ANNUAL REPORT 2002

Nishat Chunian Ltd

CONTENTS

Brief Profile

The Company was incorporated in 1990 as a public limited company with an equity investment of PKR 100 million. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production on March 10, 1991. The capacity was enhanced to 19,200 spindles in 1998. In 1998, the Company diversified its business interests by venturing into a weaving project with the installation of 99 air jet looms. A new state of the art spinning unit started production in November 2000, increasing the total spinning capacity to about 40,872 spindles. Subsequently weaving capacity has been increased to 188 air jet looms while the spinning capacity has been enhanced to 50,952 spindles. The company is now equipped with the most modern manufacturing facilities in the country to produce high quality specialized products for its customers all over the world.

COMPANY INFORMATION

Board of Directors:

Mr. Muhammad Saleem	Chairman
Mr. Shahzad Saleem	Chief Executive
Mr. Yahya Saleem	
Mr. Anis Wahab Zuberi	Nominee NIT
Mr. Farid Fazal	
Syed Jawad Gillani	
Mr. Khalid Niaz Khawaja	

Audit Committee:

Mr. Shahzad Saleem	Chairman
Mr. Farid Fazal	Member
Syed Jawad Gillani	Member

Company Secretary:

Mr. Farrukh Ifzal

Bankers to the Company:

ABN AMRO Bank N.V
American Express Bank
Askari Commercial Bank
Citi Bank N.A
Credit Agricole Indosuez
Faysal Bank Limited
Habib Bank Limited
PICIC Commercial Bank Limited
Standard Chartered Bank
Union Bank Limited
United Bank Limited

Auditors:

A. F. Ferguson & Company
Chartered Accountants

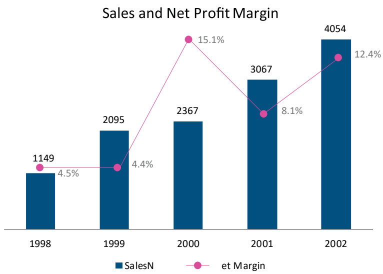
Registered & Head Office:

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

Mills:

Spinning 1
49th Kilometre, Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

Spinning 2 & Weaving
49th Kilometre, Multan Road,
Kamogal, Tehsil Pattoki
District Kasur.



Economic Environment

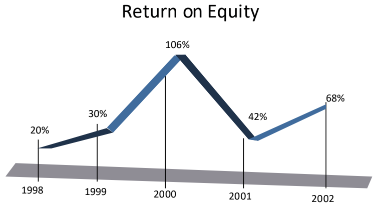
The economy had to face a series of shocks during the year under review. War in Afghanistan aggravated had an already uncertain business climate. Mobilization of troops along the eastern border and the real danger of a nuclear war made things even worse. The export sector was particularly badly hit when for the first time in the history of Pakistan, the rupee sharply appreciated against the dollar in the interbank market, completely altering the business projections of the exporters. Imposition of war risk insurance premium on export of goods was another setback.

There were a few positive developments also. Because of inflow of foreign grants and rescheduling of debt, the fiscal and balance of payments deficits remained in control, enabling the government to reduce bank borrowing and refrain from imposing additional taxes. Interest rates came down sharply. Providing relief to the business sector. A few countries softened quota restriction that provided space to some exporters. The economic environment provided as opportunity to effectively manage business to minimize the costs of the negative developments and maximize the benefits of the positive developments.

Performance of the Company

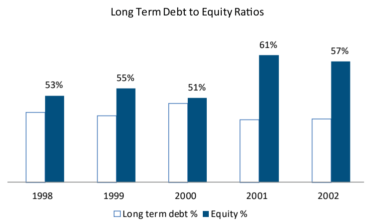
During the year sales increased by 32% to Rs 4.054 billion while net profit increased by 102% to Rs 503.3 million. Net profit margin improved from 8.1% in year ended 2001 to 124% this year. The five year trend of sales and profits illustrates the cyclical nature of the business. The improved performance this year can be attributed to a number of factors. The capacity of the weaving unit was increased from 128 air jet looms to 176 looms in November 2001 and then to 188 looms in April 2002. With this expansion the sizing and weaving capacity was balanced', and the fixed costs were allocated to a large production base resulting in an increase in profitability. The new spinning unit installed in December 2000 was streamlined, the teething problems were removed and the contribution to the profits from the unit was increased in the year ended 2002. Due to the increase in capacity, the product diversity and the production flexibility were improved that helped in employing a more aggressive marketing strategy resulting in better profit margins.

The management effectively handled the sharp decline in the value of dollar and minimized the negative impact through timely hedging of foreign currency. There was a reduction in the interest rate and the leverage of the company also came down due to retained earnings. These factors coupled with a re-profiling of our long term debts resulted in a significant reduction of our financial charges, which is discussed later in this report. Return on equity this year is 67.7%,while earning per share is Rs 12.48. The average return on equity during the last five years is 53%. Our target is to maintain a long term ROE of 30-40%.



Investments and Sources of Financing

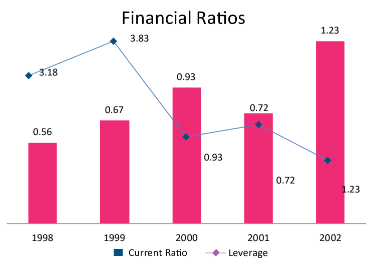
During the year about Rs 466 millions were invested in the fixed assets to increase the weaving capacity and to import machinery for the addition of 10,000 spindles in the spinning unit that have started operating in November 2002. Depreciation cash flow of Rs 166 million and net increase in long term debt of Rs 223.5 million were used to finance this expansion. Retained earnings for the year were utilized to replace our short term borrowing in order to improve our current ratio.

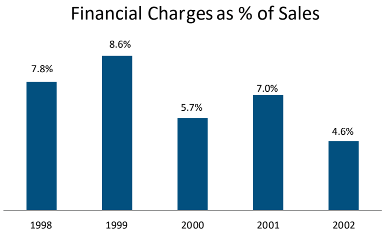


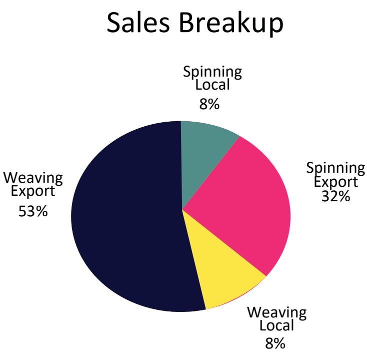
Financial Structure

Since the seasonal and cyclical fluctuations expose the textile industry to higher risk, we have employed a conservative financial structure. We have shifted our borrowing from short term to long term to improve our current ratio and have reduced our leverage. Our target debt to equity ratio is 55:45 which is well within the limit prescribed by the prudential regulations of the State Bank of Pakistan.

