

REGENT TEXTILE INDUSTRIES LIMITED

ANNUAL REPORT 2004

Mr. Akbar Ali Hashwani	(Chairman)
Mr. Amin A. Hashwani	(Chief Executive)
Mrs. Sultana A. Hashwani	(Chairman)
Mrs. Farieha A. Hashwani	Company Secretary
Mr. Abdullah A. Hashwani	Auditors
Mr. Nizam A. Hashwani	Auditors
Mr. Aziz Kanani	Auditors
Syed Muhammad Yousuf	Auditors

Muslim Commercial Bank Limited	Bankers
Metropoliatan Bank Limited	
Bank Al Habib Limited	

A-66, Manghopir Road, S.I.T.E., Karachi.	Registered Office
Mr. Akbar Ali Hashwani.	
Mr. Abdullah A. Hashwani	
Mr. Nizam A. Hashwani	

DIRECTORS REPORT

The Directors of your company are pleased to present before you Forty-third Annual Report together with audited financial statements and Report thereon for the year ended 30th September 2004, as detail below

	2004	2003
	RUPEES	
Sales Revenue	67,021,020	90,768,203
Costs of sales	68,766,147	84,777,139
Gross Loss / (Profit)	1,745,127	-5,991,064
Operating expenses	1,432,330	13,541,251
Operating Loss	3,177,457	7,550,187
Other income	-400,136	-1,026,675
Loss before taxation	2,777,321	6,523,512
Loss after taxation	3,116,732	6,979,934
Accumulated Loss carried forward	138,253,658	135,369,563
Loss per Shares	0.65	1.47

CORPORATE GOVERNANCE:

The management of the Company has initiated implementation of all facts of code of Corporate Governance.

- The financial statement for the year ended 30th September, 2004, present fairly the companys state of affairs the result of its operations, cash flows and change in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements.
- International Accounting Standards (IAS) as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control of the Company is in place and sound in design and being effectively monitored.
- As far as the doubt of going concern as per unqualified remarks of the auditors in their report that the current liability of our company exceeded current assets. The directors in consideration of current bumper cotton crop feel that in the year 2005, the operational activity will remain intact and it looks to make the current ratio in an standard position. And the result of current quarter ended 31 st December 2004, it is evident that your Company continue in operation in the best interest of its share holders.
- There has been no trading during the year in the shares of the company carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

- There has been no material departure from the best practices of the Corporate Governance, as detailed in the Listing Regulations.
- None of the directors of the Company are serving on the Board of 10 or more listed Companies.
- All of the Directors of the Company are registered as tax payers and none of the Companies Director are in default of payment of any dues to a banking company, DPI, NBFI and Stock Exchange.

CHANGE OF FINANCIAL YEAR

The Central Board of Revenue has directed the change of financial year and from September to June for textile industry. Consequent upon above direction and Circular No. 29 of 2004, issued by Securities & Exchange Commission of Pakistan (SECP) the next financial year will be of nine months and will close on 30th June 2005.

PLACEMENT OF QUARTERLY FINANCIAL STATEMENT ON WEB SITE

Pursuant to SECP s Circular No 19 dated 14 April 2004, directors have proposed , subject to the permission of SECP, to place the quarterly financial statement on companys web site instead of sending the same by post to shareholders.

AUDITORS

The retiring auditors M/S. Daudally Lalani & Co, Chartered Accountants being eligible offered themselves for re-appointment as Auditors.

PATTERN OF SHARE HOLDING:

An statement reflecting the Pattern of share holding is attached to the Annual Report.

KEY OPERATING AND FINANCIAL DATA:

An statement reflecting the key operating and financial data of last six years is attached to the Annual Report.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company has fully complied the best practice of Transfer Pricing as contained in the related Listing Regulations of the Karachi Stock Exchange.

VOTE OF THANKS:

The Board express its appreciation in recognition of service, and efforts rendered by the executives, staff members and workers of the company.

