

## HUSEIN INDUSTRIES LIMITED ANNUAL REPORT 2004

### BOARD OF DIRECTORS

Mr. Aziz L. Jamal	Chairman/Chief Executive
Mr. Rashid L. Jamal	Director
Mr. Husein Jamal	Director
Mrs. Aisha Bai Suleman	Director
Mr. Akhtar Wasim Dar	Director
Mr. Ahsan Jamal	Director
Ms. Hina Abdul Rashid	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 & Trading Estate,  
Landhi, Karachi-75120.

Tel: (9221) 5018536-8

Fax: (9221) 5018545

E-mail: [sales@husein.com](mailto:sales@husein.com)

### BANKERS

Metropolitan Bank Limited  
Habib Bank AG Zurich  
Habib Bank Limited

### AUDITORS

Hyder Bhimji & Co.  
Chartered Accountants

### MILLS

Landhi Industrial & Trading Estate,  
Landhi, Karachi-75120.

### DIRECTORS'REPORT

The Directors have pleasure in presenting before you 51st Annual Report together with Audited Accounts for the year ended September 30, 2004.

### FINANCIAL RESULTS:

	Rupees
Profit before taxation	54,929,064
Taxation Profit after taxation	6,490,271
Unappropriated profit brought forward Profit available for appropriations	194,765
Appropriations Transfer to general reserve	
Proposed Dividend Final @ Rs. 2.00 per share Unappropriated profit carried forward	21,251,704

### GENERAL

The year under review remained a challenge for our Textile Industry due to high prices of Raw Cotton, Polyester Fibre and Utilities besides tough competition from other exporting countries. Imposition of Anti Dumping Duty by European Union Countries on exports of Bed Linen from our country was yet another factor which restrained your company's profitability for the year under review. Despite these factors your Company managed to explore the new markets by developing new products.

Subsequent to the year-end, on 5th November 2004 your company suffered an irreparable loss in the sad demise of its esteemed Chairman & Chief Executive Mr. Latif E. Jamal whose invaluable services to the Company are too laudable to be expressed in words. May Almighty Allah rest his soul in eternal peace. In place of the deceased, the Board appointed Mr. Aziz L. Jamal as Chairman & Chief Executive whereas Miss Hina Abdul Rashid has been appointed as Director of the Company to fill in the casual vacancy.

As per directions of the Central Board of Revenue in respect of change of Financial Year of Accounts

of Textile Industry, the current year will be of 9 (nine) months.

The present auditors M/s. Hyder Bhimji & Company have resigned and being eligible offered themselves for re-appointment.

The Directors would like to place on record their appreciation for the services rendered by the executives, staff members and workers (1104) (2003: 1191) of the Company with the hope that they will perform better in future.

Earnings per share for the year ended September 30, 2004 works out to Rs. 4.56 as against last years Rs. 5.42.

#### AUDITORS'REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HUSEIN INDUSTRIES LIMITED as at September 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts 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 September 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of M/s. Husein Industries Limited for the year ended September 30, 2003 were audited by another firm of Chartered Accountants whose report dated January 05, 2004 expressed an unqualified opinion on these financial statements.

#### 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, 2004.
  - 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
  - l) The statement showing the pattern of shareholdings in the Company, as on 30th September, 2004 is shown on page Nos. 28 to 29.
  - m) No trades in the shares of the listed Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouse and minor children.
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

#### 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Ahsan Jamal has been appointed as a director of the Company to fill in the casual vacancy, arose due to sad demise of Mr. Masrur Hasan Khan, who shall hold office for the remainder of the term of late director.
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.

