

## Husein Industries Limited Annual Reports 2003

### Corporate Information

#### Borad Of Directors

|                        |                          |
|------------------------|--------------------------|
| Mr. Latif E. Jamal     | Chairman/Chief Executive |
| Mr. Aziz L. Jamal      | Director                 |
| Mr. Rashid L Jamal     | Director                 |
| Mr. Husein Jamal       | Director                 |
| Mrs. Aisha Bai Suleman | Director                 |
| Mr. Akhtar Wasim Dar   | Director                 |
| Mr. Ahsan Jamal        | Director                 |

#### Board of Audit Committee

|                              |           |
|------------------------------|-----------|
| Mr. Akhtar Wasim Dar         | Chairman  |
| Mr. Rashid L. Jamal          | Member    |
| Mr. Husein Jamal             | Member    |
| Mr. Mahmood -ul-Hassan Malik | Secretary |

#### Company Secretary

Mr. M Anwar Kaludi

#### **Registered & Head Office**

HT-8 Landhi Industrial Area & Tradin Estate

Landhi, Karachi - 75120

Tel : (921)5018536-8

Fax : (9221) 5018545

E-mail : sales@husein.com

#### Bankers

Metropolitian bank Lts.

Habib Bank AG Zurich

Habib Bank Ltd.

#### Auditors

A.F Ferguson & Co.

Chartered Accountants

#### Mills

Landhi Industrial Area & Trading Estate

Landhi, Karachi-75120

### NOTICE OF MEETING

The 50th Annual General Meeting of the Shareholders of Husein Industries Limited will be held at the Registered Office of the Company at Plot No. HT-8, Landhi Industrial & Trading Estate, Landhi, Karachi on Friday January 30, 2004 at 11:30 a.m. to transact the following business:

1. To confirm the minutes of the 49th Annual General Meeting held on March 29, 2003.
2. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended September 30, 2003.

3. To appoint auditors and fix their remuneration. Present auditors M/s. A. F. Ferguson & Co. Chartered Accountants, retire and did not offer for re-appointment in view of rotation requirements of Code of Corporate Governance being part of listing regulations of Karachi and Lahore Stock Exchanges. Audit Committee has recommended the name of M/s. Hyder Bhimji & Co. Chartered Accountants for appointment in place of retiring auditors, for consideration in the Annual General Meeting.

4. To approve the dividend as recommended by the directors.

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

By order of the Board  
MOHAMMED ANWAR KALUDI

Karachi : January 8, 2004

Secretary

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 27, 2004 to January 30, 2004, both days inclusive.

2. A member entitled to attend and vote at this Meeting may appoint another member as a proxy to attend and vote instead of him or her. Proxies, in order to be valid, must be deposited at the Registered Office of the Company not later than 48 hours before the meeting.

3. Members are requested to promptly notify change of address, if any.

STATEMENT ON CORPORATE AND FINANCIAL FRAME WORK

a) The Financial statements, prepared by the management of the Company, present fairly its state of affairs, the result 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 judgement.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant 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,

h) Key operating and financial data for last six years is summarized on page No. 31.

i) There are no overdue taxes, duties, levies and charges as on 30th September, 2003.

j) There are no funds based provident, gratuity and pension fund schemes.

k) During the year meetings of the Board of Directors were held. Attendance by each Director is given on page No. 30.

1) The statement showing the pattern of shareholdings in the Company, as on 30th September, 2003 is shown on page No. 28 to 29.

m) No trades in the shares of the listed Company were carried out by the Directors, CEO, CEO, Company Secretary and their spouse and minor children.

On behalf of the Board  
Latif E. Jamal

Karachi : January 8, 2004

Chairman & Chief Executive

#### DIRECTORS'REPORT

The Directors are pleased to place before you the 50th Annual Report together with the audited accounts of the Company for the year ended September 30, 2003 and the Auditors' Report thereon. The appropriations are tabulated as below:

|                                       | Rupees     |
|---------------------------------------|------------|
| Profit after taxation                 | 57,620,214 |
| Unappropriated profit brought forward | 1,639,181  |
| Profit available for appropriations   | 59,259,395 |
| Appropriations                        |            |
| Transfer to general reserve           | 32,500,000 |
| Proposed dividend final @ 25%         | 26,564,630 |
|                                       | 59,064,630 |
| Unappropriated profit carried forward | 194,765    |

The year under review has been quite an eventful and challenging one as the industry is now about to face the post quota elimination scenarios and all the decisions taken by the management of your Company have been focused on enhancing the capability of being cost effective with improved quality standards.

During the year, the prices of raw material continued to surge and continuous depreciation of US Dollar adversely affected the Company's profitability for the year and its investment capability.

Recent announcement regarding imposition of Anti Dumping duty by the European Union on Pakistani Bed linen is yet another factor which may impact the sale revenues on exports to European Union. This necessitates exploring of new markets and research and development of new products.

Despite the above factors, the Company is striving hard to maintain the steady flow of export orders by its diversification policy and aggressive sales campaign.

Subsequent to the year-end, your Company suffered an irreparable loss in the sad demise of its Director Masrur Hassan Khan on 07 November 2003. His services are too laudable to be expressed in words. May his soul rest in eternal peace. In place of the deceased director, the Board has appointed Mr. Ahsan Jamal to fill in the casual vacancy.

The audit committee in compliance with the provisions of Corporate Governance recommends the appointment of M/s. Hyder Bhimji & Co. Chartered Accountants as External Auditors of the Company for the year ending 30th September 2004 which Board has agreed. The Board places on record its appreciation to M/s. A. F. Ferguson & Co. Chartered Accountants, the retiring auditors of their services to the Company in the past.

The Directors wish to place on record their appreciation for the services rendered by the employees (1191) (2002: 1224) of the Company.

Earnings per share for the year ended September 30, 2003 works out to Rs. 5.42 as against last year's Rs. 9.34.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a 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 and directors representing minority interests on its Board of Directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its-directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

## A UDITORS'REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Husein Industries Limited as at September 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have

obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of 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 the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi : January 8, 2004

A.F. FERGUSON & CO.

Chartered Accountants

#### 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 Husein Industries Limited to comply with the Listing Regulations of the respective Stock Exchanges, 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 as applicable to the Company for the year ended September 30, 2003.

Karachi : January 8, 2004

A.F. FERGUSON & CO.

