

Liberty Mills Limited

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BOARD OF DIRECTORS

DIRECTORS

Mr. Salim N. Mukaty
Mr. Yusuf N. Mukaty
Mrs. Hamida Salim Mukaty
Mr. Ashraf Salim Mukaty
Mr. Noor Mohammad Yousuf Mukaty
Mr. Arif Haji Abdul Sattar Maniya
Mr. Luqman F. Poonawala
Mr. Madni Gul Muhammad
Mr. Asif Younus Bawany

CHIEF EXECUTIVE

Mr. Ashraf Salim Mukaty

SECRETARY

Mr. Muhammad Ashraf Ghazi

AUDITORS :

HYDER BHIMJI & CO.
Chartered Accountants

A. R. Diwan & Co.
Chartered Accountants

BANKERS:

Habib Bank Limited
Habib Bank A. G. Zurich
Metropolitan Bank Ltd.
Soneri Bank Ltd.
Bank Al Habib Ltd.

REGISTERED OFFICE

AND MILLS:

A/51-A, S.I.T.E.,

Karachi-75700.

Tel. Nos. 2578103 -16 (14 Lines)

Fax: (021)2570086 - 2561050

Notice of Meeting

NOTICE is hereby given that 36th ANNUAL GENERAL MEETING of Shareholders of Liberty Mills Limited will be held at our Registered Office situated at A/51-A, S.I.T.E., Karachi on October 31, 2002 at 10.00 A.M. to transact the following business :

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on May 03, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June 30, 2002 together with Director's and Auditor's report thereon.
3. To approve Cash Dividend @ 17.50 Percent for the year ended June 30, 2002 as recommended by the Board of Directors.
4. To appoint Auditors for the year ending 30th June 2003 and to fix their remuneration. The retiring Auditors M/s. Hyder Bhimji & Company and M/s. A. R. Diwan & Company Chartered Accountants of the Company have offered themselves for re-appointment.
5. To transact any other ordinary business which may be placed before the meeting with permission of the chair.

By Order of the Board

(Muhammad Ashraf Ghazi)

Company Secretary

KARACHI: September 26, 2002

Report of the Directors

On behalf of the Board of Directors, it is my pleasure to welcome you at the 36th Annual General Meeting of the Company and presenting before you, the Audited Accounts of the Company and auditors report thereon for the year ended 30th June, 2002,

OPERATING RESULT:

I am pleased to inform that the trend of continuous growth of the Company is constant despite the year under review proved to be a challenging one for the country's economy. Despite all hurdles in global trade and the impact of 11th September 2001 event, the results of your company show overall improvement over the last year. The turnover for the year has decreased to 1720.1 million as compared to previous year's sale of Rs. 1753.2 million. The very nominal reduction of sale by 1.79% is mainly due to affects of September 11 and the greater impact is mainly due to stronger rupee in terms of U.S. Dollar. As a consequence of appreciation of Pak rupee value, the Company suffered a shortfall of Rs. . 60 million approximate against realization of proceeds of exports sales which otherwise would have

improved the turnover and gross profit to the same extent. In spite of these serious odds, we were able to increase our net profits. By the grace of Allah, the net profit has tremendously improved by 27% due to the addition of the most modern plants and machineries by amounting Rs. 50.99 million added during the year under review.

We have excellent plans for the future and Inshallah will be adding further new plant and machineries to meet the increasing demand of our products in the overseas markets. We are determined to further improve the quality and efficiency of our plants and machineries which will result in value added products, thus increasing our profitability and customer satisfaction. The summarized data are produced below.

	2002
	Rs. in million
Sales & Services	1,720.0
Gross Profit	248.4
Profit before Taxation	97.2
Profit after Taxation	74.5
Earning per share (Rupees)	4.0

DIVIDEND:

Your Directors are pleased to recommend 17.5% cash dividend i.e. Rs. 1.75 per share for the year ended 30th June 2002.

FUTURE OUTLOOK

Alhamd-o-lillah after a number of decades, we have been fortunate to see not only political stability but a sense of immense security and have happily noted progress and improvement in all spheres of life. We are confident that if this continues, Inshallah there will be a drastic change in our country's economic and social well beings, bringing all round prosperity and improvement in the image of our beloved country and hopefully eliminate the unemployment to the large extent being the main reason of so many social problems created by the extreme poverty and unemployment.

We see overall growth in the country's economy. As already proven by the consistent policy and endless efforts of the present government to bring progress and prosperity for our beloved country.

As such we have for the first since four decades become very bullish on our country and are preparing a number of feasibilities and analysis for further substantial investment to upgrade, expand and add to our present manufacturing facilities in all spheres of our production range.

We hope for positive results in the future. We are grateful to Almighty Allah for all its blessing.

AUDITORS:

The retiring auditors Messrs Hyder Bhimji & Company, Chartered Accountants and Messrs A.R. Diwan & Company, Chartered Accountants being eligible have offered themselves for re-appointment.

