

INDUS POLYESTER COMPANY LIMITED

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COMPANY INFORMATION

Chairman

Mr. Shaikh Mohammad Yousuf

Executive Directors

Mr. Naeem Akhtar yousuf
Mr. Tariq Yousuf

Non Executive Directors

Mrs. Zuhra Yousuf
Mrs. Kausar Naeem
Mrs. Nabila Tariq
Ms. Gul Naeem

Board Of Audit Committe

Mr. Tariq Yousuf *Chairman*
Mr. Naeem Akhtar *Member*
Ms. Gul Naeem *Member*

Chief Executive Officer

Mr. Naeem Akhtar Yousuf

Chief Financial Officer

Mr. Muhammad Hussain

Company Secretary

Mr. Muhammad Hussain

Auditors

Hyder Bhimji & Co.
Chartered Accountants

Registered & Head Office

D-I 94, S.I.T.E., Karachi
Phon# 6653371

Factory

157-161 A, Phase -V,
Hattar Industrial Estate,
District - Haripur
Phone* 0995-6 17038

NOTICE OF THE MEETING

Notice is hereby given that the Eleventh Annual General Meeting of the Shareholders of Indus Polyester Company Limited will be held on Monday 27th October 2003 at 04:00 p.m. at Registered Office D-194, S.I.T.E., Karachi to consider the following Business.

1. To confirm minutes of Tenth Annual General Meeting.
2. To receive and approve audited Statement of Accounts & Balance Sheet of the company for the year ended 30th June 2003 together with reports of Directors and Auditors thereon.
3. To appoint Auditors of the Company and fix their remuneration for the year ending 30th June 2004, M/s. Hyder Bhimji & Co., who retire offer themselves for re-appointment.
4. To transact any other business with the permission of Chair.

By order of the Board

MOHAMMAD HUSSAIN

Karachi: September 30, 2003.

Company Secretary

NOTES:

1. Share Transfer books of the Company will be closed from 19th October to 28th October 2003, both days inclusive. No transfers will be accepted for registration in the names of the transferees during this period.

2. ^J A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy and

such Proxy will have the right to attend instead of him/her, speak and vote in place of the member. A proxy must be a member of the company. Forms of proxy in order to be valid, must be deposited at the Company's Registered office D-194, S.I.T.E., Karachi - 75700, not less than 48 hours before the time appointed for the meeting.

3. Shareholders are requested to promptly notify the Company of any change in their address to ensure delivery of mail.

4. To facilitate identification, for right to attend the Annual General Meeting, shareholder whose holdings are on the Central Depository System (CDS) or his/her proxy should be authenticate his/her identity by showing his/her original National Identity Card (NIC) or original Passport at the time of attending the meeting, alongwith the participants Identity Number and Shareholders account number allocated by the Central Depository Company.

In case of corporate entity, the Board of Directors, Resolutions/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting.

DIRECTORS REPORT TO THE MEMBERS

We are pleased to submit to you the 11th Annual Report along with the Audited Accounts of the Company for the year ended 30th June '2003.

REVIEW

The Year under review had been a very difficult year for the Polyester Filament Yarn Industry in Pakistan. Custom duty on imported Polyester Filament Yarn was reduced by the government to 20% which is now at par with the custom duty of 20% on Polyester Chips, the primary raw material of the company. This reduction in Custom Duty on Finished Polyester Filament Yarn resulted in influx of Imported Yarn. The yarn prices were already subdued due to dumping of yarn at unrealistic prices, came under further pressure due to the reduction of custom duty. Several representations were made to the government by Filament Yarn Manufacturers Association but the government response and support was not forthcoming. There is no rationale or justification for the government to have the same rate of custom duty on Polyester Chips which is the primary raw material for Producing Polyester Filament yarn and the Finished Imported Yarn. One can realize the hardship which is being faced due to this anomaly and it is regrettable that the policy makers are not realizing the grave nature of the issue.

Last year the import of Yarn was to the tune of 32,000 tons which has now crossed the figure of 40,000 tons during the year.

Due to adverse market conditions the plant operated at 64.5% of its capacity.

OPERATION AND FINANCIAL RESULTS

The financial results of the company for the year under review are given hereunder:

	2003	2002
	Rs. '000	Rs. '000
Operating Loss / Profit	-33,462	-4,150
Financial Charges	1,285	29,750
	-34,747	-33,900
(Loss) / Profit on Sale of Fixed Assets	—	-7
Loss before Taxation	-34,747	-33,907
Provision For Taxation	-294	—

Loss after Taxation

-35,041

-33,907

PRESENT SCENARIO

Domestic Industry of Polyester Filament Yarn is under great stress. The reduction of Tariff on imported yarns and dumping by Indonesia , Korea and Thailand has resulted in erosion of margins for the industry.

The total capacity installed in the country is 105,000 tons per annum out of which only 60% of the capacity is being utilized.

Government has to realize the importance of domestic production of goods and has to come forward in support of the local industry. It is not prudent to let the local industry suffer and render the huge investments made in local manufacturing sector unproductive.

FUTURE STRATEGY

The company is aware of this dire situation and every effort is being made to cut down the cost and make the operation viable. Efforts are being made to make a settlement with the bank so that financial cost is done

away with and the company is brought to sound footings.

f

In these difficult times company has been able to carry out some research and it is hoped that it will bear fruits and cost saving will be possible.