The illustration shows that we have kept our financial ratios in control during the last three years. Decisions for future investments have also been made replaced our short term debt with long term, but also re-profiled our outstanding long term debt. Taking advantage of a reduction in the interest rates we have replaced our entire high cost long term debt with the low cost one. Very low interest rates in US dollar and stability in the exchange rate of rupee against dollar have made dollar loans very attractive. We have taken advantage of this option also and have reduced our borrowing cost significantly. The illustration shows the impact of our financial strategy and reduction in the interest rates in general on the financial charges that have markedly reduced as a percentage of sales over the past years.







Marketing
One of the key factors of our competitiveness is our aggressive marketing strategy. We focus on niche marketing with specialized products. Our quality products are supplemented with professional customer service to build long term relationship with the customers. We have differentiated our company through consistent quality, reliable delivery and proactive handling of customers' needs.

Dividends
The company has maintained a stream of steady dividend payouts while retaining adequate portion of the profits for future growth. This year also we have proposed Rs 2.5 per share as dividend amounting to Rs 100.8 million and 10% bonus shares. Rs 360 million are being transferred to general reserves, while Rs 40.32 million are being transferred to reserve for issue of bonus share

Future Outlook
Removal of protection world wide is creating threats as well as opportunities. In Future it will become increasingly difficult to maintain competitive edge, but at the same time potential rewards will also increase. We are focusing our efforts on specializing in value added products. Different plans for vertical integration and product diversification are under consideration that will materialize entire future. Installation of a power plant is also under consideration for the last one year. We have evaluated various options incorporating different combinations of fuels and capacities. In the near future, when we get the gas connection, we will finalize an optimal solution catering to all of our requirements. We are considering acquiring a fertilizer plant from the government through the privatization process. Pakarab Fertilizer is located in Multan and produces three types of fertilizers. The purpose of the proposed acquisition is to diversify our business and enter a sector that is dependent on the local market for sales and for the supply of raw materials. in this way we will reduce our exposure to currency fluctuations and international shocks.

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

a. The financial statements prepared by the management of the company.

present fairly its true state of affairs, the results of its operations, Cash flow and changes in equity .

b. Proper books of account of the Company have been maintained.

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

d. international accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.

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

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

g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations of the stock exchanges.

h. The value of investment of unapproved contributory provident fund as at September 30, 2002 amounts to Rs. 952,442.

i. The pattern of shareholding as at September 30, 2002 is annexed.

Board of Director	Attendance
Mr. Muhammad Saleem	4
Mr. Shahzad Saleem	2
Mr. Yahya Saleem	1
Mr. Anis Wahab Zuberi	2
Mr. Jawad Gillani	3
Mr. Farid Fazal	2
Mr. Shujaat Mirza	2

On behalf of the board

Lahore :
December 26, 2002

Muhammad Saleem
Chairman

	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
										(Rupees in thousand)
Capital	100,000	120,000	144,000	144,000	144,000	144,000	144,000	403,200	403,200	**403,200**
Reserves	28,384	86,730	64,306	86,988	110,627	162,237	194,792	192,289	340,409	**742,888**
Net Worth	128,384	206,730	208,306	230,988	254,627	306,237	338,792	595,489	743,609	**1,146,088**
Long Term Liabilities	142,761	116,660	50,657	34,737	26,765	270,431	280,856	567,030	476,321	**865,539**
Current Liabilities	234,899	200,045	242,494	235,245	201,965	702,242	1,015,989	619,802	1,130,202	**773,885**
Total Equity & Liabilities	506,044	523,435	501,457	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132	**1,639,424**
Fixed Assets	358,659	326,765	299,319	271,695	258,221	886,593	956,365	1,202,614	1,537,288	**1,829,775**
Long Term Deposits	10,960	6,311	4,707	2,059	311	227	227	527	545	**545**
Current Assets	136,425	190,359	197,431	227,216	224,825	392,090	679,048	579,180	812,298	**955,192**
Total Assets	506,044	523,435	501,457	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132	**2,785,512**
Sales	519,787	663,261	838,915	971,188	1,111,537	1,148,551	2,094,958	2,367,018	3,066,830	**4,054,099**
Gross Profit	109,855	162,425	92,821	172,615	186,017	183,371	362,475	628,457	684,287	**966,745**
Operating Profit plus Other Income	77,528	125,212	54,421	148,573	144,251	156,465	290,531	533,773	523,634	**781,787**
Financial & Other charges	66,037	56,633	47,620	91,423	91,225	93,244	185,936	155,772	237,811	**218,099**
Taxation	0	10,232	5,225	5,669	7,787	11,611	13,000	20,504	36,903	**60,409**
Net Profit	11,491	58,347	1,576	51,481	45,239	51,610	91,595	357,497	248,920	**503,279**
Gross Margin	21.1%	24.5%	11.1%	17.8%	16.7%	16.0%	17.3%	26.6%	22.3%	**23.8%**
Net Margin	2.2%	8.8%	0.2%	5.3%	4.1%	4.5%	4.4%	15.1%	8.1%	**12.4%**
Current Ratio	0.58	0.95	0.81	0.97	1.11	0.56	0.67	0.93	0.72	**1.23**
Current Ratio as per SBP Regulations	1.00	1.38	1.12	1.04	1.16	0.61	0.80	1.52	0.87	**1.30**
Leverage (Total Liab./Net Worth)	2.94	1.53	1.41	1.17	0.90	3.18	3.83	1.99	2.16	**1.43**
Long Term Debt : Equity	53:47	36:64	20:80	13:87	10:90	47:53	45:55	49:51	39:61	**43:57**
EPS	1.15	4.86	0.11	3.58	3.14	3.58	6.36	8.87	6.17	**12.48**
EPS (Adjusted for bonus shares)	1.15	5.83	0.16	5.15	4.52	5.16	9.16	35.75	24.89	**50.33**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31 -O, Gulberg ll, Lahore on March 31, 2003 (Monday) at 11:30 am. to transact the following business:-

1. To confirm the minutes of the last General Meeting.

2. To receive and adopt audited accounts of the Company for the year ended September 30, 2002 together with Directors' and Auditors' reports thereon.

3. To approve 25% Cash Dividend (i.e. Rs.2.5 Per share) and 10% bonus issue (i.e. 1 bonus share against 10 existing shares) as recommended by the Directors.

4. To appoint auditors for the year ending September 30, 2003 and to fix their remuneration. The present Auditors M/s A.F. Ferguson & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

5. To elect seven Director of the Company for a period of three years in accordance with the previous of the companies Ordinance , 1984. the names of the retiring Directors are as under:

    1. Mr. Muhammad Saleem
    2. Mr. Shahzad Saleem
    3. Mr. Yahya Saleem
    4. Mr. Farid Fazal
    5. Syed Jawad Gillani
    6. Mr. Khalid Niaz Khawaja
    7. Mr. Anis Wahab Zuberi (Nominee NIT)

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

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

BOOKS CLOSURE
The Share Transfer Books of the Company will remain closed from 23-03-2003 to 31-03-2003 (both days inclusive) for the entitlement of Dividend & Bonus issue.