## BALANCESHEET

	Note	2004 Rupees	2003 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 15,000,000		150,000,000	150,000,000
ordinary shares of Rs. 10 each		106,258,520	106,258,520
Issued, subscribed and paid-up capital	3	33,857,517	33,857,517
		280,642,483	253,642,483
Reserves - capital		344,886	205,058
- revenue		314,844,886	287,705,058
- unrealised gain on long-term investments		381,854	194,765
		315,226,740	287,899,823
Unappropriated profit		421,485,260	394,158,343
		18,809,308	17,891,630
<b>DEFERRED LIABILITIES</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Trade and other payables	5	4,454,771	2,522,558
Accrued Mark-up /Interest	6	714,250,959	599,266,804
Short-term borrowings	7	845,640	871,212
Taxation		21,251,704	26,564,630
Proposed final dividend		1,252,353,814	1,008,964,017
		1,692,648,382	1,421,013,990

## 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 Regulation no. 37 of the Karachi Stock Exchange Guarantee Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of 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 Companies 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, 2004.

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30,2004

	Note	2004 Rupees	2003 Rupees
Sales	16	1,628,588,233	1,191,048,186
Cost of goods sold	17	1,422,830,133	1,005,898,978
Gross profit		205,758,100	185,149,208
Distribution Cost	18	89,209,419	61,036,160
Administrative expenses	19	37,536,283	36,444,098
Other Operating Expenses	20	3,074,503	4,234,256
Finance costs	21	23,425,779	26,212,118
		153,245,984	127,926,632
<b>Operating profit</b>		52,512,116	57,222,576
Other income	22	2,416,948	4,411,573
Profit before taxation		54,929,064	61,634,149
Taxation	23	6,490,271	4,013,935
Profit after taxation		48,438,793	57,620,214
Profit brought forward		194,765	1,639,181
Profit available for appropriation		48,633,558	59,259,395
Appropriations:			
Transfer to revenue reserve - General		27,000,000	32,500,000
Proposed dividend Rs. 2.00 per share (2003: Rs. 2.50 per share)		21,251,704	26,564,630
		48,251,704	59,064,630
Unappropriated profit carried forward		381,854	194,765
Earnings per share	24	4.56	5.42

#### AS AT SEPTEMBER 30, 2004

	Note	2004 Rupees	2003 Rupees
<b>PROPERTY PLANT AND EQUIPMENT</b>			
Operating assets	8	486,467,071	408,632,595
Capital stores		4,446,600	96,323,929
		490,913,671	504,956,524
<b>LONG-TERM INVESTMENTS</b>	9	374,412	234,583
<b>LONG-TERM DEPOSITS</b>		5,087,606	5,037,606
<b>CURRENT ASSETS</b>			
Stores and spares	10	40,667,727	25,304,633
Stock-in-trade	11	457,770,201	446,111,166
Trade debts	12	599,014,262	370,350,341
Loans & Advances	13	19,805,358	17,376,143
Deposits & Prepayments	14	5,840,591	4,872,961
Other Receivables	15	66,775,697	35,106,604
Balances with banks on current accounts		6,398,857	11,663,429
		1,196,272,693	910,785,277
		1,692,648,382	1,421,013,990

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

Capital reserves

	Share Capital	Tax holiday	Share premium	Revenue reserve -general	Un- approved profit	Unrealised long-term invest	Total
Balance at September 30, 2002	106,258,520	7,040,000	26,817,517	221,142,483	1,639,181	138,872	363,036,573
Restatement in accordance with IAS - 39	-	-	-	-	-	-	-
	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 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/October 1, 2003	106,258,520	7,040,000	26,817,517	253,642,483	194,765	205,058	394,158,343
Profit for the year	-	-	-	-	48,438,793	-	48,438,793
Unrealised gain due to change in fair value of investments	-	-	-	-	-	139,828	139,828
Dividends	-	-	-	-	-21,251,704	-	-21,251,704
Transfer to general reserve	-	-	-	27,000,000	-27,000,000	-	-
Balance at September 30, 2004	106,258,520	7,040,000	26,817,517	280,642,483	381,854	344,886	421,485,260

#### CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Note	2004 Rupees	2003 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	-15,440,614	-262,510,824
Staff gratuity paid		-1,661,422	-1,361,272
Financial charges paid		-21,493,566	-25,000,994
Taxes paid		-7,875,571	-5,760,283
Long-term deposits		-50,000	-
Net cash (outflow) /inflow from operating activities		-46,521,173	-294,633,373
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		-43,288,942	-102,751,850
Proceeds from disposal of fixed assets		52,174	870,000
Dividend received		9,270	5,935
Net cash outflow from investing activities		-43,227,498	-101,875,915
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of liability under finance lease		-	-354,690
Short-term borrowings less repayments		99,002,655	408,674,665
Dividends paid		-30,500,057	-26,055,372
Net cash inflow /(outflow) from financing activities		68,502,598	382,264,603
Net (decrease)/increase in cash and cash equivalents		-21,246,073	-14,244,685
Cash and cash equivalents at beginning of the year		-24,613,710	-10,369,025
Cash and cash equivalents at end of the year	26	-45,859,783	-24,613,710

## 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 stocks 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

### 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.

	2004 Rupees	2003 Rupees
4.1 Staff retirement gratuity		
Present value of defined benefit obligation	12,211,924	19,010,424
Unrecognised actuarial losses/gains	2,277,407	-6,798,500
Net liability at the end of the year	14,489,331	12,211,924
Net liability at the beginning of the year	12,211,924	10,008,405
Charge for the year	3,938,829	3,564,791
	16,150,753	13,573,196
<b>Benefits paid during the year</b>		
Net liability at the end of the year	1,661,422	1,361,272
	14,489,331	12,211,924
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	-3,574,962	-3,950,073
- staff retirement gratuity	-463,514	-603,941
- accelerated tax depreciation	8,358,453	10,233,720
Net deferred tax	4,319,977	5,679,706
5. TRADE AND OTHER PAYABLES		
Creditors - trade	267,295,665	187,607,942
- other	136,459,469	89,917,151
Accrued liabilities	33,328,834	23,161,080
Unpaid salaries and wages	1,094,252	1,060,435
Workers' profits participation fund (note 5.1)	2,891,003	3,351,328
Workers' welfare fund	3,329,826	3,329,824
Unclaimed dividend	66,874,965	70,810,392
Others	276,726	500,661
	511,550,740	379,738,813
5.1 <b>Workers' Profits Participation Fund</b>		
Balance at the beginning of the year	3,351,326	7,044,050
Allocation for the year	2,891,003	3,351,328
	6,242,329	10,395,378
Interest on funds utilised in the Company's business	222,083	1,016,080
	6,464,412	11,411,458
Less: Amount paid to the trustees of the fund	3,573,409	8,060,130
Balance at the end of the year	2,891,003	3,351,328
6. ACCRUED MARK-UP / INTEREST		
Mark-up accrued on local and interest accrued		



on foreign currency short-term finances	4,454,771	2,522,558
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#### Impairment

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

#### Foreign currency translation

All assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currency are translated into rupees at the rate of exchange prevailing at the date of transaction. Exchange gains and losses are included in income currently.

#### Revenue recognition

Sale of goods and services are recognised on despatch of goods or on the performance of services.

#### Mark-up on finance charges under the lease agreements

Mark-up on finance charges under the lease agreements are allocated to the deferred payment period so as to produce constant periodic rate of financial cost on the remaining balance of principal liability for each period.

#### 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 balances with banks on current accounts and short term running finances under mark-up arrangements.

#### Financial assets and liabilities

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

#### Related Party Transaction

The Company Enters into the related party transactions at arm's length prices determined in accordance with Comparable uncontrolled price method.