Every effort is being made to increase exports and this year the exports worth Rs. 2.33 millions were made as against Rs 1.22 millions in the previous year.

The emphasis of the company is on diversification and cost reduction.

PATTERN OF SHARE HOLDING

Statement showing pattern of holding as on June '30 2003 is annexed to this report.

EMPLOYEE RELATIONS

Company's relation with Labour & Staff continued to remain cordial. We wish to record our appreciation for the devotion and hard work of the executive, staff members and workers of the company.

AUDITORS

The present auditors M/s Hyder Bhimji & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

As required by the code of corporate governance, The Board Audit Committee has recommended the re-appointment of M/s Hyder Bhimji & Co. Chartered Accountants, as auditors of the Company for the ensuing year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, cash flow and changes in equity, prepared by the management of the Company, present fairly it's state of affairs and the result of it's operations.
- b. Company has maintained proper books of accounts.
- c. In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement.
- d. In preparation of financial statement International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e. Internal auditor is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the Management.
- f. There are no doubts upon the Company's ability to continue as a going concern.
- g. The Corporate Governance regulations, as detailed in the listing regulations, have been fully

implemented.

h. Key operating and financial data for the last six years in summarized form is annexed.

i. The following is the value of investments based on respective audited accounts (as on 30th June,

2003):

Provident Fund Rs. 3,952,5297-

During the year (6) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

Name of Director	No. of Meeting Attended
Mr. Shaikh Mohammad Yousuf	6
Mr. Naeem Akhtar Yousuf	6
Mr. Tariq Yousuf	6
Mrs. Zuhra Yousuf	5
Mrs. Kauser Naeem	5
Mrs. Nabila Tariq	5
Ms. Gul Naeem	6

In closing, please join me in my prayers to Allah The Beneficent, The Merciful, The Provider to Bless our efforts and operation with ever increasing Bounties as Befits His Glory - Aameen.

On Behalf of the Board

Karachi: September 26, 2003.

NAEEM AKHTAR YOUSUF

Chief Executive

SIX YEARS AT A GLANCE

	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
PARTICULARS						
Paid-up Capital	123,602,000	123,602,000	123,602,000	123,602,000	123,602,000	123,602,000
Surplus on Revaluation of Fixed Assets	86,354,887	95,732,136	95,732,136	—	—	—
Fixed Assets at Cost	470,203,611	470,155,848	468,547,520	358,233,735	357,303,553	356,108,849
Accumulated Depreciation	167,199,343	151,390,075	134,747,544	122,367,930	110,387,184	83,246,642
Long Term Investment	—	—	—	—	—	—
Current Assets	46,532,303	59,318,275	47,033,149	53,022,628	70,329,653	72,669,739
Current Liabilities	31,171,340	26,554,917	105,871,688	96,441,091	60,421,652	54,617,364
INCOME						
Sales	141,541,624	193,419,274	231,845,947	218,332,173	289,167,382	315,641,545
Other (Loss) / Income	—	-6,500	13,360	113,035	6,591	—
TOTAL	141,541,624	193,412,774	231,859,334	218,445,208	289,173,973	316,641,545
Pre Tax (Loss)	-34,747,393	-33,907,343	-16,483,150	-34,539,222	2,749,563	3,035,416
Taxation	-294,007	—	—	—	—	—
(Loss) / Profit after Taxation	-35,041,400	-33,907,343	-16,483,150	-34,539,222	2,749,563	3,035,416
Accumulated Loss	-141,857,273	-116,193,122	-82,802,629	-65,802,629	-31,263,407	-34,012,970
STATISTICS AND RATIOS						
Pre-Tax Profit to Sales	—	—	—	—	—	—
Pre-Tax Profit to Capital	—	—	—	—	—	—
Current Ratio	1.49	2.24	0.44	0.55	1.16	1.33
Paid-up Value per share (Rs)	10	10	10	10	10	10
Earning After Tax Per Share (Rs)	-2.84	-2.74	-1.33	-0.28	0.22	0.24
Retained Earning per share (Rs)	-11.48	-9.4	-6.66	-5.32	-2.53	-2.75
Break-up Value per Share (Rs)	-1.48	0.6	3.34	4.67	7.47	7.25

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2003

This statement is being presented to comply with Code of Corporate Governance contained in Regulation no. 37 of listing regulation of karachi Stock Exchange (Guarantee) Limited, listing regulation No. XIII of the Lahore Stock Exchange (Guarantee) Limited and listing regulation No. 36 of the Islamabad Stock Exchange (Guarantee) Limited for the purpose of establishing framework of good governance, whereby a listed company

is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner: -

(1) The Company encourages representation of independent non-executive directors including those representing minority interests on its Board of Directors. At present the Board includes no independent non-executive director.

(2) The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

(3) Non of the Directors has defaulted in payment of any loan to a banking company, a DPI or an NBFBI or, being a member of a Stock exchange, has been declared as a defaulter by that stock exchange.

(4) The Company has prepared a Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

(5) 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 alongwith the dates on which they were approved or amended has been maintained.

(6) All the powers of the Board have been duly exercised and decision 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.

