
Brief Profile

The company was incorporated in 1988 with authorized capital of Rs. 35 million. Public subscription was offered in 1989 to issue a paid up capital of Rs. 35 million. A spinning unit with a capacity of 14,400 spindles was installed at Bhai Pheru, Tehsil Chunian in 1989. The capacity was increased to 22,080 spindles in 1990 while paid up capital was increased to Rs. 70 million. In 1994 a sister concern Raza Textile Mills Limited was merged with the company. The total capacity of the company was raised to 39,840 spindles after the inclusion of the adjacent unit of Raza Textile Mills Limited. The paid up capital was raised to Rs. 240 million while the net worth became Rs. 247 million. The company successfully managed the merger and earned handsome profits in the years to follow that increased the net worth to Rs. 1,129 million in 2003. Current capacity is 38,544 spindles.

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Company Information

Board of Directors: Mr. Raza Mansha
Mrs. Ammil Raza Mansha (Chief Executive)
Mr. Khalid Qadeer Qureshi
Mr. Muhammad Azam
Mr. Rana Muhammad Mushtaq
Mr. Farrukh Ifzal
Mr. Firasat Ali (Nominee NIT)

Audit Committee: Mr. Raza Mansha (Chairman)
Mr. Muhammad Azam (Member)
Mr. Rana Muhammad Mushtaq (Member)

Company Secretary: Mr. Abdul Aziz Shahid

Bankers of the Company: ABN AMRO Bank N.V.
Citi Bank N.A.
Credit Agricole Indosuez
Faysal Bank Limited
Habib Bank Limited
Mashreq Bank Psc.
Meezan Bank Limited
Standard Chartered Bank
The Bank of Punjab
United Bank Limited

Auditors: Riaz Ahmad & Company
Chartered Accountants

Legal Advisor: Mr. M. Aurangzeb Khan

Registered & Head Office: 31-Q, Gulberg-II,
Lahore, Pakistan.
Phone : 5761730-39
Fax : 5878696-97

Mills: 49th Kilometre, Lahore Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General meeting of the Shareholders of Umer Fabrics Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on 30 December 2003 (Tuesday) at 09:30 a.m. to transact the following business:-

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended 30 September 2003 together with Directors' and Auditors' reports thereon.
3. To approve 25% Cash Dividend (i.e. Rs. 2.50 Per share) as recommended by the Directors.
4. To appoint auditors for the year ending 30 September 2004 and to fix their remuneration. The present Auditors M/s Riaz Ahmed & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
5. To elect seven Directors of the Company for a period of three years in accordance with the provisions of the Companies Ordinance, 1984 as amended to date. The names of the retiring Directors are as under:
 1. Mr. Raza Mansha
 2. Mrs. Ammil Raza Mansha
 3. Mr. Khalid Qadeer Qureshi
 4. Mr. Muhammad Azam
 5. Mr. Farrukh Ifzal
 6. Mr. Rana Muhammad Mushtaq
 7. Mr. Firasat Ali (Nominee NIT)

The Board of Directors has fixed the number of elected Directors as seven. All retiring Directors are eligible to offer themselves for re-election.

6. To transact any other business with the permission of the Chair.

BOOKS CLOSURE

The Share Transfer Books of the Company will remain closed from 24-12-2003 to 30-12-2003 (both days inclusive) for the entitlement of dividend.

By Order of the Board

ABDUL AZIZ SHAHID
Company Secretary

LAHORE: 03 December 2003

Notes:

1. The Cash Dividend will be paid to the shareholders, whose names will appear in the register of members as at the close of business on December 2003.
2. All members should bring their Original National Identity Cards for identification purpose.
3. Nominations from the members for the Office of Directors must be received at least 14 clear days before the time of the Annual General Meeting at the registered office during working hours.
4. The beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and / or their proxies are required to produce their original National Identity Cards (NIC) or Passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form along with attested copies of the NIC or the Passport of the beneficial owner and the proxy.
5. A member eligible to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received by the Company at the registered office not later than 48 hours before the time for holding the meeting during working hours.
6. Members are requested to immediately notify the change of address, if any

Directors' Report

Economic Environment

During the year under review the economy moved into the most stable phase experienced in the recent history. All the major indicators remained very stable. Interest rates came down to the lowest ever level. Security situation also improved with improvement in law and order and de-escalation of borders tension. However, the international economic scenario remained bleak with the continuation of the worldwide recession. Iraq war and outbreak of SARS aggravated the slowdown in the world economy. The export sector of Pakistan, although benefiting from the positive developments at home, remained under pressure because of the unfavourable international conditions and a further appreciation of Pak Rupee against the US Dollar.

Performance of the Company

The company has been able to perform well during the period under review. Sales have decreased by about 2% to Rs. 1.318 billion while net profit increased by 99% to Rs 137.17 million. The company has been consistently earning handsome profits. Keeping in view the exposure of the industry to seasonal and cyclical risks, we have maintained a conservative financial structure and almost all of the fixed assets have been financed from equity. Short-term debt is used only for the current assets. The return on equity this year is 19.7% as compared to 12% last year, while earnings per share this year is Rs. 5.71 as compared to Rs 2.87 last year. This year Rs. 60.013 million are being distributed as dividend that translates into a dividend per share of Rs. 2.50. The financial strategy for the company is to keep it cash rich, low leverage and low risk so that it can absorb the unforeseen shocks easily.

Future Outlook

In line with the conservative financial strategy, the future plans for the company will entail Balancing, Modernization, Replacement (BMR) and Expansion. This will enable us to maintain our competitiveness in value added and high quality products. In the past also we have invested heavily in replacing old machinery with new state of the art equipment. We have been constantly entering into new value added products in order to diversify our product line and get premium prices. We plan to maintain a stable level of profits by increasing value to the customers and modernizing the equipment. The pattern of shareholding as at 30 September 2003 is annexed.