	2004 Rupees	2003 Rupees
<b>SHORT-TERM FINANCES</b>		
From banking companies		
Local currency - secured (note 7.1)	656,517,640	449,540,139
Foreign currency (note 7.2)	57,733,319	149,726,665
	714,250,959	599,266,804
<b>LOANS &amp; ADVANCES</b>		
Loans and advances - unsecured, considered good	2,875,330	1,954,637
Loans to employees	592,950	480,975
- other employees	16,337,078	14,940,531
Advances against reimbursable expenses to - other employees	19,805,358	17,376,143
Advances to suppliers	1,121,704	872,015
	3,726,118	3,726,118
<b>DEPOSITS AND PREPAYMENTS</b>		
Deposits - trade	992,769	274,828
Margin against letter of credit/bank guarantees	5,840,591	4,872,961
Prepayments		
	66,120,466	33,579,171
<b>OTHER RECEIVABLES</b>		
Export rebates, sales tax and other claims - considered good	655,231	1,527,433
Fair price shop	66,775,697	35,106,604
	257,420,811	496,118,179
	34,017,723	65,034,968

SALES	223,403,088	431,083,211
Local	1,405,185,145	759,964,975
Less: Sales tax	1,628,588,233	1,191,048,186
	2004	2003
	Rupees	Rupees
LONG-TERM INVESTMENTS - held as available for sale		
Others Quoted Companies		
Dilon Limited		
Nil (2003: 151) ordinary shares of Rs. 10 each	-	10,268
Dawood Cotton Mills Limited		
Nil (2003: 904) ordinary shares of Rs. 10 each	-	57,856
Pakistan Tobacco Company Limited		
5,138 (2003: 5,138) ordinary shares of Rs. 10 each	254,331	147,203
The Burewala Textile Mills Limited		
Nil (2003: 232) ordinary shares of Rs. 10 each	-	19,256
Dawood Lawrencepur Limitd		
1,753 (2003: Nil) ordinary shares of Rs. 10 each	120,081	—
	374,412	234,583
STORES AND SPARES		
Stores (including items-in-transit Rs. 1,768,826	34,155,081	19,722,866
2003: Rs. 1,501,170)	6,512,646	5,581,767
Spares	40,667,727	25,304,633
STOCK-IN-TRADE		
Raw materials	16,959,264	22,813,706
Semi-finished goods	284,860,071	234,954,971
Finished goods	155,950,866	188,342,489
	440,810,937	423,297,460
TRADE DEBTS - unsecured, considered good		
Export	491,251,135	205,430,817
Local	107,763,127	164,919,524
	2004	2003
	Rupees	Rupees
OTHER OPERATING EXPENSES		
Directors' fees (note 26)	8,500	10,000
Auditors' remuneration (note 20.1)	175,000	497,928
Workers' profits participation fund	2,891,003	3,351,328
Workers' welfare fund	-	375,000
	3,074,503	4,234,256
AUDITORS' REMUNERATION		
Audit fee	125,000	90,000
Tax representations and advisory services	-	104,586
Sundry advisory services	50,000	250,000
Out of pocket expenses	-	53,342
	175,000	497,928
FINANCE COST		
Mark-up on local and interest on foreign currency		
short-term finances	18,578,927	17,948,759
Finance charge on liabilities against		
assets subject to finance lease	-	16,788
Interest on workers' profits participation fund	222,083	1,016,080
Bank charges	4,624,769	7,230,491
	23,425,779	26,212,118
OTHER OPERATING INCOME		
Dividend	9,270	5,935
Profit on disposal of fixed assets	38,560	46,229
Liabilities written back	1,495,862	1,797,443
Unrealised net exchange gain on translation of		
year end foreign currency assets and liabilities	734,420	2,366,324
Miscellaneous	138,836	195,642
	2,416,948	4,411,573
TAXATION		
Current - for the year	7,850,000	5,763,654
- for prior years	-	-7,429,425
Deferred	-1,359,729	5,679,706
	6,490,271	4,013,935
Relationship between tax expenses		
and accounting profit		