By Order of the Board

Lahore:
January 27, 2003

Farrukh Ifzal
Company Secretary

Notes:

1 The Cash Dividend will be paid & Bonus Shares will be issued to the shareholders, whose names will appear in the register of members as at the close of business on March 22, 2003.
2 All members should bring their Original National identity Card for identification purpose.
3 Nominations from the members for the Office of Directors must be received at least 14 clear days before the time of the Annual General Meeting at the registered office during working hours.
4 The beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and / or their proxies are required to produce their original National identity Card (MO) or Passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form along with attested copies of the NIC or the Passport of the beneficial owner and the proxy.
5 A member eligible to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received by the Company at the registered office not later than 48 hours before the time for holding the meeting during working hours.
6 Members are requested to immediately notify the change of address, if any.

STATEMENT OF COMPLIANCE

WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Board of Directors take pleasure in announcing that the Company has adopted the Code of Corporate Governance and actions have been taken for relevant clauses of the Code applicable during the year ended September 30, 2002 and has been duly complied with.

On behalf of the board

Muhammad Saleem
Chairman

Lahore: December 26, 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 Nishat (Chunian) Limited to comply with the Listing Regulation No.37 and 43 of the Karachi and Lahore Stock Exchange respectively, 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 objectively verified, whether the statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

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

A.F. FERGUSONS & CO.
Chartered Accountants

Lahore: December 26, 2002

We have audited the annexed balance sheet of Nishat (Chunian) Limited as at September 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 account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in notes 2.3 and 2.5 to the accounts 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 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, 2002 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 (XVlll of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. FERGUSON & CO.
Chartered Accountants

Lahore: December 26, 2002

	Note	2002	2001
		(Rupees in thousands)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
50,000 thousand (2001: 50,000 thousands) ordinary shares of Rupees 10 each		**500,000**	5,000
Issued, subscribed and paid up share capital	3	**403,200**	403,200
Reserves	4	**740,320**	340,000
Unappropriated profit		**2,568**	409
		1,146,088	743,609
LONG TERM LOANS	5	**855,000**	470,806
RETIREMENT AND OTHER BENEFITS	6	**10,539**	5,516
CURRENT LIABILITIES			
Current portion of long term loans	5	**35,000**	195,694
Finance under mark up arrangements and other credit facilities - Secured	7	**439,785**	664,483
Creditors, accrued and other liabilities	8	**195,471**	169,224
Taxation payable		**2,829**	-
Proposed dividend		**100,800**	100,800
		773,885	1,130,201
CONTINGENCIES AND COMMITMENTS	9	**-**	-
		2,785,512	2,350,132

	Note	2002	2001
		(Rupees in thousands)	
FIXED CAPITAL EXPENDITURE			
Operating fixed assets- Tangible	**10**	**1,634,342**	1,327,475
Capital work-in-progress	**11**	**195,433**	209,813
		1,829,775	1,537,288
LONG TERM DEPOSITS	**12**	**545**	545
CURRENT ASSETS			
Stores and spares	**13**	**57,178**	62,119
Stock in trade	**14**	**489,612**	445,216
Trade debts	**15**	**260,760**	164,932
Advance, deposits, prepayments and other receivables	**16**	**140,654**	119,473
Cash and bank balances	**17**	**6,988**	20,559
		955,192	812,299
		2,785,512	2,350,132

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2002

	Note	2002	2001
		(Rupees in thousands)	
Sales	18	**4,054,099**	3,066,830
Cost of goods sold	19	**3,087,354**	2,382,543
Gross profit		**966,745**	684,287
Administrative expenses	20	**55,842**	41,351
Selling and Distribution expenses	21	**159,878**	124,073
		215,720	165,424
Operating Profit		**751,025**	518,863
Other income	22	**30,762**	4,771
		781,787	523,634
Financial charges	23	**185,188**	215,859
Other Charges	24	**32,911**	21,952
Financing costs		**218,099**	237,811
Profit before taxation		**563,688**	285,823
Provision for taxation	25	**60,409**	36,903
Profit after taxation		**503,279**	248,920
Unappropriated profit brought forward		**409**	289
Available for appropriation		**503,688**	249,209
Appropriations			
- Transfer to general reserve		**360,000**	148,000
- Proposed dividend rupees 2.5 (2001: Rupees 2.5 per share)		**100,800**	100,800
- Transfer to reserve for issue of bonus shares		**40,320**	-
		501,120	248,800
Unappropriated profit		**2,568**	409
Earnings per share	33	**12.48**	6.17

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

FOR THE YEAR ENDED SEPTEMBER 30, 2002

	Note	2002	2001
		(Rupees in thousands)	
Cash flow from operating activities			
Cash generated from operations	**31**	768,862	427,122
Financial charges paid		(197,225)	(197,790)
Taxes Paid		(25,359)	(32,986)
Gratuity paid		(1,104)	(2,635)
Net cash inflow from operating activities		545,174	193,711
Cash flow from operating activities			
Fixed capital expenditure		(465,606)	(475,345)
Sale proceeds fixed assets		7,721	8,806
Decrease in long deposits		-	(18)
Net Cash (outflow) from investing activities		(457,885)	(466,557)
Cash flow from financing activities			
Debentures repaid		-	(628)
Long term loans received		881,000	134,000
Long term loans repaid		(657,500)	(269,167)
Dividend paid		(99,662)	(99,854)
Net cash inflow/(outflow) from financing activities		123,838	(235,649)
Net increase/(decrease) in cash and cash equivalents		211,127	(508,495)
Cash and cash equivalents at beginning of the year		(643,924)	(135,429)
Cash and cash equivalents at end of the year	**32**	(432,797)	(643,924)

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2002

(Rupees in thousands)

	Share capital	General reserve	Reserve for Issue of bonus shares	Accumulated profit	Total
Balance as at 30 September 2000	403,200	192,000	-	289	595,489
Net profit for the year	-	-	-	248,920	248,920
Transfer to general Reserve	-	148,000	-	(148,000)	-
Dividend -Final Rs 2.5 per share	-	-	-	(100,800)	(100,800)
Balance as at September 30, 2001	403,200	340,000	-	409	743,609
Net profit for the year	-	-	-	503,279	503,279
Dividend -Final Rs 2.5 per share	-	-	-	(100,800)	(100,800)
Transfer from general reserve	-	360,000	-	(360,000)	-
Transfer to reserve for issue of bonus shares	-	-	40,320	(40,320)	-
Balance as at 30 September 2002	403,200	700,000	40,320	2,568	1,146,088

CHIEF EXECUTIVE

DIRECTOR

1 **LEGAL STATUS AND NATURE OF BUSINESS**

Nishat (Chunian) Limited is a public limited company incorporated under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. The Company is engaged in the manufacture and sale of yarn and fabric.