Corporate Governance

As required by the Code of Corporate Governance, directors are pleased to report that:

- a. The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- e. The system of internal control is sound and has been effectively implemented and monitored.
- f. There are no doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- h. Board Meeting

During the year under review four (4) meetings were held. Attendance by each director is as follows:

NAME OF DIRECTOR		ATTENDANCE
Mr. Raza Mansha*		2
Mrs. Ammil Raza Mansha	(Chief Executive)	3
Mr. Khalid Qadeer Qureshi		4
Mr. Aftab Ahmad Khan**		1
Mr. Muhammad Azam		4
Mr. Firasat Ali	(Nominee NIT)	3
Mr. Rana Muhammad Mushtaq		4
Mr. Farrukh Ifzal		4

* Appointed to fill a casual vacancy on 28 March 2003

** Resigned on 28 March 2003

On behalf of the board

Director

Director

LAHORE: 02 December 2003

Financial Highlights

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	(Rupees in thousand)									
Capital	122,850	240,052	240,052	240,052	240,052	240,052	240,052	240,052	240,052	240,052
Reserves	36,120	7,113	70,941	134,574	145,310	156,417	299,190	346,303	468,273	889,486
Net Worth	158,970	247,165	310,993	374,626	385,362	396,469	539,242	586,355	708,325	1,129,538
Long Term Liabilities	128,229	139,825	94,567	54,800	31,299	6,839	43,620	7,342	108,374	37,103
Current Liabilities	141,611	324,945	359,218	473,029	597,153	1,000,512	475,541	637,475	594,776	661,997
Capital and Liabilities	428,810	711,935	764,778	902,455	1,013,814	1,403,820	1,058,403	1,231,172	1,411,475	1,828,638
Fixed Capital Expenditure	325,907	501,876	459,723	420,373	474,606	506,163	501,848	544,419	605,540	610,641
Long Term Investments and Deposits	6,602	21,074	20,755	5,363	126,476	126,777	127,775	74,751	71,096	130,539
Current Assets	96,301	188,985	284,300	476,719	412,732	770,880	428,780	612,002	734,839	1,087,458
Total Assets	428,810	711,935	764,778	902,455	1,013,814	1,403,820	1,058,403	1,231,172	1,411,475	1,828,638
Sales	636,718	1,247,766	1,359,869	1,579,859	1,496,418	1,608,595	1,605,890	1,778,157	1,344,708	1,317,667
Gross Profit	134,972	108,231	251,115	334,041	237,427	229,468	421,240	311,596	215,775	202,044
EBIT	91,974	62,150	179,364	279,924	184,873	214,883	381,921	274,812	190,033	230,463
Financial & Other Charges	64,174	95,454	108,964	168,300	126,232	144,445	118,227	166,691	86,115	55,963
Taxation	3,184	17,632	6,572	11,983	11,897	11,321	24,900	25,000	34,981	37,328
Net Profit / (Loss)	24,616	(50,936)	63,828	99,641	46,744	59,117	238,794	83,121	68,937	137,172
Gross Margin (% age)	21.2	8.7	18.5	21.1	15.9	14.3	26.2	17.5	16.0	15.3
Net Margin (% age)	3.9	(4.1)	4.7	6.3	3.1	3.7	14.9	4.7	5.1	10.4
Current Ratio	0.68	0.58	0.79	1.01	0.69	0.77	0.90	0.96	1.24	1.64
Leverage (Total Liabilities / Net Worth)	1.70	1.88	1.46	1.41	1.63	2.54	0.96	1.10	0.99	0.62
Long Term Debt : Equity	45:55	36:64	23:77	13:87	8:92	2:98	7:93	1:99	13:87	3:97
EPS (Rupees)	2.0	(2.1)	2.7	4.2	1.9	2.5	9.9	3.5	2.9	5.7

Statement of Compliance

with the Code of Corporate Governance

The Board of Directors take pleasure in announcing that the Company has adopted the Code of Corporate Governance and actions have been taken for relevant clauses of the Code applicable during the year ended 30 September 2003 and has been duly complied with.

On behalf of the board

Director

Director

LAHORE: 02 December 2003

Review Report

to the members on statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Umer Fabrics Limited to comply with the Listing Regulation No.37 (Chapter XI) 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 our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Auditors' Report to the Members

We have audited the annexed balance sheet of UMER FABRICS LIMITED as at 30 September 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;
 - 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 September 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Balance Sheet as at

	NOTE	2003 (Rupees in thousand)	2002
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 30,000,000 ordinary shares of Rupees 10 each		300,000	300,000
Issued, subscribed and paid up share capital	3	240,052	240,052
Reserves	4	888,573	465,519
Unappropriated profit		913	2,754
		1,129,538	708,325
NON-CURRENT LIABILITIES			
Redeemable capital	5	-	75,000
Deferred tax	6	24,650	23,000
Employees' retirement benefits	7	12,453	10,374
		37,103	108,374
CURRENT LIABILITIES			
Short term finances	8	501,161	480,717
Creditors, accrued and other liabilities	9	65,145	66,070
Provision for taxation		35,678	11,981
Proposed dividend		60,013	36,008
		661,997	594,776
CONTINGENCIES AND COMMITMENTS	10	-	-
		1,828,638	1,411,475

The annexed notes form an integral part of these accounts.

Statement under section 241(2) of the Companies Ordinance, 1984

These accounts have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not for the time being in Pakistan.