FINANCIAL HIGHLIGHTS

(Rupees in Thousands)

PARTICULARS	2004	2003	2002	2001	2000	1999
ASSETS EMPLOYED						
Fixed Assets (Book Value)	301,481	307,378	298,402	280,154	280,154	200,752
Capital Work-in-Progress	0	0	0	8,674	5,030	0
Long Term Deposits	1,615	7,315	7,315	5,115	0	0
Net Current Assets	-994	-9,245	-43,818	-38,543	-101,332	-85,135
Total Assets Employed	302,102	305*,449	261,899	255,400	183,852	115,617
FINANCED BY						
Issued, Subscribed & Paid up Capital	47,587	47,587	47,587	47,587	47,587	47,587
Reserves & Surplus on Reservation	88,518	88,750	95,744	95,744	23,236	23,236
Unappropriated Profit/ (Loss)	(138, 254)	-135,370	-134,475	-136,319	-141,107	-150,081
Shareholder Equity	-2,149	968	8,856	7,012	-70,284	-79,258
Long term Liability	152,351	155,836	122,419	136,017	60,000	108,218
Total Capital Employed	150,351	156,804	131,275	143,029	-10,245	28,960
OTHER DATA						
Net Sales	67,021	90,768	192,251	253,026	234,536	22,136
Profit (Loss) Before Taxation	-2,777	-6,524	2,807	6,062	12,525	2,586
Profit (Loss) After Taxation	-3,117	-6,980	1,843	4,789	11,353	2,475
Return on Equity Before tax %	-5.84	-13.71	5.9	12.74	26.3	5.43
Return on Equity After tax %	-6.55	-14.67	3.87	10.06	23.86	5.2
Dividend %	0	0	0	0	5	0

SHAREHOLDERS HOLDING 10% OR MORE

Mr. Akbar A. Hashwani	704,000
Mr. Amin A. Hashwani	704,557
Mr. Abdullah A. Hashwani	704,000
Mr. Nizam A. Hashwani	704,000
Mr. Aqeel Karim Dehdi	800,000

DIRECTORS, CEO, THEIR SPOUSE AND CHILDREN

Mr. Akbar A. Hashwani	Chairman	704,000
Mr. Amin A. Hashwani	Chief Executive	704,557
Mr. Abdullah A. Hashwani	Director	704,000
Mr. Nizam A. Hashwani	Director	704,000
Mr. Aziz Kanani	Director	35,000
Mrs. Sultana A. Hashwani	Director	232,200
Mrs. Fariha A. Hashwani	Director	2,500
Mrs. Shamsa Nizam Hashwani	W/o. Mr. Nizam A. Hashwani	1,800
Mrs. Amina Abdullah Hashwani	W/o. Mr. Abdullah A. Hashwani	1,800

EXECUTIVES

NONE

PUBLIC SECTOR COMPANIES AND CORPORATIONS

1,683,231

BANKS, DEVELOPMENT FINANCE INSTITUTIONS,
NON-BANKING FINANCE INSTITUTIONS, INSURANCE

COMPANIES AND MUTUAL FUNDS

17,716

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT
ON COMPLIANCE WITH BEST PRACTICES OF THE 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 the Regent Textile Industries Limited to comply with the Listing Regulation No. (s) 37 of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the board of Directors of the Company. Our responsibility is to review, whether the Statement of Compliance reflect 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 the various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the Accounting and internal Control System, sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal 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 for the year ended September 30, 2004.

STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of Corporate Governance contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing of frame work and good corporate governance, whereby a listed company is managed in compliance.

The Company applies the principals contained in the Code in the following manner:

The Company has prepared an "Statement of Ethics and Business Practices" which would be signed by the directors and employees of the Company, once it has been approved by Board of Directors.

The Company has also prepared the "Mission Statement" which is included in the Annual Report.

All the major decisions are taken or ratified by the Board.

The meetings of the Board are presided by the Chariman and Board meets at least once in every quarter.

Arrangements are being made to carry out an orientation course for directors to apprise them of their duties and responsibilities.