(7) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board meet at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

(8) Orientation courses for its directors to apprise them of their duties and responsibilities are being arranged.

(9) 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.

(10) The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters require to be disclosed.

(11) The financial statements of the Company duly endorsed by CEO and Chairman before approval of the Board.

(12) The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

(13) The company has complied with all the corporate and financial reporting requirements of the Code.

(14) The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

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

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

(17) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control review program of the Institute of Chartered Accountants of Pakistan, 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 Accounts (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

(18) 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.

(19) We confirm that all other material principles contained in the code have been compiled with.

NAEEM AKHTAR YOUSUF

Karachi: September 26, 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 to the company for the year ended June 30, 2003 prepared by the Board of Directors of Indus Polyester Company Limited, to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Listing Regulation No. XIII of the Lahore Stock Exchange and Listing Regulation No. 36 of the Islamabad Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provision 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which caused 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.

HYDER BHIMJI & CO.

Karachi: September 27, 2003.

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the company's management to establish and maintain a system of internal control, 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.

(i) As more fully explained in Note 9.1 the company has changed the rates of depreciation from June 30 '2000, which is inconsistent with the International Accounting Standards. Had the depreciation been charged at the same rates as prior to June 30' 2000 the depreciation for the year would have been higher by Rs. 15,809,2687-.

(ii) On Redeemable Capital current maturity and accrued markup for the year amounting to Rs. 2,370,000/- and Rs. 24,595,333/- have not been accounted for, inspite of our direct request letter and reminders bank has not confirm the above amount and these are remain unverified. However in management opinion these are not payable to them as fully explained in Note no. 6.

Subject to the above, 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 except for the effects of above 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 June 30, 2003 and of the Loss, its cash flows and changes in equity for the year then ended;and

d) In our opinion, "No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980."

Without qualifying our opinion, we draw attention to Note No. 3 in the Financial Statements, which indicate that the company incurred a gross loss of Rs. 24,559,954/- and a net loss of Rs. 35,041,400/- during the year ended June 30, 2003. The total liabilities exceed its total assets by Rs. 18,255,273/-. These losses and the significance of the matter stated in Note No. 3 raise doubt about the company's ability to continue as a going concern.

HYDER BHIMJI & CO.

Karachi: September 26, 2003.

Chartered Accountants

BALANCE SHEET

	NOTE	2003 RUPEES	2002 RUPEES
AUTHORISED CAPITAL			
12,500,000 Ordinary Shares of Rs. 10/-each		125,000,000	125,000,000
ISSUED SUBSCRIBED AND PAID UP CAPITAL			
12,360,200 Ordinary Shares of Rs. 10/= each fully paid issued for cash		123,602,000	123,602,000
Accumulated (Loss)		-141,857,273	-116,193,122
		-18,255,273	7,408,878
SURPLUS ON REVALUATION OF FIXED ASSETS	5	86,354,887	95,732,136
REDEEMABLE CAPITAL (Secured)		6251,763,017	249,985,517
CURRENT LIABILITIES			
Current Maturity of Redeemable Capital		—	2,370,000
Short Term Borrowing	7	1,000,000	1,000,000
Creditors, Accrued and Other Liabilities	8	30,068,703	23,184,917
Provision for Taxation		102,637	—
		31,171,340	26,554,917
		351,033,971	379,681,448

NOTE: The annexed notes form an integral part of these accounts

AS AT JUNE 30, 2003

	NOTE	2003 RUPEES	2002 RUPEES
TANGIBLE FIXED ASSETS			
Operating Fixed Assets	9	303,004,268	318,765,773
LONG TERM DEPOSIT			
Security Deposits		1,497,400	1,597,400
CURRENT ASSETS			
Stores, Spares & Loose Tools	10	9,447,256	9,948,706
Stock in Trade	11	24,170,593	33,991,520
Trade Debts	12	12,018,145	13,229,282
Advance Income Tax - Refundable		204,788	97,856
Advances, Deposits, Prepayments & Other Receivables	13	73,397	476,595
Cash & Bank Balances	14	618,124	1,574,316
		46,532,303	59,318,275
		351,033,971	379,681,448

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

	NOTE	2003 RUPEES	2002 RUPEES
Sales Net	15	141,541,624	193,397,052
Less: Cost of Sales	16	166,101,578	188,318,027
Gross (Loss) / Profit		-24,559,954	5,079,025
OPERATING EXPENSES			
Administrative Expenses	17	6,362,813	8,037,391
Selling Expenses	18	2,539,480	1,191,794
		8,902,293	9,229,185
Operating Loss		-33,462,247	-4,150,160
Financial Expenses	19	1,285,146	29,750,683
		-34,747,393	-33,900,843
Loss on sale of fixed Assets		—	-6,500
Loss before taxation		-34,747,393	-33,907,343
PROVISION FOR TAXATION	20	-294,007	—
Loss After Taxation		-35,041,400	-33,907,343
Accumulated (Loss) Brought Forward		-116,193,122	-82,285,779
Amount of Incremental Depreciation Arising Due to Surplus on Revaluation of Fixed Assets Transferred to Unappropriated Loss			
— Prior Year		4,808,846	—
— Current Year		4,568,403	—
		9,377,249	—
Accumulated (Loss) Carried Forward		-141,857,273	-116,193,122
Earning per share	21	-2.84	-2.74

NOTE: The annexed notes form an integral part of these accounts •

Naeem Akhtar Yousuf Shaikh Muhammad Yousuf

Chief Executive Director

Karachi: the September 26, 2003.