DIRECTOR

30 September 2003

	NOTE	2003 (Rupees in thousand)	2002
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets- Tangible	11	610,641	605,540
Long term investments	12	129,070	70,560
Long term security deposits		1,469	536
		741,180	676,636
CURRENT ASSETS			
Stores, spare parts and loose tools	13	15,205	20,557
Stock-in-trade	14	87,437	160,798
Short term investments	15	720,760	337,278
Trade debts	16	49,385	53,465
Advances, deposits and other receivables	17	210,924	138,014
Cash and bank balances	18	3,747	24,727
		1,087,458	734,839
		1,828,638	1,411,475

DIRECTOR

Profit and Loss Account

for the year ended 30 September 2003

	NOTE	2003 (Rupees in thousand)	2002
SALES	19	1,317,667	1,344,708
COST OF GOODS SOLD	20	1,115,623	1,128,933
GROSS PROFIT		202,044	215,775
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	21	51,011	64,609
OPERATING PROFIT		151,033	151,166
OTHER INCOME	22	79,430	38,867
		230,463	190,033
FINANCIAL AND OTHER CHARGES	23	55,963	86,115
PROFIT BEFORE TAXATION		174,500	103,918
PROVISION FOR TAXATION	24	37,328	34,981
PROFIT AFTER TAXATION		137,172	68,937
UNAPPROPRIATED PROFIT BROUGHT FORWARD		2,754	29,825
PROFIT AVAILABLE FOR APPROPRIATION		139,926	98,762
APPROPRIATIONS			
Proposed dividend Rupees 2.50 (2002: Rupees 1.50) per share		60,013	36,008
Transfer to general reserve		79,000	60,000
		139,013	96,008
UNAPPROPRIATED PROFIT		913	2,754
EARNINGS PER SHARE (Rupees)	28	5.71	2.87

The annexed notes form an integral part of these accounts.

Statement under section 241(2) of the Companies Ordinance, 1984

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DIRECTOR

DIRECTOR

Cash Flow Statement

for the year ended 30 September 2003

	2003	2002
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	174,500	103,918
Adjustment for non-cash charges and other items		
Depreciation	64,484	60,884
Gratuity	3,454	3,988
Unrealized loss on forward contracts	1,345	54
Gain on disposal of fixed assets	(16,811)	(13,358)
Dividend income	(60,967)	(21,671)
Financial charges	45,414	80,571
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	211,419	214,386
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	5,352	6,674
Stock-in-trade	73,361	(27,181)
Short term investments	(97,938)	(167,905)
Trade debts	4,080	167,899
Advances, deposits and other receivables	(68,093)	(14,604)
Increase/(decrease) in current liabilities		
Short term finances	20,444	26,016
Creditors, accrued and other liabilities	5,998	(6,726)
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES	(56,796)	(15,827)
CASH GENERATED FROM OPERATING ACTIVITIES	154,623	198,559
Financial charges paid	(53,988)	(93,401)
Income tax paid	(16,800)	(22,511)
Gratuity paid	(1,375)	(956)
NET CASH GENERATED FROM OPERATING ACTIVITIES	82,460	81,691

	2003	2002
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets acquired	(83,248)	(138,618)
Sale proceeds of fixed assets	30,475	29,970
Long term security deposits	(933)	20
Dividend income received	60,967	21,671
NET CASH GENERATED/(USED IN) FROM INVESTING ACTIVITIES	7,261	(86,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	(75,000)	75,000
Redemption of redeemable capital	-	(36,667)
Dividend paid	(35,701)	(35,534)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(110,701)	2,799
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,980)	(2,467)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	24,727	27,194
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,747	24,727

The annexed notes form an integral part of these accounts.

Statement under section 241(2) of the Companies Ordinance, 1984

These accounts have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not for the time being in Pakistan.

DIRECTOR

DIRECTOR

Statement of Changes in Equity

for the year ended 30 September 2003

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES			SHARE- HOLDERS' EQUITY
		Fair Value	General Reserve	Unapprop- riated Profit	Sub-Total	
(Rupees in thousand)						
Balance as at 01 October 2001	240,052	(23,517)	346,111	29,825	375,936	592,471
Fair value gain during the year	-	82,925	-	-	-	82,925
Net profit for the year	-	-	-	68,937	68,937	68,937
Appropriations:						
Dividend	-	-	-	(36,008)	(36,008)	(36,008)
Transfer to general reserve	-	-	60,000	(60,000)	-	-
Balance as at 30 September 2002	240,052	59,408	406,111	2,754	408,865	708,325
Fair value gain during the year	-	344,054	-	-	-	344,054
Net profit for the year	-	-	-	137,172	137,172	137,172
Appropriations:						
Proposed dividend	-	-	-	(60,013)	(60,013)	(60,013)
Transfer to general reserve	-	-	79,000	(79,000)	-	-
Balance as at 30 September 2003	240,052	403,462	485,111	913	486,024	1,129,538

The annexed notes form an integral part of these accounts.

Statement under section 241(2) of the Companies Ordinance, 1984

These accounts have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not for the time being in Pakistan.

DIRECTOR

DIRECTOR

Notes to the Accounts

for the year ended 30 September 2003

1. THE COMPANY AND ITS ACTIVITIES

Umer Fabrics Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Lahore and Karachi Stock Exchanges of Pakistan. Its registered office is situated at Lahore. The company is principally engaged in the manufacturing and trading of yarn.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. 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 Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

The accounts have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value.

2.3 Employees' retirement benefits

Gratuity

The company operates unfunded gratuity scheme for permanent employees at factory, payable on cessation of employment according to West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The provision is made on the basis of actuarial valuation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation was carried out as on 30 September 2002 by applying Projected Unit Credit Method using the following significant assumptions:

- Discount rate 10 percent per annum.
- Expected rate of increase in salary level 9 percent per annum.

The actuarial valuation for the plan determined a transitional liability of Rupees 1.372 million as on 30 September 2001, which is being amortized over a period of five years.

Provident Fund

The company also operates provident fund scheme for head office employees. Equal monthly contributions are made both by the employer and the employees to the fund.

2.4 Provision

Provisions are recognized in the balance sheet when the company has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.5 Taxation

Current

Provision for tax on income from local sales and other income is based on taxable income at current rates after taking into account tax rebates and credits available, if any. The company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 to the extent of its export sales.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

2.6 Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are initially recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to income.

2.7 Tangible fixed assets and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the erection/construction period and other directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on the reducing balance method at the rates given in note 11 to write off the cost over their expected useful lives. The full annual rate of depreciation is applied to the cost of additions except for major additions or extensions to production facilities. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and replacements are capitalized. Gain or loss on disposal of operating fixed assets is included in current year's income.