Chartered Accountants

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members, including the Chairman of the Committee, two of whom are non-executive directors.

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

17. The Board has set-up an effective internal audit function 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.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code have been complied with.

Latif E. Jamal

Karachi : January 8, 2004

Chairman & Chief Executive

## AS AT SEPTEMBER 30, 2003

|   | Note | 2003<br>Rupees | 2002<br>Rupees |
|---|------|----------------|----------------|
| <b>TANGIBLE FIXED ASSETS</b>                                    |      |                |                |
| Operating assets  | 8    | 408,632,595    | 395,314,949    |
| Capital stores  |      | 96,323,929     | 60,564,581     |
|   |      | 504,956,524    | 455,879,530    |
| <b>LONG-TERM INVESTMENTS</b>                                    |      |                |                |
| LONG-TERM DEPOSITS  | 9    | 234,583        | 168,397        |
|   |      | 5,037,606      | 5,452,606      |
| <b>CURRENT ASSETS</b>   |      |                |                |
| Stores and spares   | 10   | 25,304,633     | 22,816,517     |
| Stock-in-trade  | 11   | 446,111,166    | 366,346,303    |
| Trade debts   | 12   | 370,350,341    | 183,059,597    |
| Loans, advances, deposits, prepayments<br>and other receivables | 13   | 57,355,708     | 82,756,484     |
| Balances with banks on current accounts                         |      | 11,663,429     | 50,968,573     |
|   |      | 910,785,277    | 705,947,474    |

## BALANCESHEET

|   | Note | 2003<br>Rupees | 2002<br>Rupees |
|---|------|----------------|----------------|
| <b>SHARE CAPITAL AND RESERVES</b>                               |      |                |                |
| Authorised capital 15,000,000<br>ordinary shares of Rs. 10 each |      | 150,000,000    | 150,000,000    |
| Issued, subscribed and paid-up capital                          | 3    | 106,258,520    | 106,258,520    |
| Reserves - capital  |      | 33,857,517     | 33,857,517     |
| - revenue   |      | 253,642,483    | 221,142,483    |
| - unrealised gain on long-term investments                      |      | 205,058        | 138,872        |
|   |      | 287,705,058    | 255,138,872    |
| Unappropriated profit   |      | 194,765        | 1,639,181      |
|   |      | 287,899,823    | 256,778,053    |
|   |      | 394,158,343    | 363,036,573    |
| <b>DEFERRED LIABILITIES</b>                                     | 4    | 17,891,630     | 10,008,405     |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                       |      |                |                |
| Current portion of liabilities against finance lease            | 5    | -              | 977,937        |
| Short-term finances   | 6    | 599,266,804    | 215,652,598    |
| Creditors, accrued and other liabilities                        | 7    | 382,261,371    | 521,658,894    |
| Taxation  |      | 871,212        | 8,297,266      |
| Proposed final dividend   |      | 26,564,630     | 47,816,334     |
|   |      | 1,008,964,017  | 794,403,029    |
|   |      | 1,421,013,990  | 1,167,448,007  |

## CASH FLOW STATEMENT

## FOR THE YEAR ENDED SEPTEMBER 30,2003

|  | Note | 2003<br>Rupees | 2002<br>Rupees |
|--|------|----------------|----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>           |      |                |                |
| Cash generated from operations                       | 24   | -262,510,824   | 523,700,183    |
| Staff gratuity paid                                  |      | -1,361,272     | -4,980,673     |
| Financial charges paid                               |      | -25,000,994    | -37,331,723    |
| Taxes paid   |      | -5,760,283     | -14,255,824    |
| Net cash (outflow) /inflow from operating activities |      | -294,633,373   | 467,131,963    |

|  |                |              |
|--|----------------|--------------|
| CASH FLOW FROM INVESTING ACTIVITIES                  |                |              |
| Fixed capital expenditure                            | -102,751,850   | -108,830,406 |
| Proceeds from disposal of fixed assets               | 870,000        | 851,000      |
| Dividend received                                    | 5,935          | 2,801        |
| Net cash outflow from investing activities           | -101,875,915   | -107,976,605 |
| CASH FLOW FROM FINANCING ACTIVITIES                  |                |              |
| Repayment of liability under finance lease           | -354,690       | -3,578,291   |
| Short-term borrowings less repayments                | 408,674,665    | -299,554,999 |
| Dividends paid                                       | -26,055,372    | -23,432,394  |
| Net cash inflow/(outflow) from financing activities  | 382,264,603    | -326,565,684 |
| Net (decrease)/increase in cash and cash equivalents | ts -14,244,685 | 32,589,674   |
| Cash and cash equivalents at beginning of the year   | -10,369,025    | -42,958,699  |
| Cash and cash equivalents at end of the year         | 25 -24,613,710 | -10,369,025  |

The annexed notes form an integral part of these financial statements.

#### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30,2003

|  | Note | 2003<br>Rupees | 2002<br>Rupees |
|--|------|----------------|----------------|
| Sales  | 14   | 1,152,730,803  | 1,365,704,987  |
| Cost of goods sold   | 15   | 1,042,343,076  | 1,141,644,969  |
| Gross profit   |      | 110,387,727    | 224,060,018    |
| Selling and other expenses   | 17   | 22,718,777     | 64,453,810     |
| Operating profit   |      | 87,668,950     | 159,606,208    |
| Other income   | 18   | 4,411,573      | 1,565,637      |
|  |      | 92,080,523     | 161,171,845    |
| Financial charges  | 19   | 26,212,118     | 34,708,184     |
| Other charges  | 20   | 4,234,256      | 7,473,554      |
|  |      | 30,446,374     | 42,181,738     |
| Profit before taxation   |      | 61,634,149     | 118,990,107    |
| Taxation   | 22   | 4,013,935      | 19,748,433     |
| Profit after taxation  |      | 57,620,214     | 99,241,674     |
| Profit brought forward   |      | 1,639,181      | 213,841        |
| Profit available for appropriation                                 |      | 59,259,395     | 99,455,515     |
| Appropriations:  |      |                |                |
| Transfer to revenue reserve - General                              |      | 32,500,000     | 50,000,000     |
| Proposed dividend Rs. 2.50 per share<br>(2002: Rs. 4.50 per share) |      | 26,564,630     | 47,816,334     |
|  |      | 59,064,630     | 97,816,334     |
| Unappropriated profit carried forward                              |      | 194,765        | 1,639,181      |
| Earnings per share   | 23   | 5.42           | 9.34           |

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

##### 1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on May 25, 1953 as a public limited company under the name Husein Textile Mills Limited, which was changed to Husein Industries Limited in 1964. Its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The major activities of the Company are textile manufacturing, producing cotton and polyester yarn, cloth and garments which are marketed within and outside Pakistan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These financial statements have been prepared on the basis of 'historical cost' convention, except for available for sale investments which have been recognized at fair value and recognition of staff retirement benefits at present value.