The appointment of CFO and Company Secretary including their remuneration, terms and conditions were already approved by the Board of Directors.

The Directors report for this year has been prepared keeping in mind the requirement of the code and fully describe the matters required to be disclosed.

The financial statement of the company have been duly endorsed by CEO and CFO.

The directors do not hold any interest in the shares of the Company other then already been disclosed, in the pattern of shareholding formate.

An audit committee has been formed and it will meet at least once every quarter prior to approval of quarterly and final results of the Company. The term of reference of the committee have been framed and advised to the committee.

The auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partner of the firm, their spouses and minor children and that the firm and its partner are compliant with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan. (ICAP).

During the year Four (4), meetings of the Board of Directors were held, attendance by each Directors is as follows :

NAME OF DIRECTORS	NO. OF MEETING ATTENDED
Mr. Akbar A. Hashwani	4
Mr. Amin A. Hashwani	4
Mr. Abdullah A. Hashwani	4
Mr. Nizam A. Hashwani	4
Mrs. Sultana A. Hashwani	3
Mrs. Farieha A. Hashwani.	4
Mr. Aziz Kanani	3

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/S. REGENT TEXTILE INDUSTRIES LIMITED, as at September 30, 2004 and the related Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notice 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 purpose 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 statement 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 statement 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 & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and in agreement with the books of account and is further in accordance with the accounting policy consistently applied except for the change in accounting policy as explained in note 2.6 to the financial statements with which we concur;

- 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 & 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 Loss its Cash flow and Changes in Equity for the year then ended; and

In our opinion, no Zakat was deductible at source under Zakat and Usher Ordinance, 1980. Without qualifying our opinion we draw attention to note 30 to the financial statements which states that:

The company has incurred a net loss of Rs 3,116,732 during the year ended September 30, 2004 and as of that date the company's current liabilities exceeded its current assets by Rs. 793,801. These financial statements have, however, been prepared on a going concern basis the validity of which is highly depended upon the continues availability of working capital finance and success of management plans.

Financial statements for the year ended September 30, 2003 were audited by another auditor whose audit report dated December 24, 2003 expressed an unqualified opinion to those financial statements.

BALANCE SHEET
AS AT 30TH SEPTEMBER, 2004

	NOTE	2004 RUPEES	2003 RUPEES
EQUITY & LIABILITIES			
AUTHORIZED CAPITAL			
7,500,000 (2003 : 7, 500,000) Ordinary Shares of Rs. 10/- each		75,000,000	75,000,000
ISSUED SUBSCRIBED & PAID UP CAPITAL	3	47,586,630	47,586,630
SPECIAL RESERVE		908,177	908,177
ACCUMULATED LOSS	4	-138,253.66	f135.369.563)
		-89,758,851	-86,874,756
SURPLUS ON REVALUATION OF FIXED ASSETS	5	88,517,547	88,750,184
NON CURRENT LIABILITIES			
SUBORDINATE LOAN	6	149,000,000	149,000.00
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	35,000.00	6,836.11
		152,500.00	155,836.11
CURRENT LIABILITIES			
Current Maturity of Liabilities against assets			
Subject to fiannce Lease	8	1,804,751	3,319.06
Creditors, Accrued & Other Liabilities	9	24,479,331	35,575.99
Workers Profit Participation Fund	10	1,541,570	1,370.28
Provision of Taxation	23	6,518.80	6,179.39
Unclaimed Dividend		15.786	15.786
		34,360,237	46,460,508
CONTINGENCIES AND COMMITMENTS			
Total Equity &-Liabilities	11	185,618,933	204,172,045
	NOTE	2004 RUPEES	2003 RUPEES
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	12	150,637,497	159,641,055
LONG TERM DEPOSITS	13	1.615.000	7.315.000
		152,252,497	166,956,055
CURRENT ASSETS			
Stores		1,447,594	1,257.92