2 Summary of Significant accounting policies

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of Companies Ordinance,1984 and accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing interpretations Committee of the IASC, as applicable in Pakistan except where provisions of the Companies Ordinance, 1984 require otherwise, in which case such provisions have been applied.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences as referred to in Notes 2.9, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Adoption of international accounting standards (IAS)

in the current year, the company has adopted IAS-39, Financial Instruments: Recognition and Measurement. The IAS has introduced a comprehensive framework in accounting for all financial instruments. The principal effect of the adoption of IAS-39 is that certain financial instruments including derivatives are now required to be carried at fair value. The company's detailed accounting policy in respect of such instruments is set out below.

Had there been no change in accounting policy the net profit and the total assets would have been lower by Rs 12.203 million. Revision to a number of IAS also took effect during the year. These revisions concern matters of detailed application which have no significant effect on the amounts reported for the current year.

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of 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 arising from 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 generally recognized 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 utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

However, provision for the current year is not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance 2001 and no timing differences are expected to arise in the foreseeable future.

2.5 Employee benefits

The man features of the schemes operated by the Company for its employees are as follows:

Gratuity

The company operates an unfunded statutory gratuity scheme for all its factory employees. Annual provision is made on the basis of actuarial valuation to cover the cover the obligation under the scheme for all employee eligible to gratuity benefits.

The latest actuarial valuation was carried out as at September 30, 2002. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:
- Discount rate 10 percent per annum.
- Expected rate of increase in salary level 9 percent per annum.

Consequential to the adoption of IAS-19 (revised 2000), the actuarial valuation for the plan determined a transitional liability of Rs 1.881 million as at September 30, 2002 which is being amortised over a period of five years. Had there been no change, profit before taxation for the year would have been higher by Rs 0.85 million.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 2000).

Provident fund

There is an unapproved contributory provident funds for its head office employees. Equal monthly contributions are made both by the company and employees to the funds in accordance with the fund rules.

Interest at the rate of 15% per annum (2002: 15 % per annum) is payable to the fund on the balance utilized by the company which is charged to income.

Accumulating compensated absences

The company provides for accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences. Under the rules head office employees and factory staff are entitled to 20 days leave per year and factory workers are entitled to 14 days leave per year respectively. Unutilized leaves can be accumulated up to 40 days in case of head office employees and factory staff and upto 28 days in case of factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance i.e. 40 days and 28 days in case of factory staff and workers respectively can be encashed by them at any time during their employment. Unutilised leaves can be used at any time by all employees, subject to the Company's approval.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to income.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

2.6 Fixed capital expenditure

Operating fixed assets except freehold land and capital work-in-progress are stated at cost less accumulated depreciation. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.9 and mark-up etc. in note 2.14.

Depreciation on all other operating fixed assets is charged to profit on the reducing balance method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 10.1.

The full annual rate of depreciation is applied to the costs of additions, except major additions or extension to existing facilities, while no depreciation is charged on assets deleted during the year. Major additions or extension to existing facilities are depreciated on a pro-rata basis for the period of use during theyear.

Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' revised carrying amount over its estimated useful life.

The net exchange differences relating to an asset at the end of each year are amortised in equal installments over its remaining useful life.

Major repairs and improvements are capitalized. Minor repairs and renewals are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

2.7 Stores and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.8 Stock in trade

These are stated at the lower of cost and net realisable value except for waste stock which is valued at net realisable value. Cost of raw materials represents:

- Spinning annual Average cost
- Weaving moving Average cost

Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Goods purchased for resale are stated at lower of cost based on FIFO and net realisable value. Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.9 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange differences on loans utilised for the acquisition of plant and machinery are capitalised upto the date of commissioning of the assets. All other exchange differences are included in profit currently.

2.10. Borrowing cost

Mark-up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to income.

2.11 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers.

Return on deposits is accrued on a time basis by reference to the principal outstanding and the applicable rate of return.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

2.13 Financial instruments

Financial instruments carried on the balance sheet include receivables, short term investment, cash and bank balances, finances under mark-up arrangements, long term loans and other payables, deposits, creditors, accrued and other liabilities. Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument.

Trade debts

Trade debts are carried at original invoice less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield methods. Finance charges are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

Derivative financial instruments

These are recognized using the trade date accounting and are measured initially at cost. At subsequent reporting dates these are remeasured to fair value and any gain or loss arising from fair value measurement is reported in net profit or loss for the period. as referred in note 2.3.

The Company uses trade date accounting for the recognition of its forward exchange contracts. It designates these forward exchange contracts as fair value hedges of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

2.14 Mark-up, interest, profit and other charges

Mark-up, interest, profit and other charges on long term liabilities are capitalised upto the date of commencement of commercial production. All other mark-up, interest, profit and other charges are charged to income.

2.15 Provisions

Provisions are recorded when the company has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.16 Business segments

The company is divided into two business segments

- Spinning: Manufacturing of yarn.
- Weaving: Weaving of fabric.

2.16.1 Allocation of Segment expenses

Joint expenses are allocated in the ratio of 60:40 to Spinning and Weaving segment respectively.

		2002	2001
		(Rupees in thousand)	
3. Issued, subscribed and paid up capital			
12,000,000	ordinary shares of Rupees 10 each fully paid in cash	**120,000**	120,000
32,352,000	ordinary shares of Rupees 10 each Issued as fully paid bonus shares	**283,200**	283,200
40,320,000		**403,200**	403,200

4. Reserves

Movement in and composition of reserves is as follows:

	2002	2001
Reserve for issue bonus shares		
- Transferred from profit and loss account	**40,320**	-
Revenue		
General reserves		
- At beginning of the year	**340,000**	192,000
- Transferred from profit and loss accounts	**360,000**	148,000
	700,000	340,000
	740,320	340,000

5. Long term loans - Secured

Loan Lender	2002 (Rupees in thousand)	2001 (Rupees in thousand)	Rate of Interest per annum	Number of Installment	Interest payable
1. ABN AMRO Bank	**140,000**	134,000	*SBP Discount rate + 2%	Eight equal half yearly installments commencing on November 01, 2002 and ending on May 01, 2006	half yearly
2. Citibank NA	-	20,833	*STFB rate + 1.70%		
3. Citibank NA - 2	-	36,667	*STFB rate + 2.25% subject to a floor of 14.75%.	-	
4. United Bank Limited	-	100,000	**SBP Discount rate + 2.25% subject to a floor of 13.25%.	-	
5. Syndicate loans:					
- ABN Amro Bank	-	100,000	**SBP Discount rate + 2% subject to a floor of 12.5%.		
- Habib Bank Limited	-	150,000			
- Gulf Commercial Bank Limited	-	75,000			
- Faysal Bank Limited	-	50,000			
	-	375,000			
6. Standard Chartered Bank	**250,000**	-	** SBP discounted rate + 1.75% for period ending September 26, 2003 and SBP discount rate + 2 % for remaining period	Six equal half yearly installments commencing on March 27, 2004 and ending on September 26, 2007	Quarterly
7. ABN AMRO Bank - 2	**175,000**	-	** SBP discounted rate + 2%	Eight equal half yearly Installments commencing on January 01, 2004 and ending on July 01, 2007	Quarterly
8. Faysal Bank (Note 5.2)	**50,000**	-	11.5%	Eight equal half yearly Installments commencing on March 26, 2004 and ending on September 26, 2007	Semi annually
9. United Bank Limited - 2	**275,000**	-	*SBP Discount rate + 1.5% subject to floor of 11% and cap of 16.5%	-	Semi annually
	890,000	**666,500**			
Less : Current portion shown under current liabilities	**35,000**	195,694			
	855,000	**470,806**			

* Short Term Federal bonds
** State Bank of Pakistan

Loans No. 1 and 7 to 9

These are secured by first pari passu hypothecation charge on all present and future fixed assets of the company and an equitable mortgage of the Company's land to the extent of Rs 854 million.