Accounting profit before taxation	54,929,064	61,634,149
Income tax at the applicable tax rate of 35% (2003: 35%)	19,225,172	21,475,702
Tax effect of expenses that are not deductible in determining taxable profit	-13,221,906	17,125,374
Tax charge - turnover/presumptive - prior years	7,850,000 -	5,763,654 -7,429,425
Adjustment attributable to presumptive tax, lower tax rates and other tax credits	-7,362,995 6,490,271	-32,921,370 4,013,935

	2004 Rupees	2003 Rupees
<b>COST OF GOODS SOLD</b>		
Opening stock of semi-finished and finished goods	423,297,460	348,112,758
Raw materials consumed - (note 17.3)	771,390,948	568,960,880
Processing charges	44,490,214	24,032,961
Fuel and power	167,948,222	126,494,697
Salaries, wages and allowances	158,000,100	133,927,301
Staff benefits - (note 17.1)	16,808,430	13,938,666
Stores and spares consumed	187,695,056	134,696,866
Repairs and maintenance	30,942,782	21,853,099
Insurance	8,134,346	6,989,447
Depreciation - (note 8)	54,933,512	50,189,763
	1,863,641,070	1,429,196,438
Closing stock of semi-finished and finished goods	-440,810,937	-423,297,460
	1,422,830,133	1,005,898,978
Local	187,027,829	378,499,667
Export	1,235,802,304	627,399,311
	1,422,830,133	1,005,898,978

<b>RAW MATERIALS CONSUMED</b>		
Opening stock or raw materials	22,813,706	18,233,545
Purchases	765,536,506	573,541,041
	788,350,212	591,774,586
Closing stock of raw materials	-16,959,264	-22,813,706
	771,390,948	568,960,880

<b>DISTRIBUTION COST</b>		
Carriage and transport	6,144,310	4,194,180
Export expenses including shipping and other charges	14,331,137	8,611,314
Export rebate written off	-	3,364,410
Commission	40,082,997	24,003,729
Freight and Insurance	22,144,990	14,313,654
Advertisement and subscriptions	1,910,046	4,148,697
Professional charges	4,313,884	2,184,221
Other expenses	282,055	215,955
	89,209,419	61,036,160

<b>ADMINISTRATIVE EXPENSES</b>		
Staff salaries	23,425,962	22,159,136
Staff benefits - (note 19.1)	2,247,920	2,030,667
Rent, rate and taxes	768,827	1,608,075
Travelling and conveyance	4,179,372	2,880,516
Stationery, postage and telephone	3,541,677	3,199,750
Depreciation (note 8)	2,384,666	2,661,322
Insurance	987,859	1,904,632
	37,536,283	36,444,098

**CASH AND CASH EQUIVALENTS**

	2004 Rupees	2003 Rupees
Balances with banks on current accounts	6,398,857	11,663,429
Short-term running finances	-52,258,640	-36,277,139
	-45,859,783	-24,613,710

**REMUNERATION OF DIRECTORS AND EXECUTIVES**

Chief Executive	2004 Directors	Executives	Chief Executive	2003 Directors	Executives
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		Rupees			Rupees	
Fees	—	8,500	—	-	10,000	-
Managerial remuneration	336,000	264,000	-	336,000	264,000	-
Housing	144,000	96,000	-	144,000	96,000	-
Utilities	-	371,093	-	-	491,740	-
Conveyance	-	-	-	-	-	-
Club Subscription	3,180	16,140	-	1,300	1,840	-
Gratuity	-	—	—	—	—	—
	483,180	755,733	-	481,300	863,580	-
Number	1	6	-	1	6	-

## CAPACITY AND PRODUCTION

	2004	2003
1 Yarn		
Number of spindles installed	50,696	50,696
Number of spindles worked	49,627	48,608
Production capacity - kgs	10,156,969	10,156,969
Production of yarn after conversion into 20 count - kgs	10,810,453	10,078,260
Number of shifts worked per day	Three	Three