BOARD OF DIRECTORS:

Mr. Arif N. Mukaty resigned in March 2002 and Mr. Asif Bawany was appointed in his place. The Board wishes to place on record his appreciation for contribution of valuable services rendered by the outgoing Director and welcomes the incoming Director.

PATTERN OF SHAREHOLDING:

A statement showing the pattern of shareholding in the Company as at 30th June 2002 is included in the report.

CORPORATE GOVERNANCE;

We are pleased to report that your Company has taken necessary steps to comply with the provision of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchange.

We give below Statements .on Corporate and Financial Reporting Frame Work.

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.

Proper books of account of the Company has been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, has been followed in preparation of financial statements and any departure there from has been adequately disclosed.

The system of internal control, which was in place, is being continuously reviewed by internal audit and other such procedures. The process of review will continue with the objective to further improve.

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The key operating and financial data of the Company are included in this report.

The company has paid all taxes, duties and there are no unpaid balances.

The increase in prices of raw material, fluctuation in exchange rate, slashing of rate of duty drawback and global conditions are major risks and uncertainties that may affect the profitability of the Company.

BOARD OF DIRECTORS. THEIR FUNCTIONS AND QUALIFICATION:

Out of the 11 directors, only five are executive directors.

Directors of the Company are not serving as a director of 10 of the listed companies.

Directors are borne on the register of National Tax Payers.

Directors of the Company have not been convicted by a court of competent jurisdictional as defaulter in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution or he / she being a member of stock exchange has not been declared as a defaulter by such stock exchange.

The Board of Directors adopted a vision / mission statement and overall corporate strategy for the company and also formulated significant policies, as detailed in the Code of Corporate Governance having regard to the level of materiality.

The tenure of the directors elected under section 178 is three years.

Company has well defined policies on all significant financial and operational matters.

Company has an effective and sound system of internal controls in place that is continuously monitored and updated with the growing requirements of the business.

All meetings of the board are presided over by the Chairman.

Board meetings are held at least once in a quarter.

Notice of meeting is sent to directors at least seven days before the meeting except when emergent meeting is called.

Minutes of the meeting are circulated to the directors and the officers within 30 days of the meeting.

All significant matters are placed before the BOD for their consideration and decision.

None of the directors, CEO or executive or their spouses have undertaken any sale/ purchase of the shares of the company during the year.

During the year nine board meetings were held. Each director has attended meetings as follows.

Name of Director	Meetings Attended
Mr. Salim N. Mukaty	9
Mr. Arif N. Mukaty (Resigned 29-03-2002)	0
Mr. Yousuf N Mukaty	6
Mrs. Hamida Salim Mukaty	0
Mr. Ashraf Salim Mukaty	9
Mr. Noor Muhammad Y. Mukaty	3
Mr. Arif H.A Sattar Maniya	9
Mr. Luqman F. Poonawala	9
Mr; Madni Gul Muhammad	8
Mr. Asif Younus Bawany (Appointed 29-03-2002)	4

Leave of absence was granted to Directors who could not attend some of Board meetings.

QUALIFICATION REQUIREMENT FOR CHIEF FINANCIAL OFFICER (CFO) COMPANY SECRETARY (CS)

The CFO/CS meets the eligibility criteria as provided in the code and attends board meetings as per the code's requirements.

FINANCIAL REPORTING:

Printed (un-audited) quarterly and half yearly accounts of the company are circulated in time along with director's review on the affairs of the company.

The CEO and CFO duly sign financial statements presented to the Board for approval.

AUDIT COMMITTEE:

An audit committee in accordance with the requirements of the code has been formed and following are its members:

Mr. Salim N. Mukaty	Chairman
Mr. Madni Gul Muhammad	Director
Mr. Asif Bawany	Director

INTERNAL AUDIT FUNCTION:

. The Company has Internal Audit Function in place which is headed by a Chartered Accountant.

EARNING PER SHARE:

With the efforts of your Directors and the Management, the earning per share has also increased to Rs. 4.07 per share as against Rs. 3.79 per share in the preceding year.

ACKNOWLEDGMENT:

In the end your Directors express recognition for the efforts put in by the workers, staff and executives of the Company. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time, we also thanks for the well wishes of our valued shareholders.

Thanks to all of You.

For and on behalf of the Board of Directors

ASHRAF SALIM MUKATY

Chief Executive

Karachi: September 26, 2002

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company is in the process of implementing the requirements of the Code of Corporate Governance

issued by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges.

The provisions of the code, relevant for the year ended June 30, 2002 have been duly complied with by the company.

SALIM N. MUNKAY

Chairman

Karachi: the 26 September 2002

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 Liberty Mills Limited to comply with the Listing Regulation No. 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 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 inquires 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.

HYDER BHIMJI & CO.