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	NOTE	2003 RUPEES	2002 RUPEES
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES			
Cash Generated From Operations			
Net Loss Before taxation		-34,747,393	-33,907,343
Adjustments for non cash charges and other items			
Depreciation		15,809,268	16,649,431

2. BASIS OF PREPARATION

These accounts have been prepared in accordance with approved accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance 1984. Approved Accounting Standard comprise of such International Accounting Standards as notified under the provision of the companies Ordinance, 1984. Wherever, the requirement of companies ordinance, 1984 or directives issued by, SECP differ with the requirements of these standards, The requirement of the Companies Ordinance, 1984 or the requirement of the said directives take precedence.

3. GOING CONCERN

These accounts have been prepared on going concern basis despite the fact that the company has incurred a gross loss of Rs. 24,559,954/- and a net loss of Rs. 35,041,4007- during the year and its accumulated loss to date stood at Rs. 141,857,2737-. The total liabilities exceed its total assets by Rs. 18,255,2737-. There is no enough fund to repay the due installments and accruals of the Redeemable Capital and in view of other qualifications rise doubt about the company to continue as a going concern.

Directors are of the view that overall industry is facing problem due to availability of imported polyester filament yarn at a very low price and the increased cost of polyester chips and fuel. However the management is confident that the impact of these factors is temporary and company's operation would become viable in near future. The sponsors have given assurance for continues arrangements of fund whenever needed.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting Convention:

These Accounts have been prepared under historical cost convention except for certain fixed assets, which have been included at revalued amounts as stated in note # 9.

4.2 **Staff Retirement Benefit:**

The company operates a defined contribution plan i.e. provident fund scheme for all its employees eligible for the benefit @ 8.33%. The eligibility is completion of probationary period subject to confirmation.

4.3 Provision

A provision is recognized in the Balance Sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and can be measured reliably.

4.4 Foreign Currency Translations

Foreign Currency Translations are recorded at the rate prevailing on the date of transactions. Assets and Liabilities in foreign currencies are translated into Pak rupees at the rate of exchange ruling at the Balance Sheet date. Gains and Losses on exchange are charged to income.

4.5 Financial Instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be.

4.6 Research and Developments

Research expenditure is recognized as expense as incurred. Cost incurred on development projects is recognized as intangible assets to the extend that such expenditure is expected to generate future economic benefits. Other development expenditure is recognized as an expense as incurred.

4.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of Taxation after considering tax credits, rebates and exemptions, if any or one-half percent of turnover which ever is higher.

Deferred

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

4.8 Borrowing Cost

Interest, Markup and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities, all other interest, markup and other charges are charged to income.

4.9 Tangible Fixed Assets

Fixed assets are stated at cost as modified by the revaluation less accumulated depreciation except lease hold land and Capital Work-in-Progress which are stated at cost. Significant

borrowing cost related to acquisition of Fixed Assets related to period prior to the same being put in use is capitalized.

Depreciation is charged on reducing balance method at the rates specified in note # 9, addition in a year are depreciated for a full year irrespective of the date of purchase. No depreciation is charged on assets in the year of their disposal.

Minor renewals or replacement, maintenance, repairs, gain or losses on disposal of Fixed Assets are included in income currently.

4.10 Stores, Spares and Loose Tools

Stores, Spares and Loose Tools valued at average cost.

4.11 Stock in Trade

These are valued at lower of average cost and net realisable value except Raw material in transit which is valued at actual cost. Cost comprises invoice value and other expenses incurred thereon. Work in process includes average cost of raw material and proportionate labour and production overhead.

Net realisable value of raw material represents the replacement value subsequent to the Balance Sheet date and of Finished Goods represents the estimated selling prices in the ordinary course of business less estimated cost of completion and expenses incidental in making the sale.

4.12 Trade Debts

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

4.13 Cash and Cash Equivalents

Cash and cash equivalents are carried in the Balance Sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments, and bank over drafts in the Balance Sheet, bank overdrafts are included in borrowing in current liabilities.

4.14 Revenue Recognition

Sales are recorded on despatch of goods.

4.15 Transfer Price

The transfer pricing policy effective from July 01, 2003 is based on arms length basis and is applicable as under:

(i) The company acquires the premises for its Registered Office and Godown on rent from M/s. International Graphics (Private) Limited, using comparable uncontrolled price method. The value of business conducted during the period /year is given in the ensuing page.

	2003 RUPEES	2002 RUPEES
5. SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance at the beginning of the year	95,732,136	95,732,136
Less: Transferred to Unappropriated Loss	-9,377,249	—
Balance at the end of the year	86,354,887	95,732,136

The revaluation of the fixed assets as above was made on June 30, 2001 and certified by Surval (Surveyors and Consulting Engineers) 906, Uni Tower I.I. Chundrigar Road, Karachi.