### 2.2 Basis of preparation

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan. Approved accounting standards comprise of such IASs 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.

### 2.3 Retirement benefits

The Company operates an unfunded gratuity scheme covering all its employees who have completed one year of service with the Company. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income, the most recent valuation was carried out as of March 31, 2003 using the "Projected Unit Credit Method".

### 2.4 Taxation

#### Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are reversed based on tax rates that have been enacted or substantively enacted by the balance sheet date. The change in deferred tax liability/assets is charged or credited in the profit for the current period.

### 2.5 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a 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.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30,2003

|   | Share<br>Capital | Capital reserves<br>Tax<br>holiday | Share<br>premium | Revenue<br>reserve -<br>general | Un-<br>appropriated<br><b>profit</b> | Unrealised<br>gain on<br>long-term<br>investments | Total       |
|---|------------------|------------------------------------|------------------|---------------------------------|--------------------------------------|---|-------------|
| Balance at September<br>30, 2001                              | 106,258,520      | 7,040,000                          | 26,817,517       | 171,142,483                     | 213,841                              | -   | 311,472,361 |
| Restatement in accordance<br>with IAS - 39                    | -                | -                                  | -                | -                               | -                                    | 49,885  | 49,885      |
|   | 106,258,520      | 7,040,000                          | 26,817,517       | 171,142,483                     | 213,841                              | 49,885  | 311,522,246 |
| Profit for the year   | -                | -                                  | -                | -                               | 99,241,674                           | -   | 99,241,674  |
| Unrealised gain due to change<br>in fair value of investments | -                | -                                  | -                | -                               | -                                    | 88,987  | 88,987      |
| Dividends   | -                | -                                  | -                | -                               | -47,816,334                          | -   | -47,816,334 |
| Transfer to general reserve                                   | -                | -                                  | -                | 50,000,000                      | -50,000,000                          | -   | -           |
| Balance at September<br>30, 2002/October 1, 2002              | 106,258,520      | 7,040,000                          | 26,817,517       | 221,142,483                     | 1,639,181                            | 138,872   | 363,036,573 |
| Profit for the year   | -                | -                                  | -                | -                               | 57,620,214                           | -   | 57,620,214  |
| Unrealised gain due to change<br>in fair value of investments | -                | -                                  | -                | -                               | -                                    | 66,186  | 66,186      |
| Dividends   | -                | -                                  | -                | -                               | -26,564,630                          | -   | -26,564,630 |
| Transfer to general reserve                                   | -                | -                                  | -                | 32,500,000                      | -32,500,000                          | -   | -           |
| Balance at September 30, 2003                                 | 106,258,520      | 7,040,000                          | 26,817,517       | 253,642,483                     | 194,765                              | 205,058   | 394,158,343 |

The annexed notes form an integral part of these financial statements.

## 2.6 Tangible fixed assets and depreciation

### 2.6.1 Owned

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital stores are stated at cost.

Depreciation is charged to income applying the diminishing balance method except leasehold land on which depreciation is charged to income applying the straight line method. Depreciation on additions during the year is charged at half the applicable rate while no depreciation is charged on deletions during the year. Gains and losses on disposal of assets are included in income currently. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

### 2.6.2 Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations under the leases are accounted for as liabilities. Assets acquired under finance lease are depreciated over the lease term of the assets.

## 2.7 Long term investments

Long term investments are classified as "Available for Sale" which represent investments which are not held for trading. All investments are initially recognised at cost, being the fair value of the

consideration given. Subsequent to initial recognition, for investments traded in active market, fair value is determined by reference to quoted market price.

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period.

## 2.8 Stores and spares

These are valued at average cost except items in transit which are stated at invoice value plus other charges paid thereon. Obsolete and used items are recorded at nil value. Value of items are reviewed at each balance sheet date to record provision for any slow moving.

## 2.9 Stock-in-trade

Stock-in-trade is valued at the lower of annual average cost and net realisable value except goods in transit which are stated at invoice values plus other charges paid thereon. Average cost in relation to semi-finished and finished goods represents direct cost of materials, direct wages and appropriate manufacturing overheads.

Net realisable value signifies the selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale. Obsolete items are recorded at nil value. Provision is made for slow moving socks where necessary.

## 2.10 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for debts/receivables considered to be doubtful. Bad debts are written off when identified.

|   | 2003<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| 4.1 Staff retirement gratuity               |                |                |
| Present value of defined benefit obligation | 19,010,424     | 13,690,000     |
| Unrecognised actuarial losses               | -6,798,500     | -11,000        |
| Net liability at the end of the year        | 12,211,924     | 13,679,000     |
| Net liability at the beginning of the year  | 10,008,405     | 14,713,803     |
| Charge for the year                         | 3,564,791      | 275,275        |
|   | 13,573,196     | 14,989,078     |
| Benefits paid during the year               | 1,361,272      | 4,980,673      |
| Net liability at the end of of the year     | 12,211,924     | 10,008,405     |

4.1.1 Following significant assumptions have been made for the purpose of actuarial valuation:

|                                     |                           |
|-------------------------------------|---------------------------|
| Expected rate of increase in salary | 6%p.a.                    |
| Discount rate                       | 6% p.a.                   |
| Mortality rate                      | EFU 61-66 mortality table |
| Withdrawal rate                     | Age dependant             |

|   |            |             |
|---|------------|-------------|
| 4.2 Deferred taxation                     |            |             |
| (Debit) /credit balance arising due to:   |            |             |
| - accumulated tax losses                  | -3,950,073 | -18,821,417 |
| - staff retirement gratuity               | -603,941   | -347,492    |
| - accelerated tax depreciation            | 10,233,720 | 7,376,864   |
|   | 5,679,706  | -11,792,045 |
| Net deferred tax assets not accounted for |            |             |

|  |           |            |
|--|-----------|------------|
|  | -         | 11,792,045 |
|  | 5,679,706 | -          |
| 5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE |           |            |
| Present value of minimum lease payments                | -         | 977,937    |
| Less : Current portion                                 | -         | 977,937    |