Chartered Accountants

Karachi: September 26, 2002

A.R. DIWAN & CO.

Chartered Accountants

KEY OPERATING AND FINANCIAL DATA

	2002	2001	2000	1999
Sales	1,720	1,753	1,455	1,43
Gross Profit	248	274	198	13
Operating Profit	135	134	100	5
Profit before Tax	97	77	68	2
Tax	24	20	33	1

Profit after Tax	73	57	35	
Total Assets	1,480	1,181	1,006	79
Current Liabilities	567	549	525	45
	913	632	481	341
Represented by:				
Share Capital	179	149	149	14
Reserves	112	101	44	2
Equity	291	250	193	17
Long Term Loans	560	327	233	13
Deferred Liability	62	55	55	3
	913	632	481	341
Cash Dividend (% age)	17.50%	NIL	10%	69
Bonus (% age)	-	20%	-	-

We have audited the annexed Balance Sheet of M/S. LIBERTY MILLS LIMITED, as at June 30, 2002,

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 accounts and are further in accordance with the 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 confirm with approved accounting standards as applicable in Pakistan except the deviation from IAS-19 as more fully explained in Note No. 7.2 and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2002 and of the Profit, 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 with the Central Zakat Fund established under Section 7 of that Ordinance.

HYDER BHIMJI & CO.

Chartered Accountants

A. R. DIWAN & CO.

Chartered Accountants

Karachi: September, 26, 2002

Balance Sheet as at 30th June, 2002

	Notes	2002 Rupees
CAPITAL AND RESERVES		
CAPITAL		
Authorised :		
20,000,000 Ordinary Shares of Rs. 10/-each.		200,000,000
ISSUED, SUBSCRIBED AND PAID-UP	3	178,736,280
RESERVES		
Revenue Reserve	4	110,000
Un-appropriated Profit		2,505,780
		291,242,060
LONG TERM LOANS		
SUBORDINATED LOAN	5	290,840,390
DEFERRED LIABILITIES	6	268,650,000
CURRENT LIABILITIES	7	62,118,540
Current Portion of Long Term Loans		29,159,600
Short Term Running Finance utilised under mark-up Arrangements	8	330,249,410
Creditors, Accrued and Other Liabilities	9	176,296,700
Proposed Dividend		31,278,840

CONTINGENCIES & COMMITMENTS	10	566,984,577
		-
Total		1,479,835,575

NOTE: The annexed Notes form an integral part of these accounts.

Statement u/s 214(2) of the Companies Ordinance 1984

The Balance Sheet and Profit and Loss Account have not been authenticated by the Chief Executive as he is presently out of Pakistan.

Karachi: September 26, 2002

	Notes	2002 Rupees
FIXED TANGIBLE ASSETS		
<i>Operating Assets</i>	11	538,909,031
Capital Work-in-progress	12	355,004,988
		893,914,019
LONG TERM SECURITY DEPOSITS		
		3,272,241
CURRENT ASSETS		
Stores & Spares	13	22,724,641
Stock-in-Trade	14	197,528,181
Trade Debts	15	261,154,791
Advances, Prepayments and other Receivables	16	91,480,071
Cash & Bank Balances	17	9,761,611
		582,649,311
Total		1,479,835,575

LUQMAN F. POONAWALA

Director

ASIF Y. BAWANI

Director

SALIM N. MUKATY

Chairman

**Profit and Loss Account
For the Year Ended 30th June, 2002**

	Notes	2002 Rupees
Sales & Services	18	1,720,098,931
Cost of Sales and Services	19	1,471,624,671

Gross Profit		248,474,26
Administrative Expenses	20	60,446,21
Selling & Distribution Expenses	21	52,888,07
		113,334,29
Net Operating Profit		135,139,96
Financial Charges	22	31,55
Other Charges	23	5,908,03
		37,458,68
		97,681,27
Other Loss	24	(428,60)
Net Profit before Taxation		97,252,67
Taxation	25	(24,437,488)
Net Profit after Taxation		72,815,18
Un-appropriated Profit brought forward		969,44
Profit available for Appropriation		73,784,63
Less Appropriation :		
Transfer to Revenue Reserve		(40,000,000)
Transfer for issue of Bonus Share		-
Proposed Dividend		(31,278,84)
		(71,278,84)
Un-appropriated profit carried forward		<u>2,505,782</u>
Earning per share	26	

Note: The annexed Notes form an integral part of these accounts.

Statement u/s 214(2) of the Companies Ordinance 1984

The Balance Sheet and Profit and Loss Account have not been authenticated by the Chief Executive as he is presently out of Pakistan.