2.8 Equity investments

Investments are initially recognized on trade-date at cost, comprising of consideration paid and cost of transaction. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining fair value, while for unquoted securities, fair value is determined considering break-up value of the securities. Its classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date on the following basis:

Held-to-Maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

Held for Trading

These are recognized at fair value and changes in carrying values are included in profit and loss account.

Available for Sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

2.9 Financial instruments

All other financial assets and liabilities are recognized 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 provisions of the instrument by following trade date accounting. Any gain or loss on subsequent measurement and derecognition is charged to income.

2.10 Derivative financial instruments

Forward exchange covers from banks are stated at fair value. The fair value is equivalent to unrealized gain or loss from re-measuring the derivative using prevailing exchange rates. Unrealized gain included in other receivables and unrealized losses are included in other liabilities in the balance sheet. The resulting gain and losses are credited / charged to income currently.

2.11 Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value.

2.12 Stock-in-trade

Stocks of raw material, work-in-process and finished goods are valued at the lower of annual average cost and net realizable value except waste which is valued at contract prices. Average cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

Goods purchased for resale are stated at lower of cost based on average purchase price and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

2.13 Trade debts

Known bad debts are written off. Receivables are carried at original and provision is made against debts considered doubtful.

2.14 Borrowing costs

Interest, mark up and other charges on long term liabilities are capitalized up to the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities, if it takes considerable period for erection / construction. All other interests, mark-up and other charges are charged to income.

2.15 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.16 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 recognized in the profit and loss account.

2.17 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. Dividend income on equity investments is recognized as and when right to receive dividend is established. The return on short term placement of funds with banks and financial institutions is accounted for on a time proportion basis at the rates of profit applicable thereon.

2.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and in transit and balances with banks.

2.19 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

	2003	2002
	(Rupees in thousand)	
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
14,127,750 ordinary shares of Rupees 10 each fully paid up in cash	141,277	141,277
9,877,455 ordinary shares of Rupees 10 each issued as fully paid to the shareholders of Raza Textile Mills Limited in accordance with the scheme of arrangement allowed by the Lahore High Court, Lahore	98,775	98,775
	240,052	240,052

3.1 5,386,758 (2002: 5,386,758) and 6,476,780 (2002: 6,476,780) ordinary shares of the company are held by the associated undertakings - Nishat Mills Limited and D.G. Khan Cement Company Limited respectively.

	2003	2002
	(Rupees in thousand)	
4 RESERVES		
General reserve	485,111	406,111
Capital reserve - Fair value reserve	403,462	59,408
	888,573	465,519
5. REDEEMABLE CAPITAL		
Faysal Bank Limited	-	75,000
	-	75,000
6. DEFERRED TAX		
This represents the deferred tax liability arising mainly due to timing differences in respect of accelerated tax depreciation allowance and employees' gratuity to the extent that these do not relate to the income falling under the ambit of section 169 of the Income Tax Ordinance, 2001.		
	2003	2002
	(Rupees in thousand)	
7. EMPLOYEES' RETIREMENT BENEFITS		
The amount recognized in the balance sheet on account of employees' gratuity is as follows:		
Present value of defined benefit obligation	12,930	11,125
Unrecognised actuarial gains	346	346
Unrecognised transitional liability	(823)	(1,097)
Liability as on 30 September 2003	12,453	10,374
Liability as on 30 September 2002	10,374	7,342
Charge to profit and loss account	3,454	3,988
Contributions by the company	(1,375)	(956)
Liability as on 30 September 2003	12,453	10,374
8. SHORT TERM FINANCES		
Cash finances (Notes 8.1 and 8.2)	227,132	304,614
Preshipment finances (Notes 8.1 and 8.3)	225,000	176,103
Temporary bank overdraft (Notes 8.1 and 8.4)	49,029	-
	501,161	480,717

8.1 These finances form part of total credit facilities amounting to Rupees 1,660 million (2002: Rupees 1,911 million) available from commercial banks under mark-up arrangements.

8.2 Cash finances carry mark-up at the rates ranging from 4.79 to 30.14 (2002: 20.82 to 39.73) paisas per Rupees thousand per day. These are secured against first joint pari passu charge on present and future current assets of the company.

8.3 Preshipment finances carry mark-up at the rates ranging from 4.79 to 30.14 (2002: 28.77 to 42.46) paisas per Rupees thousand per day. These are secured against lien on export bills, first joint pari passu charge on current assets of the company.

8.4 This represents the unsecured overdrawn bank balances from banking companies and carries mark-up at the rate of paisas 6.85 to 39.73 (2002: 6.16 to 33.56) per Rupees thousand per day.

	2003	2002
	(Rupees in thousand)	
9. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	24,698	16,233
Income tax deducted at source	150	287
Mark-up on redeemable capital	57	21
Mark-up on secured short term finances		
Cash finances	2,519	11,228
Preshipment finances	2,054	2,445
Postshipment finances	270	270
Overdraft facilities	488	-
	5,331	13,943
Unclaimed dividend	3,756	3,449
Excise duty payable	6,363	6,363
Workers' profit participation fund (Note 9.1)	9,652	6,788
Accrued liabilities (Note 9.3)	15,138	18,986
	65,145	66,070
9.1 WORKERS' PROFIT PARTICIPATION FUND		
Balance as on 01 October	6,788	7,038
Interest provided during the year (Note 9.2)	367	380
	7,155	7,418
Payments made during the year	6,707	6,120
Unclaimed balances	448	1,298
Share in company's profit for the year (Note 23)	9,204	5,490
	9,652	6,788

9.2 The company retains workers' profit participation fund for its business operations till the date of payment to workers. Interest is paid at the prescribed rate under the Companies Profit (Workers' Participation) Act, 1963 on funds utilized by the company till the date of payment to workers (Note 23).

9.3 It includes unrealized loss of Rupees 1.345 million (2002: Rupees 0.054 million) on recognition of forward contracts (Note 23).

10. CONTINGENCIES AND COMMITMENTS

Contingencies (Refer to notes 24.2 and 24.3).