Stock in Trade	14	14,860.27	13,408.15
Trade Debtors	15	3,871.49	13,489.34
Advances, Deposits, Prepayments and Other Receivables	16	12,967,358	8,584.75
Cash & Bank Balances	17	215.774	475.842
		33,366,436	37,215,990
Total Assets		185,618,933	204,172,045

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 2004

	NOTE	2004 RUPEES	2003 RUPEES
Sales	18	67,021,020	90,768,203
Cost of Sales	19	68,766,147	84,777,139
GROSS (LOSS) / PROFIT		-1,745,127	5,991,064
OPERATING EXPENSES			
Administrative	20	885,864	1,162,231
Financial	21	546,466	12,379,020
		1,432,330	13,541,251
		-3,177,457	-7,550,187
Other Income	22	400,136	1,026,675
NET (LOSS) BEFORE TAXATION		-2,777,321	-6,523,512
TAXATION	23	-339,411	-456,422
(LOSS) AFTER TAXATION		-3,116,732	-6,979,934
ACCUMULATED LOSS BROUGHT FORWAR	D	-135,369,563	-134,475,414
		-138,486,295	-141,455,348
AMORTIZATION OF SURPLUS ON REVALUATION ON FIXED ASSETS	5		
- Prior Year		—	5,827,299
- Current Year		232,637	258,486
		232,637	6,085,785
ACCUMULATED LOSS CARRIED FORWARD		-138,253,658	(135,369,563)
(Loss) Per share	24	-0.65	-1.47

CASH FLOW STATEMENT

	Note	2004 RUPEES	2003
A. Cash flow from operating activities			
Net (Loss) before Taxation		-2,777,321	-6,523,512
Adjustment for non cash charges & Other items			
Depreciation		7,105,042	8,136,988
Loss on disposal of fixed assets		634,514	—
Provision for Workers Profit participation fund		171,286	113,143
Financial Charges		546,466	12,379,020
		8,457,308	20,629,151
Operating profit before working capital change		5,679,987	14,105,639
working capital changes		/	
(Increase) / Decrease in Stores		-189,676	117,132
(Increase) in Stock in Trade		-1,456,073	-10,991,312
Decrease in Trade Debts		9,617,847	12,030,865
(Increase) in Advance deposits and prepayment		-3,689,547	-31,968
(Increase) in Creditors Accrued & Other Liabilities		-11,096,633	-5,203,066
		-6,814,112	-4,078,349
Net Cash generated/(used) from operations		-1,134,125	10,027,290
Financial charges paid		-546,466	16,958,718
Income Tax Paid		-693,064	1,493.17
		-1,239,530	18,451,884
Net cash flow operating activities		-2,373,655	-8,424,594
B. CASH FLOW FROM INVESTING ACTIVITIES			
Sale proceeds of fixed assets		1,264,000	—

Net cash flow from investing activities	1,264,000	—
C. CASH FLOW FROM FINANCING ACTIVITIES		
Payment of Long term Loan	—	-74,375,000
Long Term Deposits	5,700,000	—
Liabilities against assets subject to finance lease	-4,850,413	-2,770,806
Subordinated Loan	—	84,000.00
Net cash flow from financing activities	849,587	6,854,194
Net (decrease) in cash and bank balance (A+B+C)	-260,067	-1,570,400
Cash and bank balances at the beginning of the year	475,842	2,046,242
Cash and bank balances at the end of the year	17	215,774
		475,842

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

	Revenue Reserves Issued, subscribed & Paid -up capital	SPECIAL RESERVE	ACCUMULATE LOSS	TOTAL
Balance as at 30th September 2002	47,586,630	908,177	-134,475,414	-85,980,607
Net (loss) for the year 2002-2003	•• —	—	-6,979,934	-6,979,934
Transferred from Surplus on revaluation of fixed assets account of incremental depreciation charged in respect of	ion of			
- Prior year	—	—	5,827,299	5,827,299
- Current year	—	—	258,486	258,486
			6,085,785	6,085,785
Balance as at 30th Sept, 2003	47,586,630	908,177	-135,369,563	-86,874,756
Net (loss) for the year 2003 - 2004	—	—	-3,116,732	-3,116,732
Transferred from surplus on revaluation of fixed assets on account of increment depreciation charged in the profit and loss account in respect of current year	il			
	—	—	232,637	232,637
Balance as at 30th September, 2004	47,586,630	908,177	-138,253,658	-89,758,851