LUQMAN F. POONAWALA

Director

ASIF Y. BAWANI

Director

SALIM N. MUKATY

Chairman

Karachi: September 26, 2002

Cash Flow Statement For the Year Ended 30th June, 2002

Notes

**2002
Rupees**

CASH FLOW FROM OPERATING ACTIVITIES

Net Profit for the year before taxation		97,252,67
Adjustments for items not involving movement of funds		
Depreciation		57,474,33
Provision for staff Retirement benefits (Net)		5,168,53
Loss on sale of fixed assets		1,755,46
Financial charges		31,550,65
		95,948,99
		193,201,67
Add: Net (Increase) / Decrease in working capital	27	49,738,05
Less: Financial charges paid		(33,757,37
Income Taxes paid		(22,487,26
Long term security deposits		(39,00
Net cash flow generated from operations		186,656,08

CASH FLOW FROM INVESTING ACTIVITIES

Fixed Capital Expenditure		(356,463,08
Proceeds from disposal of fixed assets		2,910,08
Net cash flow towards investing activities		(353,553,00

2002
Rupees

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of long term loans		(20,000,00
Loan from PICIC		200,000,00
(Payment) / Proceed of Directors Loan		81,50
Dividend paid		-
Net cash flow from financing activities		261,500,00
Net increase in Cash & Cash equivalents		94,603,08
Cash & cash equivalent at the beginning of the year		(415,090,88
Cash & cash equivalent at the end of the year	28	(320,487,80

Statement u/s 214(2) of the Companies Ordinance 1984

The Balance Sheet and Profit and Loss Account have not been authenticated by the Chief Executive as he is presently out of Pakistan.

UJQMAN F. POONAWALA

Director

ASIF Y. BAWANI

Director

SALIM N. MUKATY

Chairman

Karachi: September 26, 2002

Statement of Changes in Equity For the year ended 30th June. 2002

	Share Capital	Revenue Reserve	Un-appropriated Profit .
Balance as at 30-June-2000	148,946,900	44,000,000	343,10
Profit after tax for the year ended 30th June, 2001	-	-	56,415,71
Appropriation transfer to Revenue reserve	-	26,000,000	(26,000,000
Reserve for the issue of Bonus Share	29,789,380	-	(29,789,380
Balance as at 30th June-2001	178,736,280	70,000,000	969,44
Net profit for the year ended 30th June 2002	-	-	72,815,18
Appropriations Transfer to Revenue Reserve	-	40,000,000	(40,000,000
Dividend	-	-	(31,278,84
Balance as at 30th June 2002	178,736,280	110,000,000	2,505,782

Notes to the Accounts

For the Year Ended 30th June, 2002

1. COMPANY AND ITS BUSINESS

The Company was incorporated in Pakistan in 1965 as Private Limited Company and was converted into Public Limited Company on 12th September 1969. Its shares are quoted in the Karachi Stock Exchange. The principal activity of the Company is manufacturing and processing of all kinds of Fabrics.

2. SIGNIFICANT ACCOUNTING POLICIES

2.01 Statement of compliance

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the standing Interpretations Committee of the IASC as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

2.02 Accounting Convention

The Account of the Company have been prepared under the historical cost convention modifications thereto if any are specifically stated.

2.03 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and rebates, if any

The Company accounts for deferred taxation on all material timing differences by using liability method.

2.04 Employees Retirement Benefits

The Company operates an un-funded gratuity scheme for all its employees who are eligible to the benefit.

2.05 Foreign Currency Transaction

Transactions in foreign currencies are translated at the rates prevailing on the Balance Sheet date.

2.06 Fixed Tangible Assets

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in note whereby the cost of an asset is written off over its estimated useful life. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Addition to fixed assets are depreciated for the whole year irrespective of date of purchase while no depreciation is provided on assets disposed off during a year. Profit or Loss on disposal of fixed assets is included in income currently.

Maintenance and normal repairs are charged to income as and when incurred.

2.07 Stores and Spares

These are valued at cost on First-in-First out method.

2-08 Stock-in-Trade

Valued at lower of cost and net realisable value. Cost in relation to various production stages is given below:

- (a) Work-in-process at average cost of raw material.
- (b) Finished Stock and Raw material at cost on FIFO basis.
- (c) Stock in Bonded Warehouse at actuals.
- (d) Trading Stock at actuals.

2.09 Trade Debts

Debts considered irrecoverable, are written off and provision is made for debts

considered doubtful, if any.

2.10 Revenue Recognition

- Sales are recorded on dispatch of goods to the Customers.

Income from process services is recorded when earned.

Income from rental is recorded on accrual basis.

- Interest and bank profit income is recorded on accrual basis.

2.11 Borrowing Costs

All borrowing costs are capitalized upto the date of commissioning of the respective assets acquired out of the proceeds of such borrowing. All other borrowing costs are charged to income.