Commitments

10.1 Letters of credit for capital expenditure are Rupees NIL (2002: Rupees 35.809 million) and other than capital expenditure are Rupees 66.009 million (2002: Rupees 66.207 million).

11. OPERATING FIXED ASSETS

DESCRIPTION	C O S T			ACCUMULATED DEPRECIATION			BOOK VALUE AS AT 30 SEPTEMBER 2003	DEPRECIATION	
	As at 01 October 2002	Additions/ (Deletions)	As at 30 September 2003	As at 01 October 2002	Adjustments	As at 30 September 2003		Charge for the year	Rate %
(Rupees in thousand)									
Freehold land	8,638	-	8,638	-	-	-	8,638	-	-
Building on freehold land	150,711	-	150,711	100,144	-	105,201	45,510	5,057	10
Plant and machinery	894,956	76,707 (40,997)	930,666	376,641	29,681	402,070	528,596	55,110	10
Furniture, fixtures and office equipment	31,708	456	32,164	19,291	-	20,579	11,585	1,288	10
Electric installations	16,298	-	16,298	11,477	-	11,959	4,339	482	10
Transport and vehicles	15,645	5,443 (4,270)	16,818	7,783	1,922	8,052	8,766	2,191	20
Computers	4,580	642	5,222	1,659	-	2,015	3,207	356	10
2003	1,122,536	83,248 (45,267)	1,160,517	516,995	31,603	549,876	610,641	64,484	
2002	1,037,032	138,618 (53,115)	1,122,536	492,615	36,504	516,995	605,540	60,884	

	2003	2002
	(Rupees in thousand)	
11.1 Depreciation charge for the year has been allocated as follows		
Cost of goods sold (Note 20)	62,293	58,919
Administrative, selling and general expenses (Note 21)	2,191	1,965
	64,484	60,884

11.2 Detail of operating fixed assets disposed off during the year is as follows:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
(Rupees in thousand)						
PLANT AND MACHINERY						
AUTO CONER	6,244	4,414	1,830	3,500	Negotiation	BISMA TEXTILE MILLS LIMITED Y-190, FIRST FLOOR, COMMERCIAL AREA, DEFENCE, LAHORE.
AUTO CONER	6,244	4,414	1,830	3,500	Negotiation	BAIG SPINNING MILLS LIMITED F-225, STREET#5, TEXTILE AVENUE,S.I.TE KARACHI.
AUTO CONER	6,913	4,744	2,169	3,500	Negotiation	RAFIQ SPINNING MILLS LIMITED AL-AZIZ STREET, FACTORY AREA, FAISALABAD.
AUTO CONER	4,696	3,503	1,193	3,600	Negotiation	SARGODHA SPINNING MILLS LIMITED 2ND FLOOR, ROOM # 6, GULBERG CENTRE,MAIN BOULEVARD, LAHORE.
AUTO CONER	4,696	3,503	1,193	3,550	Negotiation	SARGODHA SPINNING MILLS LIMITED 2ND FLOOR, ROOM # 6, GULBERG CENTRE, MAIN BOULEVARD, LAHORE.
AUTO CONER	4,696	3,503	1,193	3,450	Negotiation	KHAWAJA SPINNING MILLS LIMITED FAISALABAD.
AUTO CONER	4,696	3,503	1,193	2,200	Negotiation	SHAHNAWAZ TEXTILE MILLS LIMITED 39-A, ZAFAR ALI ROAD, GULBERG-V, LAHORE.
AUTO CONER	2,812	2,097	715	3,550	Negotiation	KOHINOOR SPINNING MILLS LIMITED LAHORE.
VEHICLES						
LRF.3919 TOYOTA COROLLA	1,070	-	1,070	1,065	Negotiation	MR.NASIR HABIB RANA 1043-E CANAL VIEW HOUSING SOCIETY, LAHORE.
LXJ.5906 SUZUKI BOLAN VAN	329	194	135	275	Negotiation	MR.AKHTAR NAWAZ HOUSE#56-C, STREET#7, RAILWAY OFFICER COLONY WALTON ROAD, LAHORE.
LXJ.6252 TOYOTA COROLLA	897	529	368	710	Negotiation	MR.SULTAN RANA 1043-E CANAL VIEW HOUSING SOCIETY, LAHORE.
LXJ.398 SUZUKI KHYBER	394	233	161	360	Negotiation	MR.ATIQUE AHMED 1043- E CANAL VIEW HOUSING SOCIETY, LAHORE.
LXH.8025 SUZUKI KHYBER	419	248	171	330	Negotiation	MR.JAVED HUSSAIN HOUSE # 29 DIANAND ROAD, KRISHAN NAGAR, LAHORE.
LXN.4289 SUZUKI BOLAN VAN	338	165	173	285	Negotiation	MR.ZAHID ALI KHAN CHARCH WALI GALI, SAADAT COLONY, ALLAMA IQBAL TOWN, LAHORE.
LXF.6024 MOTOR CYCLE	63	42	21	30	Negotiation	MR.IMRAN SHAMSHER CHAK#424,TEHSIL GOJRA, DISTT TOBATAKE SINGH.
LXF.6589 HONDA CIVIC	760	511	249	570	Negotiation	MR.MUHAMMAD MUNIR H-184,GULSHAN RAVI ,LAHORE.