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2004**

1. NATURE AND STATUS OF THE COMPANY

The Company was incorporated in 1961 under the Companies Act 1913 (now companies ordinance 1984) in Pakistan, as a Public Limited Company and listed on Karachi Stock Exchange. The Company is principally engaged in manufacturing and sale of Cotton Yarn under the brand name of "TEXTURE".

The Company has under taking of spinning units comprising on 12,960 spindles and was a sick unit. The present management of the Company had with the negotiation of Industrial and Development Bank of Pakistan taken over in 1988 and managed to run the project for healthy growths for economy and the contribution towards the national economy.

SIGNIFICANT ACCOUNTING POLICIES

2. The significant Accounting Policies are summarized below:

Basis for Preparation

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

Accounting Convention

2.2. These financial statements have been prepared on the basis of historical cost convention except certain Fixed Assets which are stated at their revalued amounts.

Taxation

2.3. Current

Provision for current taxation is based on current rates of tax after taking into account tax credits and rebates available (if any), or based on 0.5% of total turnover, whichever is higher.

Deffered

The company accounts for deferred taxation on all significant timing differences using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

Fixed Assets

2.4. Owned

These are stated at cost less accumulated depreciation except leasehold land and old building which are stated at revalued amount.

Upto 2002 year full years depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal. However, in view of compliance with circular No. 10 of 2002 dated November 11,2002 issued by the Institute of Chartered Accountants of Pakistan, the company has changed its policy from last year as 'depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis".

Maintenance and normal repairs are charged to income as and when incurred Major renewals and improvement are capitalized and the assets so replaced if any, are retired. Gains and losses on disposal of assets are taken to current profit and Loss Account.

Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The out standing obligation under finance leases less financial charges allocated to future periods are shown as liability, The financial charges to date is calculated at the interest rates implicit in the lease and is charged to profit & loss account.

The related obligation under the finance lease less financial charges, allocated maintenance and normal repairs are charged to income as and when incurred.

Depreciation is charged at the same rates as charges on company's owned Assets.

2.5. Stores

Stores are valued at average cost.

2.6. Stock in trade

Stock in trade comprises of raw cotton, work in process, finished goods and packing material. The company, has changed its accounting policy in respect of valuation of stock in trade. Upto September 30, 2003, stock in trade was being valued at average cost. With effect from current year, stock-in-trade is valued at lower of cost and net realisable value. Cost signifies average cost. Net realizeable value signifies the selling price less cost necessarily to be incurred in order to make the sale.

2.7. Revenue Recognition

Revenue from sale of goods is recognized on despatch of goods to customers. Profit /mark-up on deposits and investments are accounted for on accrual basis.

2.8. Foreign Currency Translation

Foreign Currency Loans have been converted at the Exchange rate underwritten by the Govt. of Pakistan prevailing on the date of exercising the option for booking of exchange rate.

2.9. Provision

A Provision is recognized in the balance sheet when the company has legal and constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.10. Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract

is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account, currently.

2.11 Off setting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Trade Debts

Trade Debts originated by the company are recognized and carried at original invoice amount less an allowances for any uncollectible amounts, if any. An estimate for doubtful debt is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

2.13 Trade and other payables

Short term liabilities for trade and other payables are carried at cost.

2.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognised into the profit and loss account over the periods of the borrowing on an effective mark-up basis.

2.15. Other receivables

Other receivables are recognised at their original value.

2.16. Contingent assets

A contingent asset is disclosed where an inflow of economic benefit is probable.

2.17. Contingent liabilities

A contingent liability is disclosed in the financial statement unless the possibility of an out flow of resources embodying economic benefits is remote.