. ISSUED. SUBSCRIBED AND PAID-UP-CAPITAL

2002 No.of shares	2001 No.of shares		2002 Rupees	2001 Rupees
12,732,092	12,732,092	Ordinary Shares of Rs. 10/- each fully paid issued for cash	127,320,920	127,320,920
5,141,536	2,162,598	Ordinary Shares of Rs. 10/- each fully paid issued as Bonus Shares.	51,415,360	21,625,980
17,873,628	14,894,690		178,736,280	148,946,900

4. RESERVE

Balance as at start	99,789,380
Transfer from Profit and Loss Account	40,000,000
Reserve for issue of Bonus share	-
Transfer for issue of Bonus shares	(29,789,380)
	110,000,000

5. LONG TERM LOANS (Secured)

FROM FINANCIAL INSTITUTION:

Pakistan Industrial Credit and Investment Corporation (Note 5.1)	18,000,000
Term Finance - Metropolitan Bank Limited (Note 5.2)	140,000,000
	320,000,000
Current portion shown under Current Liabilities	(29,159,604)
	290,840,396

5.1 Interest:

The Company shall pay interest @ 15% net after prompt payment rebate per annum.

Repayment:

The loan is repayable in 20 equal quarterly installments commencing from October 01, 2002.

Security:

The loan is secured by charge in favour of Pakistan industrial credit and investment corporation on present and future immovable properties including all buildings , fixed plants

machinery and fixtures and personal guarantee of Sponsoring Directors

6. SUBORDINATED LOAN - UNSECURED

Loan from Directors and others

268,650,00

268,650,00

No interest is payable on the above loan. Terms of repayment have not yet been finalised.

	Notes	2002 Rupees
7. DEFERRED LIABILITIES		
Taxation	(Note 7.1)	45,900,00
Staff Gratuity	(Note 7.2)	16,218,54
		62,119

7.1 Deferred Taxation

Deferred tax liability comprises of difference in accelerated depreciation allowance.

7.2 The Company has been accounting for gratuity on Liability method. However, as required by IAS-19, the liability has not been determined on actuarial valuation. It is expected that the provision accounted for will not be less than the liability which may arise under actuarial valuation. Further the financial impact of the same is insignificant and also the cost of actuary valuation will not commensurate with the benefits.

8. SHORT TERM RUNNING FINANCE

Utilised under Mark-up arranged (secured):

From Commercial Banks:

	Notes	2002 Rupees
Export Refinance	(Note 8.1)	150,000,00
Running Finance	(Note 8.2)	85,740,66
Export Foreign Currency Refinance	(Note 8.3)	94,508,75
		330,249,415

8.1 Export refinance is secured against out-standing export proceeds, hypothecation of stock and receivables and personal guarantee of all the directors.

Rate of Mark-up: ranges between paisas 19 to 22 per thousand rupees per day (2001 paisas 22 / 1000 / days)

Extent of Facility Rs. 410 Million (2001 : Rs. 350 Million)

8.2 Running finance is secured against hypothecation of stock and equitable mortgage of Plant and Factory and Personal guarantee of all the Directors.

Rate of Mark-up : Paisas 42 per thousand rupees per day.

Extent of Facility Rs. 110 Million (2001: Rs. 110 Million)

8.3 Foreign Currency financing is secured against the Bills receivable and Export Contracts.

Interest Rate: Six months L.1BOR rate plus 1.25%

	Notes	2002 Rupees
9. CREDITORS. ACCRUED AND OTHER LIABILITIES		
Creditors		134,286,07
Accrued Liabilities		25,386,22
Interest Accrued on Short Term Finance		2,942,33
Advances from Customers		6,888,64
Worker's Profit Participation Fund (Note 9.1)		5,158,03
Worker's Welfare Fund		750,00
Unclaimed Dividend & Bonus Fractions		263,87
Other liabilities (Note 9.2)		621,52
		176,296,709
9.1 WORKER'S PROFIT PARTICIPATION FUND		
Balance at the beginning of the year		4,071,75
Interest on last year Balance		384,86
		4,456,61
Paid to Trust		(4,456,614)
		5,158,03
		5,158,03
9.2 OTHER LIABILITIES		
Employees Vehicle Purchase Scheme		442,14
Employee EOBI & Income Tax Payable		179,37
		621,521
10. CONTINGENCIES AND COMMITMENTS		
COMMITMENTS :		
For Outstanding L/C in respect of Raw Material & Spares etc.		21,509,71
For Capital Expenditures		19,073,80
Bank Guarantee issued to Sui Southern Gas Company Ltd.		18,208,000

11. OPERATING ASSETS

PARTICULARS	COST		
	As at 01-Jul-01	Additions During the Year	Disposal During the Year
Lease Hold Land	35,188,573	-	-
Factory Building on lease hold land	86,974,948	-	-
Non Factory building on lease hold land	18,143,964	1,520,000	-
Plant & Machinery	766,945,181	49,088,215	16,172,84
Factory Equipments	35,417,754	1,905,859	-
Office Equipments	14,195	705,647	-
Furniture & Fixtures	4,691,739	287,230	-