Loans No. 2 to 5

These have been repaid during the year.

Loans No. 6

This is the secured by a registered ranking charge on specific fixed assets (plant and machinery) of the company to the extent of Rs 334.325 million.

		2002	2001
		(Rupees in thousand)	
6. RETIREMENT AND OTHER BENEFITS			
Staff Gratuity	- note 6.1	**10,136**	5,516
Leave encashment		**403**	-
		10,539	5,516

6.1 Staff retirement benefits

The amounts recongnized in the balance sheet are as follows:		
Present value of defines benefits obligation	**11,037**	-
Unrecognized actuarial gains	**604**	-
Unrecognized transitional liability	**(1,505)**	-
Liability as at September 30, 2002	**10,136**	-
Liability as at October 01, 2001	**5,516**	5,364
change in profit and loss account	**5,724**	2,787
Contribution by the company	**(1,104)**	(2,635)
Liability as at September 30, 2002	**10,136**	5,516

7. Finance under mark-up arrangements and other credit facilities - secured

Short term running finances	- note 7.1	**171,391**	313,332
Export finances - Preshipment / Postshipment	- note 7.2	**268,394**	351,151
		439,785	664,483

7.1 Short term running finances are available from commercial banks under mark-up arrangements amounting to Rs 1,130 million (2001: Rs 435 million) including Rs 440 million being the sub limit of the finance mentioned in note 7.2. The rates of mark-up range from Re 0.2328 to Re 0.3972 per Rs 1,000 per diem or part thereof on the balance outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year or earlier demand, additional mark-up is to be computed at the rates ranging from Re 0.2054 to Re 0.2534 per Rs 1,000 per diem or part thereof on the balance unpaid.

7.2 The company has obtained export finance facilities from commercial banks aggregating to Rs 1,465 million (2001: Rs 791.3 million) including Rs 370 million being the sub limit of the finance mentioned in note 7.1. The rates of mark-up range from Re 0.1137 to Re 0.3972 per Rs 1,000 per deim or part thereof on the balance outstanding. In the event, the company fails to pay the balance on the expiry of the quarter, year or earlier demand, additional mark-up is to be computed at rate ranging from Re 0.2054 to Re 0.2534 per Rs 1,000 per diem or part thereof on the balance unpaid.

7.3 Out of the aggregate facility of Rs 890 million (2001: Rs 500 million) for opening letter of credit (Including Rs 250 million and Rs 200 million being the sub limit of the finances mentioned in notes 7.1 and 7.2 respectively), the amount utilised as September 30, 2002 was Rs 348.718 million (2001: Rs 2.2 million).

7.4 Out of the aggregate facility of Rs 85 million (2001: Rs 60 million) for opening letter of credit (Including Rs 75 million and Rs 10 million being the sub limit of the finances mentioned in notes 7.2 and 7.3 respectively), the amount utilised as September 30, 2002 was Rs 66.821 million (2001: Rs 2.2 million).

The aggregate facilities are secured by hypothetication of all present and future current assets of the Company and lien on export bills.

			2002	2001
			(Rupees in thousand)	
8.	**Creditors, accrued and other liabilities**			
	Creditors		**67,746**	38,493
	Accrued Liabilities		**50,332**	66,053
	Advances from customers		**5,261**	3,956
	Mark-up on:			
	- Short term running finances and other credit facilities - Secured		**11,921**	25,646
	- Long term loans - secured		**13,741**	12,053
	Retention money		**4,834**	4,296
	Due to associated undertaking - Security General Insurance	- note 8.1	**15**	-
	Workers profit participation fund	- note 8.2	**29,720**	15,060
	Income tax deducted at source		**369**	333
	Unclaimed dividend		**3,489**	2,351
	Others		**8,043**	983
			195,471	169,224

8.1 The maximum aggregate amount due to associated company - Security General Insurance at the end of any month during the period was Rs 1.605 million (2001: Rs 1.788 million). Balance with associated company rates to normal business of the company and is interest free.

		2002	2001
8.2	**Workers' Profit Participation fund**		
	Opening balance as at 01 October	**15,060**	19,900
	Provision for the year	**29,720**	15,060
	Interest for the year	**994**	301
		45,774	35,261
	Less: Payments made during the year	**16,054**	20,201
	Closing balance as at 30 September	**29,720**	15,060

9 CONTINGENCIES AND COMMITMENTS

Commitments

Commitments in respect of capital expenditure are Rs 238.65 million (2001: Rs 110.58 million). Letters of credit other than capital expenditure are Rs 116.18 million (2001: Rs 3.79 million).

10. Operating fixed assets - tangible

10.1 The following is a statement of the tangible fixed assets.

(Rupees in thousand)

	Cost as at October 30, 2001	Additions/ (Deletions)	Cost as at September 30, 2002	Accumulated depreciation As at September 30, 2001	Charge for the year / (depreciation on deletions)	Accumulated depreciation As at September 30, 2002	Book Value as at September 30, 2002	- Depreciation Rate %
Land	39,128	680	39,808	-	-	-	39,808	-
Building	324,914	132,228	457,142	96,101	36,104	132,205	324,937	10
Plant and machinery	1,369,304	305,943	1,668,281	385,259	116,148	499,308	1,168,973	10
		(6,966)			(2,099)			
Furniture and fixture	5,568	5,367	10,935	1,617	632	2,549	8,386	10
Vehicles	30,287	6,067	32,363	11,050	4,621	13,881	18,482	20
					(1,790)			
Office equipment	7,903	1,999	9,852	2,482	737	3,219	6,633	10
		(50)						
Electrical installations	48,949	17,610	66,559	16,984	4,957	21,941	44,618	10
Tools and equipment	17,326	10,092	27,418	2,412	2,501	4,913	22,505	10
Rupees 2002	**1,843,379**	**479,986**	**2,312,358**	**515,905**	**166,000**	**678,016**	**1,634,342**	
		(11,007)			(3,889)			
Rupees 2001	1,319,631	533,831	1,843,381	385,316	132,773	515,906	1,327,475	
		(10,081)			(2,183)			

Addition to building, plant and machinery and electrical installation include interest amounting to Rs Nil (2001: Rs 21.434 million).