2.18. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances. The cash and cash equivalents are subject to insignificant changes in value.

2.19. Impairment of assets

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

2.20. Transactions with related parties

The company enters into transaction with related parties at arm's length prices determined in accordance with the methods approved by the board of directors.

LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2004		2003	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Year to September 30, 2004	-----	-----	3,289,500	2,770,806
Year to September 30, 2005	2,055,000	1,804,751	1,233,000	1,136,109
	2,055,000	1,804,751	4,522,500	3,906,915
Add-Residual value at the end of lease period	3,500,000	3,500,000	5,700,000	5,700,000
	5,555,000	5,304,751	10,222,500	9,606,915
Less: Financial Charges allocated to future period	250,249	—	615,585	—
	5,304,751	5,304,751	9,606,915	9,606,915
Less: Current Maturities shown under current Liabilities	1,804,751	1,804,751	2,770,806	2,770,806
	3,500,000	3,500,000	6,836,109	6,836,109

CURRENT MATURITY OF LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	2004	2003
	RUPEES	
- Current	1,136,108	2,770,806
- Overdue	668,643	548,250
	<u>1,804,751</u>	<u>3,319,056</u>

	2004	2003
	RUPEES	
CREDITORS ACCRUED AND OTHER LIABILITIES		
Creditors		
- for goods	10,222,051	21,571,746
-for Services & Accrued Expenses	1,707,472	3,012,801
	11,929,523	24,584,547
Accrued Interest on long term loans and Charges	2,161,801	2,161,801
Sales Tax	1,702,091	4,813,168
Due to Associated Undertaking	5,121,648	756,631
Security Deposit	125,537	125,537
Other Liabilities	3,438,731	3,134,310
WORKERS' PROFIT PARTICIPATION FUND	24,479,331	35,575,99
Opening balance		
	1,370,284	1,257,141
Interest on funds utilized in the company's operations		
	171,286	113,143
Closing balance		
	1,541,570	1,370,284
CONTINGENCIES AND COMMITMENTS		
Bank Guarantees & Indemnity Bonds 4	2,000,000	2,000,000

	2004	2003
	RUPEES	
18. SALES		
Yarn-Local	77,664,342	104,239,694
Waste	412,221	746,311
	78,076,563	104,986,005
Less: Sales Tax	10,194,434	13,701,520
Sales Commission & Return	861,109	516,282
	11,055,54	14,217,80
	<u>67,021,020</u>	<u>90,768,203</u>

19. COST OF SALES		
RAW MATERIAL CONSUMED		
Opening Stock	11,697,256	622,501
Purchase - Raw Material	43,899,433	62,834,753
	55,596,689	63,457,254
Less: Closing Stock	-12,098,989	(11,697,256)
Cost of Raw Material consumed	43,497,700	51,759,998

PACKING MATERIAL CONSUMED	2004	2003
	457,156	777,020
MANUFACTURING OVERHEADS		
Salaries, Wages & Other Benefits	5,585,315	5,659,008
Stores & Spares Consumed	393,863	839,028
Cotton Incidental Charges	120,443	63,882
Fuel, Power & Water	10,598,940	14,098,112
Other Expenses	434,939	731,562
Printing & Stationery	57,111	92,030
Repairs & Maintenance	1,068,197	1,733,645
Depreciation	7,105,040	8,136,988
Telephone Expenses	249,041	326,668
Insurance	39,359	78,718
Vehicle Running & Maintenance	71,702	179,347
Travelling & Conveyance	133,129	237,313
	25,857,079	17,176,741
	<u>69,811,935</u>	<u>84,713,259</u>

Work in process Stock - Opening	1,040,904	1,294,397
- Closing	-1,698,252	(1,040,904)
	-657,348	253,493
Cost of Goods Manufactured	69,154,587	84,966,752
• Finished Goods Stock - Opening	604,896	415,283
- Closing	-993,336	-604,896
	-388,440	-189,613
	68,766,147	84,777,139