Vehicles	43,258,416	3,362,000	2,457,000
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TOTAL RUPEES : JUNE 2002	1,004,815,461	56,868,951	18,629,840
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TOTAL RUPEES : JUNE 2001	998,685,137	63,531,531	57,401,207
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Note: Depreciation charge has been allocated to

	01-07-01 to 30-06-2002 Rupees
Cost of Sales & Services	51,376,56
Administrative Expenses	6,097,77
	57,474,338

11.1 DETAILS OF DISPOSAL OF FIXED ASSETS

PARTICULARS	Year of Purchase	Original Cost	Accumulated Depreciation
1 Stork RD Printing Machine	1987	16,172,840	12,651,45
2 Suzuki V-0775	1993	173,750	147,51
3 Honda Civic Model Exi-96	1996	748,000	551,91
4 Daihatsu Coure ACY - 661	2000/2001	369,000	73,80
5 Suzuki Cultus	2000/2001	555,000	111,00
6 Lancer	1998	350,250	316,40
7 Honda Motor Cycle - KCC-2201	1996/1997	60,500	29,52
8 Honda Motor Cycle - KAV-0594	2001	69,000	-
9 Honda Motor Cycle CD-70	1997	61,500	41,34
10 Honda Motor Cycle CD-70	1998	70,000	41,32
	2002	18,629,840	13,964,29
	2001	57,401,207	29,384,44

Rate %	Upto 1-Jul-01	For the Year	DEPRECIATION on Disposal During The Year	Upto 30-Jun-02
-	-	-	-	-
10	51,723,159	3,525,179	-	55,248,33
5	4,186,506	773,873	-	4,96
10	351,310,421	46,120,159	12,651,459	384,779,12
10	20,011	1,731,229	-	21,742,55
10	6,169,591	873,094	-	7,042,68
10	3,046	193,341	-	3,238,89
20	24,188,935	4,257,463	1,312,834	27,133,56

460,635,490	57,474,338	13,964,293	504,145,535
431,633,021	58,386,913	29,384,445	460,635,489

Sales Proceeds	Profit (Loss)	SOLD TO
1,200,000	(2,321,381)	Riaz Fabric (Pvt) Ltd. Kor
125,000	98,765	Claim from E F U Genera
196,084		Tanveer Ahmed
354,000	58,800	Claim from E F U Genera
540,000	96,000	Claim from E F U Genera
255,000	221,153	M. Aslam S/o. Abdul Satt
55,000	24,024	Claim from E. F U Genera
67,000	(2,000)	Claim from E. F U Genera
55,000	34,848	Claim from E. F U Genera
63,000	34,328	Claim from E. F U Genera
2,910,084	(1,755,463)	
17,714,972	(10,301,790)	

	Notes	2002 Rupees
12. CAPITAL WORK-IN-PROGRESS		
Plant & Machinery under erection		286,254,77
Civil work under construction		68,750,20
		355,004,980
13. STORES AND SPARES		
Stores		13,077,52
Spares		9,647,12
		22,724,643
14. STOCK-IN-TRADE		
Raw Materials		129,920,66
Work-in-Process		55,441,30
Finished goods		8,697,90
Packing Materials		3,468,30
		197,528,183
15. TRADE DEBTS		
UNSECURED - Considered Good		
Associated undertaking		825,34
Others		80,678,86
		81,504,211
Export Bills under collection (Secured against Export Letters of Credit)		179,650,58
		261,154,798
16. ADVANCES. DEPOSOTS. PREPAYMENTS		

AND OTHER RECEIVABLES

ADVANCES :

To Employees

14,364,38

Against Purchases & Services

5,896,63

For Expenses

467,42

20,728,445

Prepayments

285,82

OTHER RECEIVABLES :

Income Tax Refundable

4,654,07

Duty Drawback

21,045,56

Sales Tax Refundable

44,478,88

From Others

287,28

91,480,079

Notes
2002
Rupees

17. CASH AND BANK BALANCES

Cash in hand

1,141,58

Balance with Bank in Current Accounts

6,553,04

with Banks in Multiplier Accounts

2,066,98

9,761,610

18. SALES AND SERVICES

Export Sales

1,107,946,80

Local Sales

73,889,05

Waste Sales

881,66

1,182,717,530

SERVICES

Cloth processing printing & Dyeing

537,580,46

1,720,297,999

Less Commission and Brokerage

Local Processing Commission

(199,065)

1,720,098,934

19. COST OF SALES

Raw Material Consumed (Note 19.1)

1,073,583,72

Stores & Spares Consumed

47,551,28

Design, Stitching, Weaving Raising & Mending Charges

74,601,80

Power, Water and Gas

156,906,08

Salaries Wages and Other Benefits

91,216,02

Repairs & Maintenance

22,822,67

Packing Charges

8,027,74

Rent Rates & Taxes

628,61

Insurance

2,021,33

Depreciation

51,376,56

Less: Duty Drawback

(42,130,55)