	2003	2002
	(Rupees in thousand)	
12. LONG TERM INVESTMENTS		
Available for sale:		
Quoted		
Muslim Commercial Bank Limited – Bank 2,683,668 (2002: 2,333,624) fully paid ordinary shares of Rupees 10 each	68,945	68,945
Add/(Less) :Surplus /(Deficit)on revaluation	51,283	(5,704)
Market Value	120,228	63,241
Unquoted		
Security General Insurance Company Limited-Insurance 705,075 (2002: 525,000) fully paid ordinary shares of Rupees 10 each. Equity held 7.05 % (2002: 7.05%) (Managing Director - Syed Jawad Gilani) Break-up value was Rupees 12.54 (2002: Rupees 13.94) per share as per audited accounts of 31 December 2002	5,250	5,250
Add:Surplus on revaluation	3,592	2,069
Fair Value	8,842	7,319
	129,070	70,560
13. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	5,472	6,703
Spare parts	10,135	14,221
Loose tools	48	83
	15,655	21,007
Less: Provision for obsolete stores	450	450
	15,205	20,557
14. STOCK-IN-TRADE		
Raw material [Including in transit Rupees 5.549 million (2002: Rupees NIL)]	67,979	124,200
Work-in-process	9,556	10,965
Finished goods	6,141	15,820
Waste	3,761	9,813
	87,437	160,798

	2003	2002
	(Rupees in thousand)	
15. SHORT TERM INVESTMENTS		
Available For Sale		
Quoted		
Associated Undertakings		
Nishat Mills Limited – Textile		
1,201,750 (2002: 1,092,000) fully paid ordinary shares of Rupees 10 each	29,259	29,259
Others		
Muslim Commercial Bank Limited – Bank		
9,996,525 (2002: 5,192,630) fully paid ordinary shares of Rupees 10 each	223,176	125,238
Nishat (Chunian) Limited – Textile		
6,096,750 (2002: 5,542,500) fully paid ordinary shares of Rupees 10 each		
Equity held 13.75% (2002: 13.75%)	119,738	119,738
	372,173	274,235
Add: Surplus on revaluation of investment	348,587	63,043
Market value	720,760	337,278
16. TRADE DEBTS-CONSIDERED GOOD		
Considered good		
Unsecured	18,765	11,551
Secured (letters of credit)	30,620	41,914
	49,385	53,465
17. ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
Advances - Considered good		
To company's employees (Note 17.1)	450	321
To goods suppliers/contractors	8,039	11,715
Letters of credit	79,774	17,762
Income tax	82,832	78,015
Sales tax refundable	36,831	24,625
Margin against bank guarantees	-	105
Due from D.G Khan Cement Company Limited- Associated undertaking	-	4,028
Other receivables - Considered good		
Rebate and other claims receivable	2,998	1,443
	210,924	138,014

17.1 It includes interest free advances to executives amounting to Rupees 0.170 million (2002: Rupees 0.060 million) and the maximum aggregate amount of advances outstanding at the end of any month during the year was Rupees 0.544 million (2002: Rupees 0.782 million).

	2003	2002
	(Rupees in thousand)	
18. CASH AND BANK BALANCES		
Cash in hand	44	66
Cash with banks on		
Saving accounts	289	1,147
Current accounts	3,414	23,514
	3,747	24,727
19. SALES		
Own products		
Yarn		
Export	781,743	850,358
Local	420,897	372,262
	1,202,640	1,222,620
Waste		
Export	53,131	59,149
Local	22,185	10,077
	75,316	69,226
Purchased goods		
Export	3,992	13,984
Local	44,287	50,839
	48,279	64,823
	1,326,235	1,356,669
Less: Commission to selling agents		
Export Sales	13,873	14,168
Local Sales	598	270
	14,471	14,438
Doubling Income	5,903	2,477
	1,317,667	1,344,708

19.1 Sales are exclusive of sales tax amounting to Rupees 63.408 million (2002: Rupees 65.879 million).

	2003	2002
	(Rupees in thousand)	
20. COST OF GOODS SOLD		
Raw material consumed (Note 20.1)	739,736	740,699
Salaries, wages and other benefits	63,334	64,291
Employees' gratuity	3,454	3,988
Fuel and power	129,239	129,881
Packing material	18,374	18,969
Stores, spare parts and loose tools	17,210	27,005
Insurance	2,523	2,798
Other factory overheads	14,519	14,630
Depreciation	62,293	58,919
	1,050,682	1,061,180
Work-in-process		
Opening inventory	10,965	15,886
Closing inventory	(9,556)	(10,965)
	1,409	4,921
Cost of goods manufactured	1,052,091	1,066,101
Cost of goods purchased for resale		
Export	3,611	33,042
Local	44,190	27,022
	47,801	60,064
Finished goods		
Opening inventory	25,633	28,401
Closing inventory	(9,902)	(25,633)
	15,731	2,768
	1,115,623	1,128,933
20.1 RAW MATERIAL CONSUMED		
Opening stock	124,200	89,330
Purchases during the year	677,966	775,569
	802,166	864,899
Closing stock	62,430	124,200
	739,736	740,699

	2003	2002
	(Rupees in thousand)	
21. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES		
Salaries, wages and other benefits	7,980	7,153
Provident fund contributions	142	145
Clearing and forwarding	27,867	39,906
Legal and professional	210	162
Insurance	829	1,027
Traveling and conveyance	2,959	3,496
Vehicles' running	811	569
Entertainment	107	133
Fee, subscription and taxes	1,823	1,918
Auditors' remuneration		
Statutory audit	160	140
Half year review	50	-
Certifications and others	50	-
	260	140
Advertisement	117	195
Postage, telephone and telegrams	2,392	2,870
Electricity and sui gas	824	860
Printing and stationery	701	663
Miscellaneous	1,022	739
Depreciation	2,191	1,965
Donations (Note 21.1)	776	2,668
	51,011	64,609

21.1 Donations were given to Mian Muhammad Yahya Trust during the year under reference in which Mr. Aftab Ahmad Khan (Director of the company) is trustee.

	2003	2002
	(Rupees in thousand)	
22. OTHER INCOME		
Dividend (Note 22.1)	60,967	21,671
Sale of scrap	1,594	708
Mark-up on balance due from D.G. Khan Cement Company Limited - Associated undertaking	30	2,616
Mark-up on advances	-	86
Gain on disposal of fixed assets	16,811	13,358
Profit on deposits with banks	28	209
Exchange gain	-	219
	79,430	38,867

22.1 Dividend income includes Rupees NIL (2002: 1.639 million) received from Nishat Mills Limited-Associated undertaking.