	2004	2003
20. ADMINISTRATIVE EXPENSES	RUPEES	
Directors Remuneration	240,000	240,000
Staff Salaries & Allowances	243,600	327,477
Vehicle Running & Maintenance	13,173	22,967
Telephone & Telegram	60,924	182,837
Auditors remuneration	-20.1 90,000	75,000
Legal & Professional Charges	—	20,000
Entertainment	26,883	16,922
Fees & Subscription	28,950	49,694
Printing & Stationery	16,303	36,833
Miscellaneous Expenses	63,830	76,330
Zakat Expenses	17,203	—
Travelling & Convenience	79,553	93,721
Computer Running & Maintenance	5,445	20,450
	885,864	1,162,231

20.1. AUDITOR'S REMUNERATION

Annual audit	80,000	75,000
Half yearly review fee	10,000	—
	90	75

21. FINANCIAL EXPENSES

Bank Charges and Commission	96,594	112,574
Mark up on WPPF	171,286	113,143
Interest on long Term Loans.	—	11,161,871
Financial charges on Lease obligation	278,556	991,432
	546,466	12,379,020

22. OTHER INCOME

Rental Income	720,000	720,000
(Loss) on disposal of fixed assets	-634,514	—
Profit on investment	314,650	306,675
	400,136	1,026,675

(LOSS) PER SHARE

Net (Loss) for the year	Rupees	-3,116,732	-6,979,934
Weighted average number of ordinary shares in issue		4,758,663	4,758,663
(Loss) per share (basic)	Rupees	-0.65	-1.47

	2004	2004	2003	2003
Financial Assets	Book Vlaue	Fair Vlaue	Book Vlaue	Fair Vlaue
Long Term Deposits	1,615,000	1,615,000	7,315,000	7,315,000
Trade Debts	3,871,491	3,871,491	13,489,338	13,489,338
Advances, Deposits	6,457,022	6,457,022	2,796,765	2,796,765
Prepayments and other receivables				
Cash and Bank Balances	215,774	215,774	475,842	475,842
Rupees	12,159,287	12,159,287	24,076,945	24,076,945
FINANCIAL LIABILITIES				
Subordinate Loan	149,000,000	149,000,000	149,000,000	149,000,000
Liabilities against assest subject to finance lease	5,304,751	5,304,751	9,606,915	9,606,915
Credit Accrued & Other liabilities	22,777,240	22,777,240	30,762,826	30,762,826
Worker Profit	1,541,570	1,541,570	1,370,284	1,370,284
Participation Fund				
Rupees	178,623,561	178,623,561	190,740,03	190,740,025

28.4. LIQUIDITY RISK

Liquidity risk reflects the company's inability of raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

28.5. Foreign exchange risk management

Foreign currency risk arises mainly where receivable and payable exist due to transactions with foreign undertakings. The company is not exposed to foreign currency risk.

28.6. Maturities of assets and liabilities

Liquidity risk is the risk that an insitution will be unable to meet its funding requirements.

The table below summarises the maturity profile of the company's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturities Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled based on the past history of the company.

PATTERN OF SHARE HOLDING
AS AT 30TH SEPTEMBER 2004

NOS. OF SHAREHOLDERS			i	NOS. OF SHARE HOLDERS	
118	FROM	1	TO	100	12,223
46	FROM	101	TO	500	13,430
11	FROM	501	TO	1000	8,900
27	FROM	1001	TO	5000	68,565
4	FROM	5001	TO	10000	27,672
3	FROM	10001	TO	15000	32,136
2	FROM	40001	TO	45000	89,500
1	FROM	75001	TO	80000	80,000
1	FROM	125001	TO	130000	127,480
1	FROM	215001	TO	220000	220000
1	FROM	225001	TO	230000	230,000
1	FROM	230001	TO	235000	232,200
1	FROM	320001	TO	325000	325,000
1	FROM	470001	TO	475000	475,000
4	FROM	700001	TO	705000	2,816,557
222		TOTAL			4,758,663