5.1 The future minimum lease payments to which the Company is committed under the lease agreement and the years in which they will become due are as follows:

|  | 2003   | 2002      |
|--|--------|-----------|
|  | Rupees | Rupees    |
| September 30, 2002                         | -      | -         |
| September 30, 2003                         | -      | 1,124,380 |
|  | -      | 1,124,380 |
| Finance charge allocated to future periods | -      | 146,443   |
|  | -      | 977,937   |
| Less: Current portion                      | -      | 977,937   |

|                                     | 2003        | 2002        |
|-------------------------------------|-------------|-------------|
|                                     | Rupees      | Rupees      |
| 6. SHORT-TERM FINANCES              |             |             |
| From banking companies              |             |             |
| Local currency - secured (note 6.1) | 449,540,139 | 85,676,598  |
| Foreign currency (note 6.2)         | 149,726,665 | 129,976,000 |
|                                     | 599,266,804 | 215,652,598 |

6.1 These form part of total facility of Rs. 595 million (2002: Rs. 905 million) secured by joint pari passu charge by hypothecation of stock-in-trade and receivables and lien on export documents and personal guarantee of Directors. Mark-up is paid at the rate of paisa 5 to 16 per Rs. 1,000 per day.

6.2 This represents outstanding balances against foreign currency loan equivalent to Rs. 22.413 million and a facility of US\$ 2.5 million, utilised upto US \$ 2.2 million, payable by June 30, 2004. Mark-up is paid at the rate of 1.78% p.a.

6.3 Of the facility of Rs. 308.80 million (2002: Rs. 400 million) for opening letters of credit and guarantees, the amount utilised at September 30, 2003 was Rs. 113.450 million (2002: Rs. 248.860 million).

|   | 2003        | 2002        |
|---|-------------|-------------|
|   | Rupees      | Rupees      |
| 7. CREDITORS, ACCRUED AND OTHER LIABILITIES   |             |             |
| Creditors - trade   | 187,607,942 | 300,422,915 |
| - other   | 89,917,151  | 136,310,141 |
| Mark-up accrued on local and interest accrued on foreign currency short-term finances | 2,522,558   | 1,311,434   |
| Accrued liabilities   | 23,161,080  | 23,479,552  |
| Unpaid salaries and wages   | 1,060,435   | 975,533     |
| Workers' profits participation fund (note 7.1)  | 3,351,328   | 7,044,050   |
| Workers' welfare fund   | 3,329,824   | 2,954,824   |
| Unclaimed dividend  | 70,810,392  | 49,049,430  |
| Others  | 500,661     | 111,015     |
|   | 382,261,371 | 521,658,894 |

7.1 Workers' Profits Participation Fund  
Balance at the beginning of the year

|  |            |            |
|--|------------|------------|
|  | 7,044,050  | 5,056,765  |
| Allocation for the year                              | 3,351,328  | 6,337,489  |
|  | 10,395,378 | 11,394,254 |
| Interest on funds utilised in the Company's business | 1,016,080  | 1,122,186  |
|  | 11,411,458 | 12,516,440 |
| Less : Amount paid to the trustees of the fund       | 8,060,130  | 5,472,390  |
| Balance at the end of the year                       | 3,351,328  | 7,044,050  |

## 8. OPERATING FIXED ASSETS

The following is a statement of operating assets:

|   | Cost at<br>October<br>1, 2002 | Additions/<br>(deletions)<br>transfers* | Cost at<br>September<br>30, 2003 | Accumulated<br>depreciation<br>at October 1,<br>2002 | Depreciation<br>for<br>the year/<br>(deletions)<br>transfers* | Accumulated<br>depreciation<br>at September<br>30, 2003 | Net book<br>value at<br>September<br>30, 2003 | Annual<br>rate of<br>deprecia-<br>tion % |
|---|-------------------------------|---|----------------------------------|--|---|---|---|--|
|   |                               |   |                                  |  |   |   |   |  |
|   |                               |   |                                  |  | Rupees  |   |   |  |
| Freehold land                                   | 5,791,867                     |   | 5,791,867                        |  | -   |   | 5,791,867                                     |  |
| Leasehold land                                  | 22,798,205                    | 740,150                                 | 23,538,355                       | 847,841  | 231,683   | 1,079,524   | 22,458,831                                    | 1  |
| Buildings on leasehold land                     | 72,381,227                    | 17,997,808                              | 90,379,035                       | 27,508,309   | 2,693,591   | 30,201,900  | 60,177,135                                    | 5  |
| Plant, machinery and<br>ancillary equipments    | 736,790,922                   | 47,023,044<br>-21,223,167<br>8,300,000* | 770,890,799                      | 430,125,044  | 47,264,493<br>-20,399,396<br>6,451,363*                       | 463,441,504   | 307,449,295                                   | Oct-15                                   |
| Plant and machinery<br>subject to finance lease | 8,300,000                     | -8,300,000                              | -                                | 6,451,363  | (6,451,363)*  | -   | -   |  |
| Furniture, fixture and<br>office equipments     | 10,411,310                    | 42,500                                  | 10,453,810                       | 6,186,698  | 505,622   | 6,692,320   | 3,761,490                                     | Jun-15                                   |
| Vehicles  | 15,708,494                    | 1,189,000                               | 16,897,494                       | 5,747,821  | 2,155,696   | 7,903,517   | 8,993,977                                     | 20-25                                    |
| 2003  | 872,182,025                   | 66,992,502<br>-21,223,167               | 917,951,360                      | 476,867,076  | 52,851,085<br>-20,399,396                                     | 509,318,765   | 408,632,595                                   |  |
| 2002  | 809,680,977                   | 64,345,666<br>-1,844,618                | 872,182,025                      | 426,810,015  | 51,485,060<br>-1,427,999                                      | 476,867,076   | 395,314,949                                   |  |

### 8.1 Freehold land measuring 34 acres situated at Feroz Wattava District Sheikhpura includes

a small portion of land the title of which is disputed. The case has been decided against the Company by the Honourable Lahore High Court and the Company has filed a petition against the said judgement in the Honourable Supreme Court. There is no financial exposure involved even if the case is decided against the Company as the company can claim the refund of the amount paid to the seller for purchase of land.