	2003	2002
	(Rupees in thousand)	
23. FINANCIAL AND OTHER CHARGES		
Financial		
Surcharge on custom debentures	-	6
Mark-up on redeemable capital	3,384	2,214
Interest on workers' profit participation fund (Note 9.2)	367	380
Mark-up on short term finances		
Cash finances	24,454	58,961
Preshipment finances	7,549	8,460
Postshipment finances	-	4,343
Overdraft facilities	2,045	-
	34,048	71,764
Bank charges and commission	7,615	6,207
	45,414	80,571
Other charges		
Workers' profit participation fund (Note 9.1)	9,204	5,490
Unrealized loss on forward contracts (Note 9.3)	1,345	54
	55,963	86,115
24. PROVISION FOR TAXATION		
Current	34,521	11,981
Prior year	1,157	-
Deferred	1,650	23,000
	37,328	34,981
24.1 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
Profit before taxation	174,500	103,918
Tax at the applicable rate of 35%	61,075	36,371
Tax effect of accelerated tax depreciation and provision for gratuity	1,650	8,753
Tax credits under section 239 of the Income Tax Ordinance, 2001	-	(13,516)
Tax effect of dividend income taxed at different rate	(18,290)	(6,501)
Tax effect due to income under section 169	(9,309)	9,874
Tax effect due to separate blocks of income	1,045	-
Effect of change in prior year's tax	1,157	-
	37,328	34,981

24.2 While framing assessment orders for the assessment years 2000-2001 and 2001-2002, the Income Tax Officer disallowed certain expenses on pro-rata basis. The company being aggrieved has filed appeals with the Commissioner of Income Tax (Appeals) which are still pending. No provision against these disallowances has been made in the books of account as the management is confident that the matter would be settled in the company's favour. If the decision of Income Tax Officer is upheld in the appeal, the provision for taxation amounting to Rupees 27.476 million would be required.

24.3 The Income Tax Officer also re-opened assessment years from 1994-95 to 1997-98 on the point of Sec 80-D. The company being aggrieved is filing appeals with Commissioner of Income Tax (Appeals). The company is also considering for writ petition in the High Court. No Provision against this tax has been made in the books of account as the management is confident that the matter would be settled in the company's favour. If the decision of Income Tax Officer is upheld in the appeal, the provision for taxation amounting to Rupees 5.38 million would be required.

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The company purchased from and sold to associated undertakings materials and goods in the aggregate sum of Rupees NIL (2002: Rupees 15.427 million) and Rupees 25.779 million (2002: Rupees 62.380 million) respectively. Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 2.492 million (2002: Rupees 75.972 million). Mark up is paid / charged on balances due to / from associated undertakings at the rate of paisas 39.72 per Rupees 1,000 per day.

	2003	2002
26. NUMBER OF EMPLOYEES		
Number of employees at year-end	1,056	1,187

27. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits to directors and executives of the company are as follows:

	2003	2002
	(Rupees in thousand)	
EXECUTIVES		
Remuneration	6,776	4,824
House rent	2,884	2,055
Utilities	503	355
Leave encashment	184	196
Bonus	460	257
	10,807	7,687
Number of persons	40	25

27.1 No remuneration or meeting fee was paid to directors and chief executive during the period under reference.

27.2 Seven executives of the company have been provided with free use of company maintained vehicles.

28. EARNINGS PER SHARE – BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the company which is based on:

		2003	2002
Net profit for the year	(Rupees in thousands)	137,172	68,937
Number of ordinary shares		24,005,205	24,005,205
Earnings per share	(Rupees)	5.71	2.87

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 FINANCIAL ASSETS AND LIABILITIES

	2003				
	TOTAL	Interest / Mark-up Bearing		Non-Interest / Mark-up Bearing	
		Within One Year	One Year to Five Years	Within One Year	One Year to Five Years
(Rupees in thousand)					
FINANCIAL ASSETS					
Long term investments	129,070	-	-	-	129,070
Advances to employees	450	-	-	450	-
Long term security deposits	1,469	-	-	-	1,469
Short term investment	720,760	-	-	720,760	-
Due from associated undertaking	-	-	-	-	-
Trade debts	49,385	-	-	49,385	-
Margin against bank guarantees	-	-	-	-	-
Other receivables	2,998	-	-	2,998	-
Cash and bank balances	3,747	289	-	3,458	-
	907,879	289	-	777,051	130,539
FINANCIAL LIABILITIES					
Redeemable capital	-	-	-	-	-
Finances under mark-up arrangements	501,161	501,161	-	-	-
Creditors, accrued and other liabilities	48,980	-	-	48,980	-
Proposed dividend	60,013	-	-	60,013	-
	610,154	501,161	-	108,993	-
Unrecognized financial assets and liabilities					
Letters of credit for:					
Capital expenditure	-	-	-	-	-
Other than capital expenditure	66,009	-	-	66,009	-

29.2 FINANCIAL ASSETS AND LIABILITIES

	2002				
	TOTAL	Interest / Mark-up Bearing		Non-Interest / Mark-up Bearing	
		Within One Year	One Year to Five Years	Within One Year	One Year to Five Years
(Rupees in thousand)					
FINANCIAL ASSETS					
Equity investments	70,560	-	-	-	70,560
Advances to employees	330	-	-	330	-
Long term security deposits	536	-	-	-	536
Short term investment	337,278	-	-	337,278	-
Due from associated undertaking	4,028	4,028	-	-	-
Trade debts	53,465	-	-	53,465	-
Margin against bank guarantees	105	-	-	105	-
Other receivables	1,443	-	-	1,443	-
Cash and bank balances	24,727	1,147	-	23,580	-
	492,472	5,175	-	416,201	71,096
FINANCIAL LIABILITIES					
Redeemable capital	75,000	-	75,000	-	-
Finances under mark-up arrangements	480,717	480,717	-	-	-
Creditors, accrued and other liabilities	52,632	-	-	52,632	-
Proposed dividend	36,008	-	-	36,008	-
	644,357	480,717	75,000	88,640	-
Unrecognized financial assets and liabilities					
Letters of credit for:					
Capital expenditure	35,809	-	-	35,809	-
Other than capital expenditure	66,207	-	-	66,207	-

29.3 EFFECTIVE INTEREST/MARK-UP RATES

The company's exposure to interest / mark-up effective rates on its financial assets and financial liabilities are summarized as follows:

	2003 Percentage	2002 Percentage
Financial assets		
Due from associated undertakings	14.50	15.33
Profit on bank deposits	1 to 2	2 to 9.5
Financial liabilities		
Redeemable capital	10	10
Short term finances	1.75 to 14.50	7.6 to 15.5
Employees provident fund	3 to 5	3 to 5
Workers' profit participation fund	11.25	11.25

29.4 CREDIT RISK

The company believes that it is not exposed to major concentration of credit risk. Further, the company controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis.