6. REDEEMABLE CAPITAL (Secured)		
Long Term Demand Finances:		
Demand Finance - 1 (D.F. - 1) (under Mark-up arrangements)	206,330,715	206,330,715
Demand Finance - 2 (D.F. - 2)	36,544,802	36,544,802
Demand Finance - 3 (D.F. - 3)	4,147,500	4,740,000
Demand Finance - 4 (D.F. - 4)	4,740,000	4,740,000
	251,763,017	252,355,517
Less: Current maturity of Demand Finance - 3	—	2,370,000
	251,763,017	249,985,517

The accrued Mark up and current maturity for the year of Redeemable Capital is not accounted for, in opinion of the management the matter has not been finalised with the Bank and mark up on Mark up is not payable. However no confirmation has been received from the Bank.

6.1 Security:

The above finance are secured by:

(1) 1 st charge by way of equitable mortgage of the Project and hypothecation of Plant / Machinery and Equipment.

(2) Personal guarantee of the main sponsors.

6.2 Rate of Mark - up:

(1) The rate of mark-up only on rescheduled Demand Finance-(D.F.-1) is 14.6% p.a. upto April 15, 2002 and from April 16, 2002 the rate of mark-up has been reduced to 12.5% p.a.

(2) Demand Finance - 2, Demand Finance - 3 and Demand Finance - 4 are Mark-up free.

6.3 Repayment:

(i) Demand Finance -1

Rs. 6.5 M per quarter from 10.07.2002 to 10.04.2004.
Rs. 9.0 M per quarter from 10.07.2004 to 10.04.2006.
Rs. 10.5 M per quarter from 10.07.2006 to 10.04.2007.
Rs. 12.0 M per quarter from 10.07.2007 to 10.04.2011.
Rs. 1.468 M on 10.01.2012.

The instalment would first be adjusted towards accrued mark-up for the quarter and then the principal.

(ii) Demand Finance - 2

Rs. 12.18 M per quarter from 10.01.2012 to 10.07.2012.

(Hi) Demand Finance - 3

Rs. 0.5925 M per quarter from 10.07.2002 to 10.07.2004.

(iv) Demand Finace - 4

Rs. 1.58 M per quarter from 10.01.2012 to 10.07.2012.

7. SHORT TERM BORROWING (Un Secured)

From Associated Undertaking - Mark up Free 1,000,000 1,000,000

(2002 Markup charged @ 36 Paisas per thousand per day)

The unsecured borrowing from Associated undertaking is repayable on Demand.

	2003 RUPEES	2002 RUPEES
8. CREDITORS, ACCRUED & OTHER LIABILITIES		
Trade Creditors	14,569,678	4,798,823
Accrued Expenses	2,054,253	1,990,525
Accrued Mark-up on secured Redeemable Capital	—	5,303,994
Accrued Mark-up on Borrowing From Associated Undertaking	459,740	459,740
Sales Tax Payable	601,660	1,216,227
Staff income Tax	45,811	64,821
Cops and other Deposits	12,242,564	9,266,346
Workers Profit Participation Fund 8.1	94,997	84,441
	30,068,703	23,184,917
8.1 Workers Profit Participation Fund :		
Opening Balance	84,441	75,059
Add: Allocation for the year	—	—
	84,441	75,059
Add: Interest on Outstanding Balance	10,556	9,382
	94,997	84,441
Less: Amount paid to workers	—	—
Closing Balance	94,997	84,441

9. TANGIBLE FIXED ASSETS

PARTICULARS	COST			AS ON 30.06.2003	RATES	DEPRECIATION			ACCUMLT AS ON 30-06-2003	W.D.V. AS ON 30.06.2003
	AS ON 01.07.2002	REVALUATION SURPLUS / (DEFICIT)	ADDITION / (DELETION)			ACCUMULATED AS ON 01-07- 2002	FOR THE YEAR	ADJUSTMENT		
Land - Lease Hold	5,364,788	-444,788	—	4,920,000	—	—	—	—	—	4,920,000
Factory Building on Lease Hold Land	24,197,638	16,501,197	—	40,693,835	5%	11,323,293	1,468,777	—	12,792,070	27,906,765
Plant & Machinery	325,508,362	79,675,727	—	405,184,089	5%	131,327,482	13,692,830	—	145,020,312	260,163,777
Electrical Installation	9,994,641	—	—	9,994,641	5%	4,410,925	279,186	—	4,690,111	5,304,530
Furniture & Fixtures	1,281,418	—	—	1,281,418	5%	509,994	38,571	—	548,565	732,853
Office Equipments	1,897,567	—	—	1,897,567	5%	664,391	61,659	—	726,050	1,171,517
Air Conditioner(s) & Refrigerators	600,623	—	—	600,623	5%	256,549	17,204	—	273,753	326,870
Tubewell	628,750	—	—	628,750	5%	311,688	15,853	s	327,541	301,209
Fire Fighting Equipments	74,690	—	—	74,690	5%	35,141	1,977	—	37,118	37,572
Laboratory Equipments	166,165	—	—	166,165	5%	85,611	4,028	—	89,639	76,526
Vehicles	4,709,070	—	47,763	4,756,833	10%	2,465,001	229,183	-----	2,694,184	2,062,649
Total Rupees 2003	374,423,712	95,732,136	47,763	470,203,611		151,390,075	15,809,268	—	167,199,343	303,004,268
Total Rupees 2002	372,815,384	95,732,136	1,729,728 (121,400)	470,155,848		134,747,544	16,649,431	-6,900	151,390,075	318,765,773 j

9.1 The rate of depreciation on the above assets have been changed from 10% to 5% and from 20% to 10% (in the case of motor vehicle). The rates of depreciation were reduced as the useful life of the assets is considered to be longer. Had the depreciation been charged at the same rates prior to June 30, 2000 the depreciation for the year would have been higher by Rs. 15,809,2687-.