### 8.2 Deletions of fixed assets during the year:

|                            | Cost       | Accumulated<br>depreciation | Net Book<br>value | Sale<br>proceeds | Mode of<br>disposal | Particulars of<br>buyers   |
|----------------------------|------------|-----------------------------|-------------------|------------------|---------------------|--|
|                            |            |                             |                   |                  |                     |  |
|                            |            |                             |                   |                  |                     | Rupees   |
| Scrap Textile<br>Machinery | 5,595,035  | 5,212,926                   | 382,109           | 400,000          | Tender              | M/s. Yarn Textile Industries (Pvt) Ltd.<br>92-Bank Square, Market Model Town<br>Lahore.<br>8 km Manga Raiwind Road<br>District Kasur |
| -do-                       | 15,628,132 | 15,186,470                  | 441,662           | 470,000          | Tender              | M/s. Ihsan Cotton Product (Pvt) Ltd.<br>F-D/S, 3rd Floor, Awami Complex,   |

21,223,167      20,399,396      823,771      870,000

|   | 2003<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| 9. LONG-TERM INVESTMENTS - held as available for sale |                |                |
| Quoted Companies                                      |                |                |
| Dilon Limited   |                |                |
| 151 (2002: 151) ordinary shares of Rs. 10 each        | 10,268         | 6,568          |
| Dawood Cotton Mills Limited                           |                |                |
| 904 (2002: 452) ordinary shares of Rs. 10 each        | 57,856         | 16,317         |
| Pakistan Tobacco Company Limited                      |                |                |
| 5,138 (2002: 5,138) ordinary shares of Rs. 10 each    | 147,203        | 136,928        |
| The Burewala Textile Mills Limited                    |                |                |
| 232 (2002: 232) ordinary shares of Rs. 10 each        | 19,256         | 8,584          |
|   | 234,583        | 168,397        |
| 10. STORES AND SPARES                                 |                |                |
| Stores (including items-in-transit Rs. 1,501,170      |                |                |
| 2002: Rs. 2,913,199)                                  | 19,722,866     | 18,565,613     |
| Spares  | 5,581,767      | 4,250,904      |
|   | 25,304,633     | 22,816,517     |
| 11. STOCK-IN-TRADE                                    |                |                |
| Raw materials   | 22,813,706     | 18,233,545     |
| Semi-finished goods                                   | 234,954,971    | 169,165,563    |
| Finished goods  | 188,342,489    | 178,947,195    |
|   | 423,297,460    | 348,112,758    |
|   | 446,111,166    | 366,346,303    |
| 12. TRADE DEBTS - unsecured, considered good          |                |                |
| Export  | 205,430,817    | 118,115,630    |
| Local   | 164,919,524    | 64,943,967     |
|   | 370,350,341    | 183,059,597    |

12.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Nil (2002: Nil).

|   | 2003<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| 13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS<br>AND OTHER RECEIVABLES   |                |                |
| Loans and advances - unsecured,<br>considered good  |                |                |
| Loans to employees  |                |                |
| - executives  | 390,110        | 490,110        |
| - other employees   | 1,564,527      | 2,031,214      |
| Maximum amount due at the end of any<br>month during the year from Executives<br>Rs. 1,490,110 (2002 : Rs. 1,590,110) |                |                |
| Advances against reimbursable expenses to   |                |                |
| - other employees   | 480,975        | 427,250        |
| Advances to suppliers   | 14,940,531     | 14,874,072     |
| Deposits - trade  | 872,015        | 1,573,120      |
| Margin against letter of credit /bank guarantees  | 3,726,118      | 3,744,118      |
| Prepayments   | 274,828        | 304,505        |
| Export rebates, sales tax and other<br>claims - considered good   | 33,372,115     | 57,862,510     |
| Fair price shop   | 1,527,433      | 1,276,461      |
| Others  |                |                |

|                       |               |               |
|-----------------------|---------------|---------------|
|                       | 207,056       | 173,124       |
|                       | 57,355,708    | 82,756,484    |
| 14. SALES             |               |               |
| Local                 | 496,118,179   | 156,184,285   |
| Less: Sales tax       | 65,034,968    | 20,661,577    |
|                       | 431,083,211   | 135,522,708   |
| Export                | 759,964,975   | 1,289,248,342 |
| Less: Commission      | 24,003,729    | 49,973,436    |
| Freight and insurance | 14,313,654    | 9,092,627     |
|                       | 38,317,383    | 59,066,063    |
|                       | 721,647,592   | 1,230,182,279 |
|                       | 1,152,730,803 | 1,365,704,987 |

14.1 Export sales include duty draw-back amounting to Rs. 21,201,084 (2002: Rs. 49,432,002) and net exchange loss/(gain) amounting to Rs. 4,449,968 (2002: Rs. 19,543,426) and commission expense on export sales net of unrealised exchange gain amounting to Rs. 24,003,729 (2002: 49,973,436).

|   | 2003<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| 15. COST OF GOODS SOLD                            |                |                |
| Opening stock of semi-finished and finished goods | 348,112,758    | 261,643,912    |
| Raw materials consumed - (note 16)                | 568,960,880    | 559,476,002    |
| Processing charges                                | 24,032,961     | 28,555,364     |
| Fuel and power                                    | 126,494,697    | 133,854,467    |
| Salaries, wages and allowances                    | 156,086,437    | 170,030,636    |
| Staff benefits - (note 15.1)                      | 15,969,333     | 12,112,565     |
| Rent, rates and taxes                             | 1,608,075      | 2,032,916      |
| Stores and spares consumed                        | 134,696,866    | 215,292,295    |
| Repairs and maintenance                           | 21,853,099     | 38,912,162     |
| Insurance   | 8,894,079      | 8,184,994      |
| Stationery, postage and telephone                 | 3,199,750      | 3,941,618      |
| Travelling and conveyance                         | 2,880,516      | 4,235,736      |
| Depreciation - (note 8)                           | 52,851,085     | 51,485,060     |
|   | 1,465,640,536  | 1,489,757,727  |
| Closing stock of semi-finished and finished goods | -423,297,460   | -348,112,758   |
|   | 1,042,343,076  | 1,141,644,969  |