		2002	2001
		(Rupees in thousand)	
10.2 Depreciation charges for the year has been allocated as follows:			
Cost of goods sold	- note 19	**156,921**	127,417
Administrative expenses	- note 20	**9,079**	5,356
		166,000	132,773

10.3 Disposal of operating fixed assets

Detail of fixed assets sold during the year is as under:

(Rupees in thousand)

Particulars of the assets	Sold to	Cost	Accumulated Depreciation	Book value	Sale proceeds	Mode of Disposal
	Outsiders					
Plant and machinery	Kunjah Textile Mills Limited	3,483	1,050	2,433	2,400	Negotiation
	Kunjah Textile Mills Limited	3,483	1,050	2,433	2,400	-do-
Vehicles	Mr. Hassan Mehmood	354	70	283	342	Negotiation
	Mr. Mushtaq Ahmed	848	626	222	250	-do-
	Mr. Mian Muhammad Younas	995	587	408	660	-do-
	Lt.Co. Zulfiqar Ahmed Iqbal	377	223	154	305	-do-
	Security General insurance Company	1,070	214	856	967	Insurance claim
	Ex-Employees					
	Mr. Muhammad Yaqoob	347	69	278	347	Negotiation
Item below book value Rs 5,000		50	-	50	50	-do-
		11,007	3,890	7,117	7,721	

	2002	2001
	(Rupees in thousand)	

11. Capital work in progress

	2002	2001
Plant, machinery and equipments [include in transit Rs Nil(2001: Rs 120.278 million)]	**192,581**	120,278
Civil works	**1,035**	81,535
Advance to supplier	**1,817**	8,000
	195,433	209,813

Capital work-in-progress includes mark-up of Rs 2.4 (2001: Rs Nil).

12. Longterm deposits

These represent long term security deposits.

13. Stores and spares

	2002	2001
Stores [include in transit Rs 7.039 million (2001: Rs 10.287 million)] -note 13.1	**34,196**	33,415
Spares [include in transit Rs 1.325 million (2001: Rs Nil)]	**22,982**	28,704
	57,178	62,119

13.1 Stores include the following items held by third parties:

Description	Name of Party	2002	2001
Miscellaneous store items	M.K. Hussain-Supplier	**301**	-
-do-	3A International-Supplier	**552**	-
-do-	Rex Trading Corporation-Supplier	**8**	-
-do-	Askco-Supplier	**27**	-
		888	-

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

14. Stock in trade

	2002	2001
Raw materials [Include in transit Rs 125.901 million(2001:Rs Nil)]	**331,946**	283,271
Work in process	**59,631**	43,906
Finished goods - own produced	**88,070**	114,371
Finished goods - trading stock	**6,198**	919
Waste	**3,767**	2,749
	489,612	445,216

Included in raw material are 98 bales of cotton valuing Rs 1.166 million held at Umer Fabrics Limited.

15. Trade debts - considered good

	2002	2001
Export - Secured	**192,032**	131,581
Local	**68,728**	33,351
	260,760	164,932

Local debtors include secured debts of Rs 14.572 million (2001: Rs Nil).

		2002	2001
		(Rupees in thousand)	
16. Advance, deposits, prepayments and other receivables			
Advances - considered good to:			
- Employee	- note 16.1	**1,769**	1,472
- Suppliers		**37,926**	15,406
- Contractors		**404**	730
Short term deposits		**75**	518
Prepayments		**739**	442
Letter of credit - Margin, Deposits etc.		**5,755**	239
Claims recoverable from the government		**-**	32,221
- Income tax refundable		**64,001**	49,003
- Balances with statutory authorities for sale tax		**11,231**	14,596
- export rebate receivable		**75,232**	95,820
Forward Exchange contracts	- note 16.1	**18,068**	-
Other receivables		**686**	4,846
		140,654	119,473

16.1 Included in advances to employees are amounts due from executives of Rs 0.680 million (2001: Rs 0.178 million). The Maximum aggregated amount due from Executives at the end of any month during the year was Rs 0.659 million (2001: Rs 0.179 million).

16.2 The Company has entered into forward contracts with local banks to sell US dollars at contracted rates. The fair value of these contracts has been recognized in accordance with the provisions of IAS-39 as follows.

	2002	2001
Receivable from banks against US $ sold	**572,789**	-
value of US $ to be delivered	**554,721**	-
Fair value of forward exchange contracts	**18,068**	-

		2002	2001
17. Cash and bank balances			
On saving accounts - Pak Rupees	- note 17.1	**1,031**	1,905
On current accounts [Including US $ 743.83 (2001: US $ 110759.36)]	- note 17.2	**5,848**	18,399
		109	255
Cash in hand		**6,988**	20,559

17.1 Included in saving accounts is a balance of Rs 0.952 million relating to employees provident fund.

17.2 The foreign currency balances can only be utilized for the remittance of export marketing expenses.

			2002	2001
			(Rupees in thousand)	
18. Sales				
Export sales			**3,423,194**	2,562,378
Local			**628,863**	481,312
Waste			**20,099**	29,229
			4,072,156	3,072,919
Less:	Commission - Export			
	- Local		**47,817**	27,681
			2,601	3,267
			50,418	30,948
			4,021,738	3,041,971
Add:	Sizing income		**2,269**	1,685
	Double Income		**11,455**	7,254
	Export rebate		**18,637**	15,920
			32,361	24,859
			4,054,099	3,066,830

Sales are not sales tax aggregating to Rs 108.213 million (2001: Rs 121.047 million).

19. Cost of goods sold

			2002	2001
Raw and Packing material consumed			**2,075,862**	1,860,696
Stores, spares consumed			**103,126**	80,313
Salaries, wages and other benefits		- note 19.1	**114,355**	89,480
Fuel and power			**234,302**	187,643
Insurance			**4,496**	3,736
Postage and telephone			**1,224**	1,045
Traveling and conveyance			**774**	642
Vehicle running			**955**	1,026
Entertainment			**390**	312
Depreciation		- note 10.2	**156,921**	127,417
Repair and Maintenance			**1,111**	2,112
Other			**8,462**	10,706
			2,701,978	2,365,128
Opening work-in-process			**43,906**	24,369
Closing work-in-process			**(59,631)**	(43,906)
			(15,725)	(19,537)
Cost of goods manufactured			**2,686,253**	2,345,591
Opening stocks - Finished goods			**114,371**	69,918
- Waste			**2,749**	758
			117,120	70,676
			2,803,373	2,416,267
Closing Stock	- Finished goods		**(88,070)**	(114,371)
	- Waste		**(3,767)**	(2,749)
			(91,837)	(117,120)
			2,711,536	2,299,147
Cost of goods purchased for resale			**375,818**	83,396
			3,087,354	2,382,543

		2002	2001
		(Rupees in thousand)	
19.1 Salaries, wages and other benefits include the following in respect of gratuity:			
Current service cost		**4,608**	-
Interest cost for the year		**740**	-
Transitional liability		**376**	-
		5,724	-

In addition to above, Rs 1.644 million (2001: Rs 1.152 million) has been charged to respect of staff compensated absences.