9.2 Depreciation charged for the year has been allocated as under:

2003 RUPEES	2002 RUPEES
----------------	----------------

	Cost of Sales	15,587,591	16,531,306
	Administrative Expenses	221,677	118,125
		15,809,268	16,649,431
10.	STORES, SPARES & LOOSE TOOLS		
	Stores	802,557	794,849
	Spares	8,383,014	8,890,918
	Loose Tools	261,685	262,939
		9,447,256	9,948,706
11.	STOCK IN TRADE		
	Raw & Packing Material	4,879,639	7,542,789
	Raw Material in transit	—	799,582
	Work-in-Process	8,015,787	5,723,277
	Finished Goods	11,275,167	19,925,872
		24,170,593	33,991,520
12.	TRADE DEBTS (UN SECURED)		
	Considered Goods	12,018,145	13,229,282
		2003	2002
		RUPEES	RUPEES
13.	ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES : (Considered good)		
	Advances against supplies	28,900	414,798
	Advance, to Staff	—	5,000
	Excise Duty Deposit	22,838	22,838
	Prepayments	21,659	33,959
		73,397	476,595
14.	CASH & BANK BALANCES		
	Cash in Hand	20,363	40,676
	Balance with Banks (in current account)	597,761	1,533,640
		618,124	1,574,316
15.	SALES		
	Sales - Local	164,704,812	227,149,918
	- Export	2,336,683	1,224,055
		167,041,495	228,373,973
	Less - Sales Tax	25,148,131	34,954,699
	Commission & Brokerage	27,443	22,222
	Discount on Sales	324,297	—
		25,499,871	34,976,921
		141,541,624	193,397,052
		2003	2002
		RUPEES	RUPEES
16.	COST OF SALES		
	Raw & Packing Material Consumed 16.1	90,104,824	107,760,387
	Stores & Spares Consumed	2,571,962	8,870,384
	Excise Duty	—	4,045,205
	Repair & Maintenance	275,255	836,959
	Salaries & Wages including Bonus, Contribution to provident & other funds and expenses on Staff welfare 1 6.2	11,104,083	11,344,705
	Fuel, Electricity & Power	34,398,938	44,024,085
	Postage, Telegram & Telephone	179,695	186,027
	Printing, Periodicals & Stationery	89,113	95,012
	Travelling & Conveyance	93,335	103,481
	Vehicle & Transport Expenses	1,586,658	1,658,526
	Entertainment	87,858	110,344
	Rent, Rates & Taxes	473,733	467,008
	Insurance	2,091,337	1,839,483
	Professional Tax	50,000	50,000
	Other Expenses	744,403	625,004
	Security Services	304,598	303,394
	Depreciation	15,587,591	16,531,306
		159,743,383	198,851,310
	Work in Process		
	Opening	5,723,277	5,987,172
	Closing	-8,015,787	-5,723,277
		-2,292,510	263,895

Cost of Goods Manufactured	157,450,873	199,115,205
Finished Goods		
Opening	19,925,872	9,128,694
Closing	-11,275,167	-19,925,872
	8,650,705	-10,797,178
	166,101,578	188,318,027
	2003	2002
	RUPEES	RUPEES
16.1 RAW & PACKING MATERIAL CONSUMED		
Opening Stock	7,542,789	10,281,857
Add: Purchases	87,441,674	105,021,319
	94,984,463	115,303,176
Less: Closing Stock	-4,879,639	-7,542,789
	90,104,824	107,760,387
16.2 It includes Rs. 393,112 in respect of provident fund contribution (2002: Rs. 365,482).		
17. ADMINISTRATIVE EXPENSES		
Salaries & Wages including Bonus, Contribution to Provident & other Funds and Expenses on Staff Welfare 17.1	2,931,715	4,113,452
Electricity & Utilities	195,383	317,490
Postage, Telegram & Telephone	640,275	590,206
Printing & Stationery	269,222	239,431
Travelling & Conveyance	448,917	557,144
Entertainment	34,557	50,331
Repair & Maintenance	301,088	546,647
Legal & Professional	222,400	384,635
Fee & Subscription	227,000	192,800
Advertisement	136,500	89,747
Software Charges	20,695	96,760
Security Services	483,000	552,000
Miscellaneous Expenses	135,384	113,623
Auditors Remuneration 17.2	95,000	75,000
Depreciation	221,677	118,125
-	6,362,813	8,037,391
17.1 It includes Rs. 88,025. in respect of provident fund contribution (2002: Rs. 91,703)		
17.2 AUDITORS REMUNERATION		
Audit Fee — Annual	75,000	75,000
— Half yearly	20,000	—
	95,000	75,000
	2003	2002
	RUPEES	RUPEES
18. SELLING EXPENSES		
Carriage Outward	759,101	988,418
Sampling	173,385	102,859
Sales Promotion	1,075,001	100,517
Export Expenses	531,993	—
	2,539,480	1,191,794
19. FINANCIAL EXPENSES		
Mark-up on Redeemable Capital	1,196,007	27,500,795
Mark-up on Running Finance	—	2,008,901
Mark-up on Borrowing from Associated Undertaking	—	148,140
Bank charges	78,584	83,465
Interest on W.P.P.F.	10,555	9,382
	1,285,146	29,750,683
20. PROVISION FOR TAXATION		
CURRENT TAXATION	294,007	—

The current taxation represents the provision of minimum tax @ 0.5% of the total turnover as required under the Income Tax Ordinance 2001, for the period from 01-01-2003 to 30-06-2003, because the company was falling under tax holiday for 8 years since 01-01-1995.