15.1 This includes Rs. 3,564,791 (2002: Rs. 275,275) in respect of provision for gratuity.

15.2 The break-up of cost of goods sold attributable to

sales is as follows:

|                                |               |               |
|--------------------------------|---------------|---------------|
| Local                          | 392,210,886   | 102,820,638   |
| Export                         | 650,132,190   | 1,038,824,331 |
|                                | 1,042,343,076 | 1,141,644,969 |
| 16. RAW MATERIALS CONSUMED     |               |               |
| Opening stock of raw materials | 18,233,545    | 28,136,450    |
| Purchases                      | 573,541,041   | 549,573,097   |
|                                | 591,774,586   | 577,709,547   |
| Closing stock of raw materials | -22,813,706   | -18,233,545   |
|                                | 568,960,880   | 559,476,002   |
| 17. SELLING AND OTHER EXPENSES |               |               |
| Carriage and transport         |               |               |

|      |   |             |             |
|------|---|-------------|-------------|
|      |   | 4,194,180   | 2,531,592   |
|      | Export expenses including shipping and other charges  | 8,611,314   | 51,651,202  |
|      | Export rebate written off   | 3,364,410   | 2,009,868   |
|      | Advertisement and subscriptions   | 4,148,697   | 4,120,215   |
|      | Legal and professional charges  | 2,184,221   | 3,412,699   |
|      | Other expenses  | 215,955     | 728,234     |
|      |   | 22,718,777  | 64,453,810  |
|      |   | 2003        | 2002        |
|      |   | Rupees      | Rupees      |
| 18.  | OTHER INCOME  |             |             |
|      | Dividend  | 5,935       | 2,801       |
|      | Profit on disposal of fixed assets  | 46,229      | 434,381     |
|      | Liabilities written back  | 1,797,443   | 591,939     |
|      | Unrealised net exchange gain on translation of year end foreign currency assets and liabilities | 2,366,324   | 247,200     |
|      | Miscellaneous   | 195,642     | 289,316     |
|      |   | 4,411,573   | 1,565,637   |
| 19.  | FINANCIAL CHARGES   |             |             |
|      | Mark-up on local and interest on foreign currency short-term finances                           | 17,948,759  | 23,750,690  |
|      | Finance charge on liabilities against assets subject to finance lease                           | 16,788      | 618,874     |
|      | Interest on workers' profits participation fund   | 1,016,080   | 1,122,186   |
|      | Bank charges  | 7,230,491   | 9,216,434   |
|      |   | 26,212,118  | 34,708,184  |
| 20.  | OTHER CHARGES   |             |             |
|      | Directors' fees (note 26)   | 10,000      | 9,500       |
|      | Auditors' remuneration (note 21)  | 497,928     | 576,565     |
|      | Workers' profits participation fund   | 3,351,328   | 6,337,489   |
|      | Workers' welfare fund   | 375,000     | 300,000     |
|      | Deposits written off  | -           | 250,000     |
|      |   | 4,234,256   | 7,473,554   |
| 21.  | AUDITORS' REMUNERATION  |             |             |
|      | Audit fee   | 90,000      | 90,000      |
|      | Tax representations and advisory services   | 104,586     | 187,700     |
|      | Sundry advisory services  | 250,000     | 250,000     |
|      | Out of pocket expenses  | 53,342      | 48,865      |
|      |   | 497,928     | 576,565     |
| 22.  | TAXATION  |             |             |
|      | Current - for the year  | 5,763,654   | 16,547,376  |
|      | - for prior years   | -7,429,425  | 3,201,057   |
|      | Deferred  | 5,679,706   | -           |
|      |   | 4,013,935   | 19,748,433  |
| 22.1 | Relationship between tax expenses and accounting profit   |             |             |
|      | Accounting profit before taxation   | 61,634,149  | 118,990,107 |
|      | Income tax at the applicable tax rate of 35% (2002: 35%)  | 21,475,702  | 41,646,537  |
|      | Tax effect of expenses that are not deductible in determining taxable profit                    | 17,125,374  | 20,950,528  |
|      | Tax charge - turnover/presumptive   | 5,763,654   | 11,597,376  |
|      | - prior years   | -7,429,425  | 3,201,057   |
|      | Adjustment attributable to presumptive tax, lower tax rates and other tax credits               | -32,921,370 | -57,647,065 |

4,013,935 19,748,433

## 23. EARNINGS PER SHARE

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

|  | 2003<br>Rupees | 2002<br>Rupees |
|--|----------------|----------------|
| Profit after taxation  | 57,620,214     | 99,241,674     |
| Weighted average number of Ordinary shares                   | 10,625,852     | 10,625,852     |
| Earnings per share - Basic                                   | 5.42           | 9.34           |
|  | 2003<br>Rupees | 2002<br>Rupees |
| 24. CASH GENERATED FROM OPERATIONS                           |                |                |
| Profit before taxation                                       | 61,634,149     | 118,990,107    |
| Adjustment for non cash charges and other items:             |                |                |
| Depreciation   | 52,851,085     | 51,485,060     |
| Profit on disposal of fixed assets                           | -46,229        | -434,381       |
| Provision for staff gratuity                                 | 3,564,791      | 275,275        |
| Dividend income  | -5,935         | -2,801         |
| Liabilities written back                                     | -1,797,443     | -              |
| Financial charges  | 26,212,118     | 34,708,184     |
| Working capital changes (note 24.1)                          | -404,923,360   | 318,678,739    |
|  | -262,510,824   | 523,700,183    |
| 24.1 Working Capital Changes                                 |                |                |
| (Increase)/decrease in current assets                        |                |                |
| Stores and spares  | -2,488,116     | 14,927,945     |
| Stock-in-trade   | -79,764,863    | -76,565,941    |
| Trade debtors  | -187,290,744   | 221,813,528    |
| Loans, advances, deposits, prepayments and other receivables | 25,400,776     | 57,853,701     |
|  | -244,142,947   | 218,029,233    |
| Increase/ (decrease) in current liabilities                  |                |                |
| Creditors, accrued and other liabilities (net)               | -160,780,413   | 100,649,506    |
|  | -404,923,360   | 318,678,739    |