COST OF PRODUCTION

1,486,605,29

Work-in-Process - Opening	39,511,711
- Closing	(55,441,309)
	(15,929,590)
Cost of Goods Manufactured	1,470,675,700
Finished Goods - Opening	9,646,860
- Closing	(8,697,903)
	948,960
	1,471,624,670

19.1 RAW MATERIAL CONSUMED

Particulars	Raw Material Rs.	Packing Material Rs.	Total 2002 Rs.
Opening Stock	176,917,289	3,055,075	179,972,364
Add: Purchases	989,471	37,529,217	1,027,000,330
	1,166,388	40,584,292	1,206,972,690
Less: Closing Stock	129,921	3,468	133,389
Consumed	1,036,467,740	37,115,988	1,073,583,728

	Notes	2002 Rupees
20. ADMINISTRATIVE EXPENSES		
Salaries & Other Benefits		27,834,170
Security Charges		1,860,100
Rent, Rates & Taxes		33,080
Legal & Professional Charges		1,623,180
Insurance		154,480
Conveyance		240,510
General Expenses		1,559,940
Postage & Telegram		296,140
Telephone		4,715,850
Subscription		400,850
Travelling		5,566,520
Printing & Stationery		1,429,140
Motor Vehicle Expenses		4,010
Cartage		1,325,430
Advertisement		301,710
Charity & Donation	(Note 20.1)	2,834,440
Auditors Remuneration	(Note 20.2)	163,090
Depreciation		6,097,770
		60,446,219

20.1 CHARITY AND DONATION

None of the Directors or their Spouse has any interest in donee's fund

20.2 AUDITOR'S REMUNERATION

Audit fee	150,00
Out of pocket expenses	13,09
	163,095

(Auditors sharing their fee equally)

	Notes	2002 Rupees
21. SELLING AND DISTRIBUTION EXPENSES		
Export Expenses		25,371,87
Export Freight & Insurance		23,755,02
Cartage		-
Forwarding & Handling Charges		3,761,18
Export Quota Cost		-
		52,888,078
22. FINANCIAL CHARGES		
Interest on Long Term Loans		326,31
Mark-up on short Term Finances		28,107,03
Interest on Worker's Participation Fund		384,86
Bank Charges and Commission		2,732,43
		31,550,653
23. OTHER CHARGES		
Worker's Profit Participation Fund		5,158,03
Worker's Welfare Fund		750,00
24. OTHER INCOME / (LOSS)		
Profit on on Multiplier A/c		5,908,03
Rental Income		1,026,86
Loss on Sale of Fixed Assets		300,00
		(1,755,46)
		(428,601)
25. PROVISION FOR TAXATION		
Current		23,100,00
Deferred		1,700,00
Prior Year		(362,51)
		24,437,488
26. BASIC EARNING PER SHARE		
/ Profit after taxation		72,815,18
Number of Shares 17,873,628 (2001: 14,894,690)		
Basic Earning per share		4.0

	Notes	2002 Rupees
27. WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores & spares		(4,753,17)
Stock-in-trade		31,673,41
Trade debts		(30,608,49)
Advance, Deposits, Prepayments and		

Other receivables	5,686,02
	1,997,781
INCREASE / (DECREASE) IN CURRENT LIABILITIES	
Creditors, Accrued and Other liabilities	47,740,26
	49,738,05
28. CASH AND CASH EQUIVALENTS	
Cash & Bank Balances	9,761,61
Short Term Running Finance utilised under mark up arrangements	(330,249,415)
	(320,487,805)

29. REMUNERATION TO CHIEF EXECUTIVE. DIRECTORS AND EXECUTIVES

Detail of aggregate amount charged in above accounts as remuneration of Chief Executive, Directors and Executives are as under :

	2002		
	Chief Executive	Directors	Executives
Managerial Remuneration	-	1,080,000	6,055,36
Perquisites and Allowances	-	-	-
Car for Company's and Personal Use.			
Approximate money Value	317,534	973	-
	317,534	2,052,515	6,055,360
Number of Persons	1	4	1

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	Notes	2002 Rupees
Services obtained		54,416,94
Services provided		300,00

The maximum aggregate amount due from Associated undertaking at the end of any month during the year was Rs. 5,869,268 (2001: Rs. 1,145,613).

31. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined accurately as it depends upon quality of fabric and process, the quality of fabrics used for printing and dyeing, which may compose of

different kinds of fabrics and texture having different construction and weights. The production will vary accordingly.