DEFERRED TAXATION

No provision for deferred taxation is made in these accounts because it is probable that the temporary differences will not be reversed in the foreseeable future.

21. EARNING PER SHARE		
(Loss) for the Year	-35,041,400	-33,907,343
Number of Ordinary Shares Issued and subscribed at the end of the year	12,360,200	12,360,200
Earning Per Share	-2.84	-2.74
22. CASH AND CASH EQUIVALENT		
Cash in Hand	20,363	40,676
Cash at bank in current account	597,761	1,533,640
	618,124	1,574,316

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Directors	Chief Executive	Executive	2003 Rupees	2002 Rupees
Fees	—	—	—	—	—
Remuneration	520,800	—	2,365,076	2,885,076	3,517,626
Perquisites & Allowances	345,379	—	1,175,776	1,521,955	1,657,382
Total Rupees	866,179	—	3,540,852	4,407,031	5,175,008
Number of Persons	1	—	8	9	—
2003					
Number of Persons	1	1	7	—	9
2002					

Note : In addition of above three Directors have been provided with Companies maintained Car for Office use.

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

24.1 Financial Assets and Liabilities

	Interest / Mark - up bearing			Non - Interest/ Mark - up bearing			Total
	Maturity up to One year	Maturity after One year	Total	Maturity up to One year /	Maturity after One year	Total	
Financial Assets							
Long (Term Deposits	—	—	—	—	1,497,400	1,497,400	1,497,400
Trade Debts	—	—	—	12,018,145	—	12,018,145	12,018,145
Advances, Deposits	—	—	—	51,738	—	51,738	51,738
Other Receivables	—	—	—	—	—	—	—
Cash & Bank Balances	—	—	—	618,124	—	618,124	618,124
Total Rupees 2003	—	—	—	12,688,007	1,497,400	14,185,407	14,185,407
Total Rupees 2002	—	—	—	15,246,234	1,597,400	16,843,634	16,843,634
Financial Liabilities							
Redeemable Capital	—	251,763,017	251,763,017	—	—	—	251,763,017
Creditors & Accrued Expenses	—	—	—	30,068,703	—	30,068,703	30,068,703
Short term Borrowing	1,000,000	—	1,000,000	—	—	—	1,000,000
Total Rupees 2003	1,000,000	251,763,017	252,763,017	30,068,703	—	30,068,703	282,831,720
Total Rupees 2002	3,370,000	249,985,517	253,355,517	23,184,917	—	23,184,917	276,540,434

24.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will effect the value of financial instruments. The company is not exposed to interest rate risk.

24.3 Concentration of Credit Risk

The Company manages credit risk in trade receivables by limiting significant exposure to any individual customer by obtaining advances, deposit, setting out credit limits or by establishing / securing letter of credit.

24.4 Liquidity Risk

Prudent liquidity risk management employees maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

24.5 Foreign Exchange Risk Management

Foreign exchange risk mainly arises where receivable exist due to the transactions with foreign undertakings. The company is not exposed to any foreign exchange risk.

24.6 Foreign Value of Financial Instruments

The carrying value of all the financial instruments reflected in the financial statements are not likely to significantly differ with their fair values.

	2003 RUPEES	2002 RUPEES
25. TRANSACTIONS WITH ASSOCIATED UNDERTAKING		
Mark-up on Short Term Borrowing	—	459,740
Rent of Godown & Registered Office	316,800	316,800
	2003	2002
26. NUMBER OF EMPLOYEES		
Number of Employees as at 30th June	164	199
27. Production Capacity		
(a) Capacity based on 75 Deniers	2 100 Tons	2 100 Tons
(b) Actual Production of various Deniers converted into 75 Den.	1353 Tons	1973 Tons

Reason for Shortfall:

Plant operated at 64.40% of the Capacity. Short fall of 35.60% in Production due to depressed yarn prices and liquidity problems. The over all market remain depressed and the demand of Polyester Filament Yarn remain sluggish due to massive increase in import from the far eastern countries at a dumping prices.

28. DATE OF AUTHORIZATION FOR ISSUE

These accounts were authorized for issue by the Board of Directors on September 26, 2003.