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

|   | 2003<br>Rupees | 2002<br>Rupees |
|---|----------------|----------------|
| Balances with banks on current accounts | 11,663,429     | 50,968,573     |
| Short-term running finances             | -36,277,139    | -61,337,598    |
|   | -24,613,710    | -10,369,025    |

## 26. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year, for remuneration including benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

|                         | 2003            |           |            | 2002            |           |            |
|-------------------------|-----------------|-----------|------------|-----------------|-----------|------------|
|                         | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
|                         | Rupees          |           |            | Rupees          |           |            |
| Fees                    | —               | 10,000    | —          | —               | 9,500     | —          |
| Managerial remuneration | 336,000         | 264,000   | 4,458,360  | 336,000         | 264,000   | 4,561,317  |
| Housing                 | 144,000         | 96,000    | 1,067,664  | 144,000         | 96,000    | 1,122,420  |
| Utilities               | —               | 491,740   | 216,180    | —               | 499,280   | 228,360    |
| Conveyance              | —               | —         | 36,000     | —               | —         | 36,000     |
| Club Subscription       | 1,300           | 1,840     | —          | 5,700           | 13,660    | —          |
| Gratuity                | —               | —         | 342,915    | —               | —         | 339,744    |
|                         | 481,300         | 863,580   | 6,121,119  | 485,700         | 882,440   | 6,287,841  |
| Number                  | 1               | 6         | 24         | 1               | 7         | 23         |

In addition, the Chief Executive, Directors and certain Executives are provided with free use of the Company's cars.

## 27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

There were no transactions with associated undertakings during the year.

## 28. CAPACITY AND PRODUCTION

|   | 2003       | 2002       |
|---|------------|------------|
| 28.1 Yarn   |            |            |
| Number of spindles installed                              | 50,696     | 53,344     |
| Number of spindles worked                                 | 48,608     | 50,924     |
| Production capacity after conversion into 20 counts - kgs | 10,156,969 | 10,687,670 |
| Production of yarn after conversion into 20 counts - kgs  | 10,078,260 | 10,229,572 |
| Number of shifts worked per day                           | Three      | Three      |

### 1.2 Cloth

Against the production capacity of 19,056,296 (2002: 19,056,296) square metres of cloth the actual production during the year was 15,827,341 (2002: 18,198,135) square metres.

The production capacity as stated above was assessed by the management.

The shortfall in production of yarn and cloth is mainly due to lower efficiency, fine and super fine counts, dense fabric qualities and absenteeism of workers.

## FINANCIAL INSTRUMENTS AND DISCLOSURES

### Financial Assets and Liabilities

|                       | Interest/Mark-up/Profit Bearing |                         |          | Non-Interest/Non Mark-up/Profit Bearing |                         |           | Total     | Effective Rate of Interest/Mark-up % |
|-----------------------|---------------------------------|-------------------------|----------|---|-------------------------|-----------|-----------|--------------------------------------|
|                       | Maturity upto one year          | Maturity after one year | Subtotal | Maturity upto one year                  | Maturity after one year | Subtotal  |           |                                      |
|                       | Rupees                          |                         |          |   |                         |           |           |                                      |
| Financial Assets      |                                 |                         |          |   |                         |           |           |                                      |
| Long term investments | —                               | —                       | —        | —                                       | 234,583                 | 234,583   | 234,583   | —                                    |
| long term deposits    | —                               | —                       | —        | —                                       | 5,037,606               | 5,037,606 | 5,037,606 | —                                    |

|   |              |   |             |             |           |             |             |            |
|---|--------------|---|-------------|-------------|-----------|-------------|-------------|------------|
| Tradedebits                                 | —            | — | —           | 370,350,341 | —         | 370,350,341 | 370,350,341 | —          |
| Advances, deposits<br>and other receivables | —            | — | —           | 6,759,826   | —         | 6,759,826   | 6,759,826   | —          |
| Cash and bank balances                      | —            | — | —           | 11,663,429  | —         | 11,663,429  | 11,663,429  | —          |
|   | —            | — | —           | 388,773,596 | 5,272,189 | 394,045,785 | 394,045,785 | —          |
| Financial Liabilities                       |              |   |             |             |           |             | ^ "**       |            |
| Short term finances                         | .199,266,804 | — | 599,266,804 | —           | —         | —           | 599,266,804 | 1.78to5.75 |
| Creditors, accrued and<br>other liabilities | —            | — | —           | 375,079,558 | —         | 375,079,558 | 375,079,558 | —          |
|   | 599,266,804  | — | 599,266,804 | 375,079,558 | —         | 375,079,558 | 974,346,362 | —          |

#### Credit Risk

Credit risk, represents accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs. 394,045,785 the financial assets which are subject to credit risk amounted to Rs. 382,382,356. The Company deals with the reputable organisations and believes it is not exposed to credit risk.

#### Currency Risk

Currency risk arises where the value of Financial Instrument changes due to change in foreign currency exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management believes that it is not exposed to significant foreign exchange risk.

#### iv) Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash flow management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

#### v) Fair Values of Financial Assets and Liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 08-01-2004 by the Board of Directors of the Company.

#### 31. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purpose of comparison.

#### PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT SEPTEMBER 30, 2003

| NO.OF<br>SHAREHOLDERS | SHAREHOLDING | TOTAL<br>SHARES HELD |
|-----------------------|--------------|----------------------|
| 422                   | 1 to         | 100 11,963           |
| 265                   | 101 to       | 500 67,171           |
| 89                    | 501 to       | 1000 62,352          |
| 115                   | 1001 to      | 5000 252,412         |
|                       | to           |                      |