29.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements.

29.6 FOREIGN EXCHANGE RISK MANAGEMENT

The company is not materially exposed to foreign exchange risk as its all borrowings are payable in local currency and its receivable against export sales in foreign currencies are secured against letters of credit. The company uses forward contract to hedge its exposure to foreign currency risk.

30. PLANT CAPACITY AND ACTUAL PRODUCTION

	2003	2002
Total number of spindles installed (Per Shift)	38,544	38,544
Rated capacity converted into 20/s count (Kgs.)	15,271,849	14,409,057
Actual production converted into 20/s count (Kgs.)	15,040,416	14,195,710
Number of shifts worked per day	3	3
Total number of shifts worked during the year	1,093	1,093

30.1 REASON FOR LOW PRODUCTION

The under-utilization of available capacity is due to normal stoppage and maintenance.

31. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the board of directors on 02 December 2003.

32. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison. No significant reclassification has been made.

Statement under section 241(2) of the Companies Ordinance, 1984

These accounts have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not for the time being in Pakistan.

DIRECTOR

DIRECTOR

Pattern of Share Holding

as at 30 September 2003

SHARE HOLDERS	SHARES HOLDING		TOTAL SHARES HELD
	FROM	TO	
848	1	100	37680
1282	101	500	281713
287	501	1000	217686
290	1001	5000	645905
56	5001	10000	398873
14	10001	15000	175969
7	15001	20000	119457
4	20001	25000	92400
5	25001	30000	137921
2	35001	40000	74691
2	40001	45000	85700
2	45001	50000	94014
2	50001	55000	103652
1	55001	60000	59651
1	70001	75000	72000
1	75001	80000	79400
1	80001	85000	84000
2	100001	105000	200000
1	150001	155000	155000
1	170001	175000	171267
1	210001	215000	212500
1	255001	260000	256100
3	285001	290000	863618
1	340001	345000	341026
1	345001	350000	349000
1	470001	475000	475000
1	515001	520000	518914
1	1470001	1475000	1472000
1	2035001	2040000	2036030
1	2330001	2335000	2330500
1	5385001	5390000	5386758
1	6475001	6480000	6476780
2,823			24,005,205

CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	2746	3550604	14.79
Investment Cos.	2	156516	0.65
Insurance Cos.	4	2162523	9.01
Joint Stock Cos.	36	14331136	59.70
Financial Institutions	18	3102443	12.92
Modaraba Cos.	4	28122	0.12
Foreign Cos.	7	11730	0.05
CO-OP Society	1	15	0.00
Leasing Cos.	2	616	0.00
Others	3	661500	2.76
	2,823	24,005,205	100.00

INFORMATION UNDER CLAUSE XIX(i) OF THE CODE OF CORPORATE GOVERNANCE

	Shareholding as at 30 September 2003	Percentage
1. Associated Compaines:		
D.G.Khan Cement Company Limited	6,476,780	26.98
Nishat Mills Limited	5,386,758	22.44
2. NIT & ICP:		
National Bank of Pakistan, Trustee Department	2,041,889	8.51
Investment Corporation of Pakistan Limited	652	0.00
3. Directors, CEO, their spouse and minor children:		
Mr. Raza Mansha (Director)	315,751	1.32
4. Executives:	-	-
5. Public Sector, Companies & Corporations:		
Joint Stock Companies	14,331,136	59.70
6. Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds:		
a) Investment Companies	156,516	0.65
b) Insurance Companies	2,162,523	9.01
c) Financial Institutions	3,102,443	12.92
d) Modaraba Companies	28,122	0.12
7. Share holding ten percent or more voting interest in the company:		
D.G.Khan Cement Company Limited	6,476,780	26.98
Nishat Mills Limited	5,386,758	22.44

INFORMATION UNDER CLAUSE XIX(j) OF THE CODE OF CORPORATE GOVERNANCE

All trade in the Companys' shares, carried out by its Directors,CEO,CFO, Company Secretary and their spouses and minor children during the year 01 October 2002 to 30 September 2003:

The CEO, Directors, CFO, Company Secretary and their Spouse and Minor Children have made no sale / purchase of Company's shares upto 30 September 2003.

Proxy Form

The Company Secretary,
Umer Fabrics Limited
31-Q, Gulberg-II,
Lahore.

I/ We _____

Of _____ being a member(s) of

Umer Fabrics Limited, and a holder of _____ Ordinary shares

as per Share Register Folio No. _____

(in case of Central Depository System Account Holder A/c No. _____

Participant I.D. No. _____) hereby appoint _____

of _____ another member of the Company as per

Register Folio No. _____ or (failing him / her _____

of _____ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, will be held on 30 December 2003 (Tuesday) at 09:30 a.m. at the Registered Office of the Company 31-Q, Gulberg-II, Lahore and at any adjournment thereof.

As witness my hand this _____ day of _____ 2003

signed by the said _____ in presence

of _____

Witness

Signature

Signature

Affix
Revenue
Stamp

Notes:

1. Proxies, in order to be effective, must be received at the company's Registered Office / Head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
2. Signature must agree with the specimen signature registered with the Company.
3. In case of Central Depository System Account Holder, an attested copy of identity card should be attached to this Proxy Form.
4. No person shall act as proxy unless he is member of the Company.