20. ADMINISTRATIVE EXPENSES

		2002	2001
Salaries, wages and other benefits	- note 20.1	**16,671**	15,027
Printing and stationery		**1,150**	877
Vehicle's running expenses		**2,046**	1,318
Traveling and conveyance		**13,615**	8,428
Postage and telephone		**5,829**	5,179
Fee and subscription		**839**	794
Electricity, gas and water		**2,043**	785
Insurance		**1,732**	1,317
Repair and maintenance		**398**	45
Entertainment		**571**	500
Audit fee		**300**	244
Advertisement	- note 20.2	**145**	217
Depreciation	- note 10.2	**9,079**	5,356
legal and professional charges		**406**	586
Advances written off		-	95
Other		**1,018**	583
		55,842	41,351

20.1 Salaries, wages and benefits include Rs 0.198 million(2001: Rs 0.142 million) and Rs 0.741 million (2001: Rs 0.101 million) in respect of provident fund contribution by the employer and staff compensated absences respectively.

20.2 Auditors' remuneration

	2002	2001
Statutory audit	**220**	200
Certification fees etc.	**25**	-
Out of pocket expenses	**55**	44
	300	244

21. Selling and distribution expenses

	2002	2001
Ocean freight	**38,168**	40,579
Freight and octroi	**16,534**	15,120
Forwarding and other expenses	**13,738**	15,173
Export marketing expenses	**91,438**	53,046
Bad debts written off	-	155
	159,878	124,073

		2002	2001
		(Rupees in thousand)	
22. Other income			
Profit on sale of fixed assets		**603**	1,904
Sale of scrap		**868**	1,326
Exchange gain	- note 22.1	**9,183**	677
Unclaimed balances written back		**-**	146
Unrealized gain on forward contracts	- note 22.1	**18,068**	-
Mark-up on saving accounts		**350**	-
Others		**1,690**	718
		30,762	4,771

22.1 This includes net gain on forward exchange contracts settled during the year.

22.2 This represent the unrealised gain recognition of forward contracts, a hedging instruments, at fair value - refer note 16.

23. Financial charges			
Mark-up on running finances		**67,481**	40,479
Mark-up on export finances:			
- Preshipment		**11,071**	72,312
- Postshipment		**6,675**	4,822
Surcharge on debentures		-	8
Interest on long term loans - secured		**80,094**	81,187
Interest on workers' profit participation fund		**994**	301
Loan arrangement fee		**468**	-
Bank and other charges		**18,405**	16,750
		185,188	215,859
24. Other charges			
Workers' profit contribution fund		**29,720**	15,060
Donations	- note 24.1	**3,191**	6,892
		32,911	21,952
24.1 Donations			
Name of donee in which a director or his spouse has an interest:			
Mian Muhammad Yahya Trust, Lahore			
- Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.		**3,171**	6,892
25. Provision for taxation			
Current year	- note 25.1	**45,000**	35,000
Prior year		**15,409**	1,903
		60,409	36,903

25.1 The provision for current year taxation represents the tax liability under section 169 of the Income Tax Ordinance, 2001. For Purposes of current year taxation the Tax losses available for carry forward as at September 30, 2002 are estimated at approximately Rs 44.220 million (2001: Rs 45.154 million), including assessed tax losses of Rs 48.771 million (2001: Rupees 48.771 million).

25.2 Deferred tax provision has not been recognized, as the company is being assessed under the presumptive tax regime and the Company's export sales for the foreseeable future are likely to remain above the present threshold, i.e. 80% of the total sales.

25.3 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

	2002 %	2001 %
Applicable tax rate	**35.00**	35.00
Tax effect under presumptive tax regime	**(27.02)**	(22.75)
Effect of change in prior year's tax	**2.73**	0.66
Effect of change in rate for prior periods	-	-
	(24.29)	**(22.09)**
Average effective tax rate charged to profit and loss account.	**10.71**	12.91

26. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charges in accounts for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the company is as follows:

	Chief Executive		Directors		Executives	
	2002	2001	**2002**	2001	**2002**	2001
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	**801**	590	**1,696**	232	**10,480**	9,433
Contribution to provident fund	-	-	-	-	**768**	596
House rent	**360**	265	**763**	104	**4,149**	3,633
Conveyance	-	-	-	-	-	22
Utilities	**413**	269	**402**	157	**758**	558
Others	**2,135**	1,304	**3,640**	53	-	2,176
	3,709	2,428	**6,501**	546	**16,155**	16,418
Number of persons	**1**	**1**	**2**	**2**	**50**	**38**

The company also provides to chief Executive, Directors and certain Executives with free use of company maintained cars and residential telephones.

27. Transactions with associated undertakings

	2002 (Rupees in thousand)	2001
Purchase of good and services	-	11,904
Sale of goods and services	-	100,669
Insurance premium paid	**3,105**	5,094
Insurance claims received	**202**	952
	3,307	118,619

Transactions with associated undertakings are carried out on commercial term and conditions.

	Spinning		Weaving		Total	
	2002	2001	**2002**	2001	**2002**	2001
	(Rupees in thousand)		**(Rupees in thousand)**		**(Rupees in thousand)**	
28. Segment information						
Segment revenue						
- External	**1,604,044**	1,448,968	**2,450,055**	1,617,862	**4,054,099**	3,066,830
- inter segment	**517,008**	517,767	-	-	-	-
Net sales	**2,121,052**	1,966,735	**2,450,055**	1,617,862	**4,054,099**	3,066,830
Segment result before tax	**460,597**	427,517	**290,428**	91,346	**751,025**	518,863
28.1 Inter segment pricing						
Inter segment sales are recorded at fair market value.						
28.2 Segment assets						
Segment assets	**1,417,263**	1,136,022	**1,133,477**	1,008,440	**2,550,740**	2,144,462
Unallocated assets					**234,772**	205,670
					2,785,512	2,350,132
28.3 Segment liabilities						
Segment liabilities	**79,304**	43,970	**31,990**	36,232	**111,294**	80,202
Unallocated liabilities					**1,427,330**	1,526,321
					1,538,624	1,606,523
28.4 Other segment information						
Capital expenditure	**80,873**	431,404	**322,058**	26,055	**402,931**	457,459
Unallocated capital expenditure					**62,675**	17,886
					465,606	475,345
Depreciation	**77,842**	63,861	**79,079**	63,556	**156,921**	127,417
Unallocated depreciation					**9,079**	5,356
					166,000	132,773
Non-cash items other than depreciation					**-**	-

	2002	2001
	(Rupees in thousand)	
28.5 Secondary reporting format		
Segment revenue from external customers by geographical areas is as follows:		
Export sales		
- Far East countries	**1,526,045**	1,536,665
- USA	**1,376,998**	377,633
- Other countries	**520,151**	688,080
Local sales	**662,686**	519,480
	4,085,880	3,081,858