32. FINANCIAL ASSETS AND LIABILITIES

	Interest / mark-up bearing		
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub- Total Rupees
Financial Assets			
Loan and advances	-	-	-
Long Term Deposits	-	500,000	500,000
Trade Debts	-	-	-
Other receivable	-	-	-
Cash and bank Balances	-	-	-
Total	-	500,000	500,000
Financial Liabilities			
Subordinated Loans	-	-	-
Long term loan	29,159,604	261,680,792	290,840,396
Short term finances	330,249,415	-	330,249,415
Creditors, accrued and other Liabilities	-	-	-
Proposed Dividend	-	-	-
Total	359,409	261,680,792	621,089,811
Grand Total	(359,409,019)	(261,180,792)	(620,589,811)

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company issues financial instruments mainly to finance its operation. In addition to the financial instruments, trade debts and trade creditors arise directly from the Company's operation.

The company finances its operation primarily by a mixture of issued share capital, long and short term finances / loans. The Company borrows funds usually at fixed rates of interest / mark-up.

a) **Interest rate risk management:-** Since the company borrows funds usually at fixed interest / mark-up rate thus the risk arising is minimal.

b) **Foreign exchange risk management:-Foreign currency risk arises where financial** instruments contain receivables and payables in foreign currency. Liabilities are covered through forward foreign exchange cover whereas the receivables have limited risk and that too in favourable to the Company as per past history.

c) **Concentration of credit risk:-** The Company considers that it is not exposed to major concentration of credit risk. The Company, however, is exposed to credit related losses in the event of non-performance by counter parties to financial instruments but does not expect any counter parties to fail to meet the obligation.

d) Fair value of Financial instruments:- The carrying value of all financial assets and liabilities reflected in the financial statements approximate their future value.

2002 2001

34. NUMBER OF EMPLOYEES

2002

Persons employed by the Company at the year end

96

35. GENERAL

- i. Figures have been re-arranged and re-grouped in a manner so as to facilitate comparison.
- ii. Figures have been rounded off to the nearest rupee.

Statement u/s 214(2) of the Companies Ordinance 1984

The Balance Sheet and Profit and Loss Account have not been authenticated by the Chief Executive as he is presently out of Pakistan.

LUQMAN F. POONAWALA

Director

ASIF Y. BAWANI

Director

SALIM N. MUKATY

Chairman

Karachi: September 26, 2002

Pattern of Share Holding

As on 30th June, 2002

Number of Share Holders	Share From	Holding To	Total Shares Held
2818	1	100	32,708
322	101	500	68,769
52	501	1000	36,316
79	1001	5000	162,330
8	5001	10000	56,428
25	10001	15000	320,559
9	15001	20000	157,438
28	20001	25000	629,488
20	25001	30000	551,496

9	30001	35000	290,651
4	35001	40000	153,840
14	40001	45000	602,915
2	45001	50000	90,798
11	50001	55000	581,770
3	55001	60000	166,186
1	105001	110000	106,384
3	110001	115000	339,341
1	130001	135000	132,171
2	140001	145000	287,028
2	165001	170000	337,976
1	175001	180000	178,941
1	185001	190000	186,177
1	190001	195000	192,106
1	210001	215000	213,218
1	355001	360000	360,000
2	370001	375000	744,724
1	380001	385000	383,793
1	550001	555000	554,109
1	610001	615000	611,355
1	685001	690000	687,045
1	1340001	1345000	1,344,865
2	2120001	2125000	4,247,116
1	3065001	3070000	3,065.59
3428			17,873,628

Catagories of Shareholders	Number	Shares held	Percentage
Individual	3422	17,821,520	99.71
Joint Stock Companies	4	46,600	0.26
Investment Companies	1	4,492	0.03
Insurance Companies	1	1,016	0.01
	3428	17,873,628	100

**Pattern of shareholding
As on 30th June, 2002
Additional Information**

Categories of Shareholders	Number of Share Holders	Shares Held	Percentage
1. Individual			
Holding More Than 10%	3413	4247116	23.76
Holding Less Than 10%		8442189	47.23
2. Investment Companies	1		
Investment Corporation of Pakistan		4492	0.02

3. Insurance Companies	1		
EFU general Insurance Ltd.		1016	0.00
4. Joint Stock Companies	4		
Sarfaraz Mahmrnood (Pvt) Ltd.		40	
CNPS Associates (Pvt) Ltd.		360	0.00
Al-Mal Securities & Services Ltd.		3600	0.00
Bulk Management Pakistan (Pvt) Ltd.		42600	0.23
5. Holding of Directors	9		
Mr. Salim Noor Muhammad Mukaty		3,065,587	17.15
Mr. Ashraf Salim Mukaty		1,344,865	7.52
Mrs. Hamida Salim Mukaty		687,045	3.84
Mr. Arif H.A. Sattar Maniya		20,132	0.11
Mr. Yousuf Noor Muhammad Mukty		3,086	0.01
Mr. Noor Muhammad Y. Mukaty		3,000	0.01
Mr. Madni Gul Mohammad		3,000	0.01
Mr. Luqman F. Poonawala		3,000	0.01
Mr. Asif Younus Bawany		2,500	0.01
TOTAL	3428	17,873,628	10