## EARNINGS PER SHARE

	2004	2003
	Rupees	Rupees
Profit after taxation	48,438,793	57,620,214
	(Number of shares)	
Weighted average number of Ordinary shares	10,625,852	10,625,852
	(Rupees)	
Earnings per share - Basic	4.56	5.42

## CASH GENERATED FROM OPERATIONS

	2004	2003
	Rupees	Rupees
Profit before taxation	54,929,064	61,634,149
Depreciation	57,318,181	52,851,085
Profit on disposal of fixed assets	-38,560	-46,229
Provision for staff gratuity	3,938,829	3,564,791
Dividend income	(9,270)	-5,935
Liabilities written back	—	-1,797,443
Financial charges	23,425,779	26,212,118
Working capital changes (note 25.1)	-155,004,637	-404,923,360
	-15,440,614	-262,510,824
Working Capital Changes		
(Increase) /decrease in current assets		
Stores and spares	-15,363,094	-2,488,116
Stock-in-trade	-11,659,035	-79,764,863
Trade debtors	-228,663,921	-187,290,744
Loans, advances, deposits, prepayments and other receivables	-35,065,938	25,400,776
	-290,751,988	-244,142,947
Increase /(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	135,747,351	-160,780,413
	-155,004,637	-404,923,360

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.

## 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.

## 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.

## DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 05-01-2005 by the Board of Directors of the Company.

## CORRESPONDING FIGURES

a) Due to presentation of these financial statements for the first time in accordance with the disclosure requirements of the revised Fourth Schedule, the comparative corresponding figures have been rearranged and reclassified in note numbers 6, 13, 14, 15, 16, 18, 19, 20 and 30.

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS  
AS AT SEPTEMBER 30, 2004

NO.OF SHAREHO	SHAREHOLDING	TOTAL SHARES HELD
423	1 to	100 11,960
264	101 to	500 66,720
84	501 to	1000 58,055
108	1001 to	5000 239,294
18	5001 to	10000 109,450
8	10001 to	15000 90,581
5	15001 to	20000 86,551
3	20001 to	25000 70,089
2	25001 to	30000 51,702
5	40001 to	45000 213,932
1	45001 to	50000 50,000
1	50001 to	55000 50,500
2	55001 to	60000 117,000
6	60001 to	65000 373,883
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	160001 to	165000 161,638
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
948		10,625,852

KEY OPERATING & FINANCIAL DATA  
FROM 1997-1998 TO 2003-2004

Description	Oct-Sep. 2003- 2004	Oct-Sep. 2002- 2003	Oct-Sep. 2001- 2002	Oct-Sep. 2000-2001	Oct-Sep. 1999- 2000	Oct-Sep. 1998- 1999	Oct-Sep. 1997- 1998
Net Sales Revenue	1,628,588,233	1,191,048,186	1,365,704,987	1,548,860,725	1,188,613,751	1,214,898,611	1,082,021,355
Cost of Goods Sold	1,422,830,133	1,005,898,978	1,141,644,969	1,346,407,707	1,026,932,066	1,055,759,952	942,208,082
Gross Profit	205,758,100	185,149,208	224,060,018	202,453,018	161,681,685	159,138,659	139,813,273
Operating Profit	52,512,116	57,222,576	159,606,208	164,797,030	118,269,455	125,542,094	124,258,732
Profit Before Tax	54,929,064	61,634,149	118,990,107	95,192,594	54,428,940	33,357,736	28,225,467
Profit After Tax	48,438,793	57,620,214	99,241,674	83,229,772	35,724,899	26,157,736	21,099,512
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	1,196,272,693	910,785,277	705,947,474	874,846,200	806,048,346	826,002,189	1,051,879,558
Current Liabilities	1,231,102,110	982,399,387	746,586,695	904,298,699	802,421,740	807,100,440	970,739,927
Dividend	21,251,704	26,564,630	47,816,334	47,816,334	21,251,704	15,938,778	13,282,315