMINISTRATIVE EXPENSES		
Directors' remuneration	10,985,995	11,042,446
Salaries and benefits	32,880,798	30,403,201
Staff welfare	6,740,395	11,022,129
Electric charges	134,433,740	146,784,509
Travelling	12,773,943	11,128,344
Car maintenance	41,923,957	67,066,990
Conveyance	6,495,558	7,737,948
Entertainment	116,450,391	101,260,619
Printing and stationery	68,240,049	79,571,327
Postage, telegram, telephone and telex	89,127,284	60,362,464
Legal and professional	520,052,110	526,379,977
Auditors' remuneration	13,554,486	11,295,426
Advertisement	34,570,002	37,420,230
Subscription and fees	2,596,054	2,226,743
Zakat	4,967,445	6,120,247
Charity and donation	-13.1	15,344,982
Insurance premium	7,480,250	6,630,680
Service contracts	82,849	193,381
Miscellaneous	1,241,292	1,633,580
Depreciation	3,470,792	3,582,171
	6,327,032	6,310,497
25.1 Auditors' remuneration	6,651,236	5,438,099
Audit fee	180,000	156,000
Review fee	853,599	1,082,141
	1,855,702	1,922,820
	210,025	150,708
	-	560,600
26. SELLING AND DISTRIBUTION EXPENSES		

Salaries and benefits	-25.1	4,034,274	3,658,831
Packing and forwarding		1,224,469	556,852
Publicity		531,340	494,523
Commission and brokerage		8,184,746	6,341,213
Amortisation of deferred cost		113,972,257	111,119,724
Samples, lab testing and other charges		140,000	120,000
Postage, courier and stamps		40,000	36,000
Entertainment		180,000	156,000

	2004	2003
	Rupees	Rupees
28. FINANCIAL CHARGES		
Bank charges, mark-up and commission	28,562,638	24,803,278
Mark-up on cash credit account	37,767,648	38,645,737
Mark-up on FAIR account	10,134,201	9,997,856
Mark-up on short term running finance	39,517,209	35,999,675
Mark-up on export refinance loans	11,380,429	10,270,491
Lease finance charges	9,411,572	6,381,230
Mark-up on long term loan	11,552,647	11,265,894
Interest on US \$ loan	1,448,428	1,027,037
Interest on W.P.P.F.	6,465,865	7,508,454
	156,240,637	145,899,652
29. OTHER CHARGES		
Workers' profit participation fund	638,440	668,550
30. TAXATION	633,023	1,425,934
Current	871,204	860,441
Deferred	28,603	—

31. BASIC EARNING PER SHARE

Profit after tax	88,483	360,992
Number of Shares -Weighted average	27,185,216	18,797,960
Basic Earning Per Share	16,308,293	22,096,450

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	99,145,283	123,409,631
Remuneration	2,211,955	4,207,395
House rent	23,898,027	24,984,413
Utilities	-28,022	-
Number of persons	23,870,005	24,984,413

	2004	2003
	Rupees	Rupees
Sales	18,157,136	54,956,101
Confection and packaging availed	7,425,000	6,698,819

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**(ii) Concentration of Credit risk**

Credit Risk represents the Accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risk.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exists due to sale and purchase transactions with foreign undertakings. As at June 30, 2004 the total foreign currency risk exposure was Rs. 57.8 million (2003 : Rs. 166.48 million) of which Rs. 1.3 million (2003 : Rs. 40 million) relates to liabilities under documentary credit and Rs. 56.5 million (2003 : Rs. 126.48 million) relates to trade debtors.

(iv) Fair value of the financial instruments

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

35. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as it depends upon the process, the quality of cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights.

36. CORRESPONDING FIGURES

Figures of the previous year have been rearranged and regrouped, wherever deemed necessary, to facilitate comparison. Significant rearrangements have been made as follows :-

i) Zakat amounting to Rs. 150,708 has been separately disclosed which was shown as a part of Charity and donation last year.

ii) Note 5 has been rearranged to show comparative figures of bank wise balances of outstanding loans instead of their movement schedule.

The above has been rearranged as the reclassification made is considered more appropriate for the purpose of presentation.

37. DATE OF AUTHORISATION FOR ISSUE

These accounts were approved and authorised for issue in the Board of Directors meeting held on 04 October, 2004.

KEY OPERATING AND FINANCIAL DATA

	2004	2003	2002	2001	2000	1999	1998
Sales							
Gross profit	Rupees in million						
Operating profit	2,846	3,125	3,306	2,033	1,619	1,665	1,566
Profit before tax	411	462	574	412	271	255	246
Tax	141	205	324	222	154	161	165
Profit after tax	42	80	158	103	52	65	73
Total Assets	24	25	26	22	10	10	8
Current Liabilities	18	55	132	81	42	55	65
	3,454	2,854	2,123	1,900	1,532	1,467	1,218
Represented by:	2,255	1,972	1,482	1,424	1,104	1,051	873
Share Capital	1,199	882	641	476	428	416	345
Reserves							
Equity	74	74	59	59	59	59	59
Long term loans & leases	549	535	398	296	242	218	186
Deferred Liability	623	609	457	355	301	277	245
	555	253	168	107	111	125	88
Dividend (% age)	21	20	16	14	16	14	12
Debt-equity ratio	1,199	882	641	476	428	416	345
Debt	5%	10%	50%	50%	30%	40%	7.50%
Equity							
	0.47	0.37	0.33	0.27	0.3	0.35	0.3
	0.53	0.63	0.67	0.73	0.7	0.65	0.7

PATTERN OF SHARE HOLDING

AS AT JUNE 30, 2004

NUMBER OF SHAREHOLDERS	Categories of Shareholders	SHAREHOLDERS		TOTAL SHARES
		From	To	
214	1. Individuals			
	Holding More Than 10%	1	100	7,010
67	Holding Less Than 10%			
	2. Joint Stock Companies	101	500	12,223
55	Moosani Securities (Pvt) Ltd.	501	1,000	35,857
5	3. Financial Institutions	1,001	5,000	14,662
3	National Bank of Pakistan (Trustee Wing)	5,001	10,000	26,900
4	Investment Corporation of Pakistan	10,001	15,000	53,000
4	4. Insurance Company	15,001	20,000	70,000
2	State Life Insurance Corporation of Pakistan	60,001	65,000	125,000
1	5. Holding of Directors	90,001	95,000	90,450
1	Mr. Naseem A. Sattar	185,001	190,000	187,110
1	Mr. Azim Ahmed	195,001	200,000	197,495
2	Mr. Amir Naseem	265,001	270,000	531,362
1	Mrs. Zarina Naseem	340,001	345,000	341,550
1	Mst. Adia Naseem	1,445,001	1,450,000	1,445,843
1	Mrs. Sadaf Nadeem	1,935,001	1,940,000	1,937,420
1	Mrs. Reena Azim	2,345,001	2,350,000	2,349,118
363	Mrs. Asra Amir			7,425,000
Total		TOTAL		