29. FINANCIAL INSTRUMENTS

DESCRIPTION	INTEREST/MARK-UP-BEARING Maturity upto one year	Maturity after one year	Sub Total	NON INTEREST/MARK-UP-BEARING Maturity upto one year	Maturity after one year	Sub Total	**Total 2002**	**Total** 2001	Effective interest rate %
	(Rupees in thousand)			(Rupees in thousand)			(Rupees in thousand)		
Financial assets									
Long term deposits	-	-	-	-	545	545	545	545	-
Trade debts	-	-	-	260,760	-	260,760	260,760	164,932	-
Advances, deposits									
Prepayments and									
other receivables	-	-	-	55,203	-	55,203	55,203	4,879	-
Cash and bank	1,031	-	1,031	5,957	-	5,957	6,988	20,559	1-10.5
	1,031	**-**	**1,031**	**321,920**	**545**	**322,465**	323,496	**190,915**	
Financial Liabilities									
Long term loans	35,000	855,000	890,000	-	-	-	890,000	666,500	10.75 - 11.5
Finance under mark									
up arrangements	439,785	-	439,785	-	-	-	439,785	664,484	4.15 - 14.5
Creditors, accrued									
and other liabilities	-	-	-	140,505	-	140,505	140,505	146,260	-
Commitments	-	-	-	238,658	-	238,658	238,658	110,583	-
Letter of Credit	-	-	-	116,180	-	116,180	116,180	3,786	-
	474,785	855,000	1,329,785	495,343	-	495,343	1,825,128	1,591,613	

Out total long term loans, loan amounting to Rs 250 million is to be on September 26, 2003 i.e before maturity date.

29.1 Financial risk management objectives

The company's activities expose it to variety of financial risks including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's discount rate and short term fedral bound rates, credit risks associated with various financial assets as referred to in note 29 and cash flow risk associated with accrued interests in respect of secured long term borrowings as referred to in note 5.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as three is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposer is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs 323.496 million (2001: Rs 190.915 million) financial assets which are subject to credit risk amount to Rs 318.965 million (2001:Rs 184.886 million). To manage exposure to credit risk, the company also applies credit limits to its customers.

(b) Foreign exchange risk management

Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect U.S. Dollars. The company uses forward contracts to huge their exposure to foreign currency risk in the local reporting currency.

(c) Interest rate risk

The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates as referred in note 5.

(d) Liquidity risk

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

(e) Fair value of financial instruments

The carrying value of all financial instruments reflected in the financial statements approximate their fair values. The fair value of forward foreign exchange contracts is the difference between the committed rate and the exchange rate prevailing at the balance sheet date.

	2002	2001
30. Plant capacity and actual production		
Spinning		
Number of spindles installed	**40,872**	40,872
Number of spindles worked	**40,872**	36,003
Number of shift per day	**3**	3
Capacity after conversation into 20 count (Kgs.)	**14,285,569**	12,341,947
Actual Production of yarn after conversion into 20 count (Kgs.)	**13,652,258**	11,202,025
Under utilisation of available capacity was due to		
- processing of coarser counts.		

Weaving

		2002	2001
Number of looms installed		**188**	128
Number of looms worked		**188**	128
Number of shift per day		**3**	3
Capacity after conversion into 50 picks - square yards		**75,049,973**	62,755,667
Actual production of fabric after conversion into 50 picks yards		**74,396,351**	60,889,953

Under utilisation of available capacity was due to following reasons
- Change of article required
- Width loss due to specification of the cloth; and
- Due to normal maintenance

		2002	2001
		(Rupees in thousand)	
31. Cash generated from operations			
Profit before taxation		**563,688**	285,823
Add/(less) adjustment for non cash charges and other items.			
Depreciation		**166,000**	132,772
Profit on sale of operating fixed assets		**(603)**	(1,903)
Advance written off		**-**	94
Bad debt written off		**-**	154
Unclaimed balance written off		**-**	(146)
Provision for gratuity		**5,724**	2,786
Provision for leave encashment		**406**	-
Unrealized gain on short term investment		**(18,068)**	-
Financial charges		**185,188**	215,859
Donation		**-**	996
Working capital charges	- note 31.1	**(133,470)**	(209,313)
		768,862	427,122
31.1 Working capital changes			
(Increase) / decrease in current assets			
- Stores and spares		**4,941**	(912)
- Stock in trade		**(44,396)**	(227,198)
- Trade debts		**(95,828)**	(46,165)
- Advances, Deposits, Prepayments and other receivables excluding taxes refundable		**(35,334)**	30,318
		(170,617)	(243,957)
Increase in current liabilities			
- Creditors, accrued and other liabilities		**37,147**	34,644
		(133,470)	(209,313)
32. Cash and cash equivalents			
Cash and bank balances	- note 17	**6,988**	20,559
Finance under mark-up arrangements and other credit facilities	- note 7	**(439,785)**	(664,483)
		(432,797)	(643,924)

		2002	2001
33. EARNINGS PER SHARE			
33.1 BASIC EARNINGS PER SHARE			
Net profit for the year	Rupees in thousand	**503,279**	248,920
Number of ordinary shares outstanding during the year	Number in thousand	**40,320**	40,320
Earnings per share - basic	Rupees	**12.48**	6.17

33.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments

34. NUMBER OF EMPLOYEES

	2002	2001
Number of employees at the year end	**2,092**	2,030

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 26, 2002 by the board of directors of the Company.

36. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, there is no significant re-classification of the previous figures.

CHIEF EXECUTIVE

DIRECTOR

Form - 34

The Companies Ordinance, 1984
Pattern Of Holding Shares Held By The Members
As At September 30, 2002

SHARE HOLDERS	SHARES HOLDING FROM	TO	TOTAL SHARES HELD
353	1	100	19531
1105	101	500	331359
328	501	1000	247785
893	1001	5000	1970342
123	5001	10000	901815
47	10001	15000	597983
29	15001	20000	510616
21	20001	25000	467276
14	25001	30000	390621
8	30001	35000	261908
4	35001	40000	151868
4	40001	45000	167628
5	45001	50000	237600
4	50001	55000	207900
1	55001	60000	58000
2	60001	65000	125200
1	70001	75000	73808
2	75001	80000	153048
1	80001	85000	84921
3	85001	90000	262400
1	110001	115000	115000
1	145001	150000	149500
2	160001	165000	325500
1	180001	185000	184000
1	195001	200000	200000
2	245001	250000	498000
1	250001	255000	250300
1	275001	280000	279000
1	290001	295000	293000
1	360001	365000	364000
1	375001	380000	375480
1	400001	405000	400160
1	415001	420000	420000
1	460001	465000	461490
1	485001	490000	488000
1	575001	580000	579500
1	620001	625000	622944
1	750001	755000	752000
1	815001	820000	819078
1	915001	920000	917288
1	980001	9850000	984593
1	1455001	1460000	1455246
1	1510001	1515000	1512000
1	1705001	1710000	1707000
1	1755001	1760000	1760000
1	1790001	1795000	1790600
1	1995001	2000000	2000000
1	2235001	2240000	2240000
1	2290001	2295000	2293000
1	3680001	3685000	3683212
1	5175001	5180000	5178500
2,981			40,320,000

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