|     |         |    |         |            |
|-----|---------|----|---------|------------|
| 24  | 5001    |    | 10000   | 143,619    |
| 8   | 10001   | to | 15000   | 85,541     |
| 6   | 15001   | to | 20000   | 103,673    |
| 2   | 20001   | to | 25000   | 46,671     |
| 1   | 25001   | to | 30000   | 25,302     |
| 1   | 30001   | to | 35000   | 32,382     |
| 1   | 35001   | to | 40000   | 38,512     |
| 5   | 40001   | to | 45000   | 213,932    |
| 1   | 45001   | to | 50000   | 50,000     |
| 1   | 50001   | to | 55000   | 50.5       |
| 2   | 55001   | to | 60000   | 117,000    |
| 5   | 60001   | to | 65000   | 309,199    |
| 1   | 65001   | to | 70000   | 68,625     |
| 1   | 70001   | to | 75000   | 71,332     |
| 2   | 85001   | to | 90000   | 171,776    |
| 1   | 100001  | to | 105000  | 102,831    |
| 1   | 105001  | to | 110000  | 107,014    |
| 1   | 130001  | to | 135000  | 134,773    |
| 1   | 140001  | to | 145000  | 141,126    |
| 1   | 240001  | to | 245000  | 243,424    |
| 1   | 340001  | to | 345000  | 344,682    |
| 1   | 380001  | to | 385000  | 381,331    |
| 1   | 710001  | to | 715000  | 714,133    |
| 1   | 745001  | to | 750000  | 746,938    |
| 1   | 770001  | to | 775000  | 771,272    |
| 1   | 850001  | to | 855000  | 851,197    |
| 1   | 970001  | to | 975000  | 975,000    |
| 1   | 1000001 | to | 1005000 | 1,004,205  |
| 1   | 2185001 | to | 2190000 | 2,185,964  |
| 966 |         |    |         | 10,625,852 |

## CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2003

| Categories of Shareholders                      | Number | Shares held | Percentage |
|---|--------|-------------|------------|
| ASSOCIATED COMPANIES                            |        |             |            |
| UNDERTAKINGS AND RELATED PARTIES                | -      | -           | -          |
| NIT AND ICP                                     | 2      | 4,952       | 0.04       |
| National Bank of Pakistan Trustee Deptt.        |        | 37          | 0          |
| Investment Corporation of Pakistan              |        | 4,915       | 0.04       |
| Director, CEO and their spouse & minor children |        |             |            |
| CEO   |        |             |            |
| Mr. Latif E. Jamal                              | 1      | 3,629       | 0.03       |
| DIRECTORS                                       | 6      | 1,974,878   | 18.58      |
| Mr. Aziz L. Jamal                               |        | 714,133     | 6.72       |
| Mr. Rashid L. Jamal                             |        | 771,272     | 7.26       |
| Mr. Husein Jamal                                |        | 134,773     | 1.28       |
| Mrs. Aisha Bai Suleman                          |        | 344,682     | 3.24       |
| Mr. Akhtar Wasim Dar                            |        | 4,791       | 0.04       |
| Mr. Masrur Hassan Khan                          |        | 5,227       | 0.04       |
| EXECUTIVES                                      | -      | -           | -          |
| Banks   | 6      | 982,025     | 9.24       |
| Insurance Companies                             | 4      | 998,318     | 9.4        |
| Modarabas                                       | 1      | 41,525      | 0.39       |
| Investment Companies                            | 3      | 1,006,892   | 9.47       |
| Business Institutions                           | 4      | 1,729       | 0.02       |
| Joint Stock Companies                           | 6      | 46,656      | 0.44       |

|  |     |            |       |
|--|-----|------------|-------|
| Charitable Institutions  | 3   | 1,371,693  | 12.96 |
| Abandoned Properties   | 1   | 1,560      | 0.01  |
| Trade Association  | 1   | 1,839      | 0.01  |
| SHAREHOLDERS HOLDING TEN PERCENT<br>OR MORE VOTING INTEREST IN THE COMPANY |     |            |       |
| Husein Ebrahim Foundation  | 1   | 2,185,964  | 20.55 |
| INDIVIDUALS  | 927 | 2,004,192  | 18.86 |
|  | 966 | 10,625,852 | 100   |

## ATTENDANCE AT THE BOARD MEETINGS DURING THE YEAR 2002-2003

| Name of Director       | Total No. of<br>Board Meetings | No. of Meetings<br>attended |
|------------------------|--------------------------------|-----------------------------|
| Mr.Latif E.Jamal       | 4                              | 4                           |
| Mr. AzizL. Jamal       | 4                              | 4                           |
| Mr. Rashid L. Jamal    | 4                              | 4                           |
| Mr. Husein Jamal       | 4                              | 4                           |
| Mrs. Aisha Bai Suleman | 4                              | 4                           |
| Mr. Masrur Hasan Khan  | 4                              | 4                           |
| Mr. Akhtar Wasim Dar   | 4                              | 4                           |

KEY OPERATING & FINANCIAL DATA  
FROM 1996-1997 TO 2002-2003

| Description         | Oct-Sep.<br>2002-2003 | Oct-Sep.<br>2001-2002 | Oct-Sep.<br>2000-2001 | Oct-Sep.<br>1999-2000 | Oct-Sep.<br>1998-1999 | Oct-Sep.<br>1997-1998 | Oct-Sep.<br>1996-1997 |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Sales Revenue   | 1,152,730,803         | 1,365,704,987         | 1,548,860,725         | 1,188,613,751         | 1,214,898,611         | 1,082,021,355         | 894,911,040           |
| Cost of Goods Sold  | 1,042,343,076         | 1,141,644,969         | 1,346,407,707         | 1,026,932,066         | 1,055,759,952         | 942,208,082           | 729,199,267           |
| Gross Profit        | 110,387,727           | 224,060,018           | 202,453,018           | 161,681,685           | 159,138,659           | 139,813,273           | 165,711,773           |
| Operating Profit    | 87,668,950            | 159,606,208           | 164,797,030           | 118,269,455           | 125,542,094           | 124,258,732           | 144,995,904           |
| Profit Before Tax   | 61,634,149            | 118,990,107           | 95,192,594            | 54,428,940            | 33,357,736            | 28,225,467            | 62,333,464            |
| Profit After Tax    | 57,620,214            | 99,241,674            | 83,229,772            | 35,724,899            | 26,157,736            | 21,099,512            | 70,614,946            |
| Paid up Capital     | 106,258,520           | 106,258,520           | 106,258,520           | 106,258,520           | 106,258,520           | 106,258,520           | 106,258,520           |
| Current Assets      | 910,785,277           | 705,947,474           | 874,846,200           | 806,048,346           | 826,002,189           | 1,051,879,558         | 940,782,292           |
| Current Liabilities | 982,399,387           | 746,586,695           | 904,298,699           | 802,421,740           | 807,100,440           | 970,739,927           | 857,250,215           |
| Dividend            | 26,564,630            | 47,816,334            | 47,816,334            | 21,251,704            | 15,938,778            | 13,282,315            | 10,625,852            |