29. GENERAL

29.1 Figures have been re-arranged and regrouped wherever necessary for the purpose of comparison.

29.2 Figures have been rounded off to the nearest rupee.

Naeem Akhtar Yousuf

Shaikh Muhammad Yousuf

Chief Executive

Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2003

NO. OF SHARE HOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
536	1	100	56,500
4059	101	500	1,881,390
160	501	1000	158,100
277	1001	5000	630,300
41	5001	10000	325,000
21	10001	15000	265,000
10	15001	20000	176,500

5	20001	25000	120,000
6	25001	30000	165,900
3	30001	35000	100,000
3	35001	40000	113,500
1	40001	45000	45,000
2	45001	50000	96,000
1	50001	55000	53,000
1	85001	90000	89,400
1	90001	95000	91,000
1	100001	105000	101,000
1	125001	130000	128,500
1	345001	350000	350,000
1	615001	620000	618,010
2	910001	915000	1,826,600
1	965001	970000	968,500
1	4000001	4005000	4,003,500
5075			12,360,200

S. No.	Categories Of Share Holdrs	No. of Share Holders	Total Shares Held	Percentage
1	Individuals	5035	10,106,090	81.76
2	Joint Stock Companies	32	226,800	1.83
3	Financial Institutions	5	969,110	7.84
4	Modarabas	2	89,700	0.73
5	Modaraba Management Companies	1	968,500	7.84
		5075	12,360,200	100

S. No.	CATEGORY OF SHAREHOLDERS	NO. OF SHARES	TOTAL	PERCENT
INDIVIDUALS				
01 .	Individuals Shareholders	4,139,990	4,139,990	33.49%
JOINT STOCK COMPANIES				
01 .	Moosa, Moor Muhammad, Shahzada & Co. (Pvt) Ltd.	31,000		0.25%
02.	Salman Services (Pvt) Ltd.	5000		0.04%
03.	Fortune Securities Limited	500		0.00%
04.	Prudential Securities Limited	1,000		0.01%
05.	Invest Capital & Securities (Pvt) Ltd.	1,000		0.01%
06.	All Husain Rajabali Ltd.	18,000		0.15%
06.	Y.S. Securities & Services (Pvt.) Ltd.	3800		0.03%
07.	Siddiqsons Denim Mills Limited	5,000		0.04%
08.	Aqeel Karim Dhedhi Securities (Pvt.) Ltd.	2,500		0.02%
10.	Zahid Latif Khan Securities (Pvt.) Ltd..	9,700		0.08%
11.	Uni Pak Securities (Pvt) Ltd.	1,500		0.01%
12.	Progressive Inv. Management (Pvt.) Ltd.	13,300		0.11%
13.	Continental Capital Management (Pvt.) Ltd.	12,000		0.10%
14.	Darson Securities (Pvt) Ltd.	500		0.04%
15.	ACE Securities (Pvt) Ltd.	500		0.04%
16.	Salim Chamdia Securities (Pvt.) Ltd.	15,000		0.12%
17.	Jamshad & Hasan Securities (Pvt.) Limited	500		0.04%
18.	Munaf Sattar Securities (Pvt.) Limited	7,500		0.06%
19.	Memon Securities (Private) Limited	6,000		0.05%
20.	Fawad Yusuf Securities (Pvt.) Ltd.	29,300		0.24%
21 .	M. S. Securities (Pvt.) Ltd.	6,500		0.05%
22.	Bawa Securities (Pvt.) Ltd.	36,500		0.30%
23.	Zillion Capital Securities (Pvt.) Ltd.	1,000		0.01%
24.	Motiwala Securities (Pvt.) Ltd.	1,100		0.01%
25.	S. D. Mirza Securities (Pvt) Ltd.	1,000		0.01%
26.	A. H. K. D. Securities (Pvt) Ltd.	100		0.00%
27.	A. Sattar Motiwala Securities (Pvt) Ltd.	10,500		0.08%
28.	S. Z. Securities	2,000		0.02%
29	Live Securities (Pvt) Ltd.	1,000		0.01%
30.	Plus Securities (Pvt) Ltd.	500		0.04%
31 .	Time Securities (Pvt) Ltd.	500		0.04%

S. No.	CATEGORY OF SHAREHOLDERS	NO. OF SHARES	TOTAL	PERCENT
32	Nayyar Sheikh Securities (Pvt) Ltd.	2,500		0.02%
			226,800	
	FINANCIAL INSTITUTIONS			
1	Investment Corporation of Pakistan	100		0.00%
2	National Bank of Pakistan, Trustee Deptt.	618,010		5.00%
3	Prime Commercial Bank Limited	500		0.00%
4	Pak Libya Holding Company (Pvt.) Limited	350,000		2.83%
5	Escots Investment Bank Ltd.	500		0.00%
			969,110	
	MODARABAS			
1	Nationwide Modaraba (Pvt) Ltd.	89,400		0.72%
2	Guardian Leasing Modaraba	300		0.00%
			89,700	
	MODARABA MANAGEMENT COMPANIES			
1	Nationwide Modaraba (Pvt.) Ltd.	968,500		7.84%
			968,500	
	HOLD OF DIRECTORS			
1	Shaikh Mohammad Yousuf	4,003.50		32.39%
2	Mr. Naeem Akhtar Yousuf	913,300		7.39%
3	Mr. Tariq Yousuf	913,300		7.39%
4	Mrs. Zuhra yousuf	2,500		0.02%
5	Mrs. Kausar Naeem	2,500		0.02%
6	Mrs. Nabila Tariq	2,500		0.02%
7	Gul Naeem	128,500		1.04%
			5,966,100	
			12,360,200	100.00%