

# **GUL AHMED TEXTILE MILLS LIMITED**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED SEPTEMBER 30, 2003**

#### **1. THE COMPANY AND ITS OPERATIONS**

- 1.1 Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Accounting convention**

Accounts of the Company have been prepared on historical cost convention, modified by adjustments of exchange difference referred in Note 2.2.

##### **2.2 Foreign currency translation**

Assets and liabilities in foreign currencies are translated in to Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual agreements.

Foreign currency transactions are translated in Pak Rupees at the rates ruling on the transaction date or as fixed under contractual agreements.

Exchange differences on loans and deposits created to hedge these loans are capitalized upto the date of commissioning of the assets. Other exchange differences are included in current year's income.

##### **2.3 Borrowing Cost**

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. All other mark-up, interest, profit and other charges are charged to income.

##### **2.4 Retirement gratuity**

The Company operates an unfunded gratuity scheme payable to its employees under the law. Consequent to the adoption of IAS 19 (revised 2000), the Company now accounts for gratuity provision on the basis of actuarial valuation on Projected Unit Credit method after taking into consideration the expected rate of increase in salary @10% per annum, discounted @10% over the remaining period of service.

##### **2.5 Taxation**

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any. Deferred taxation is accounted for on all material temporary differences using the liability method.

##### **2.6 Fixed assets**

###### **Tangible operating assets**

Tangible operating assets are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of fixed assets are included in current year's income.

###### **Intangible assets**

Intangible assets are stated at cost less accumulated amortization, if any. Amortization is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

During the year, due to rapid technological advancements, Management has changed its previous accounting estimate to straight line basis to reflect more appropriate allocation of amortization over the useful life of the assets.

Had there been no change in accounting estimate, the profit and assets would have been lower by Rs.276 (000) and Rs.1,230 (000) respectively.

2.7 **Investment in subsidiary**

Investments are initially measured at cost. At subsequent reporting dates, the company reconsiders the carrying amounts of the investments to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognized as an income not exceeding the amount of original cost.

2.8 **Stores and spares**

Stores, chemicals and spare parts are valued at average cost and goods-in-transit are stated at actual cost.

2.9 **Stock-in-trade**

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value.

2.10 **Trade debts**

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

2.11 **Revenue recognition**

Sales are recorded on despatch of goods to buyers.

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
17,484,722 ordinary shares of Rs.10 each fully paid in cash	174,847	174,847
5,447,326 ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
11,141,249 ordinary shares of Rs.10 each issued as fully paid bonus shares	111,413	111,413
	<u>340,733</u>	<u>340,733</u>
<b>4. RESERVES</b>		
Revenue reserve		
General reserve	1,295,000	1,120,000
Add: Transfer from profit and loss account	<u>200,000</u>	<u>175,000</u>
	1,495,000	1,295,000
Capital reserve		
Share premium	131,086	131,086
Book difference of share capital under scheme of arrangement for amalgamation	<u>21,559</u>	<u>21,559</u>
	152,645	152,645
	<u>1,647,645</u>	<u>1,447,645</u>

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>5. LONG TERM LOANS - SECURED</b>		
5.1 Suppliers Credit 7	<b>36,493</b>	53,693
5.2 Suppliers Credit 8	<b>7,625</b>	21,496
5.3 Suppliers Credit 9	<b>62,301</b>	76,077
5.4 Habib Bank Limited Loan 1	<b>33,333</b>	55,556
5.5 Habib Bank Limited Loan 2	<b>233,333</b>	300,000
5.6 Standard Chartered Bank	<b>50,000</b>	75,000
5.7 United Bank Limited Loan 1	<b>150,000</b>	175,000
5.8 United Bank Limited Loan 2	<b>500,000</b>	-
5.9 Pakistan Industrial Credit & Investment Corporation	-	185,608
5.10 Credit Agricole Indosuez	<b>67,500</b>	90,000
	<b>1,140,585</b>	1,032,430
Less: Current maturity shown under current liabilities	<b>192,609</b>	275,381
	<b>947,976</b>	757,049

- 5.1 Suppliers Credit 7 is repayable in 12 half yearly equal instalments commencing from May, 1999. Interest is payable half yearly @1.50% above six months EURO LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by pari passu charge over the fixed assets of the Company.
- 5.2 Suppliers Credit 8 is repayable in 12 half yearly equal instalments commencing from August, 1998. Interest is payable half yearly @1.50% above six months EURO LIBOR. The loan is guaranteed by Habib Bank AG Zurich and the guarantee is secured by hypothecation charge over specified machinery.
- 5.3 Suppliers Credit 9 is repayable in 12 half yearly equal instalments commencing from May, 2000. Interest is payable half yearly @1.50% above six months EURO LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by pari passu charge over the fixed assets of the Company.
- 5.4 Habib Bank Limited Loan 1 is repayable in nine half yearly equal instalments commencing from December, 2000. Markup is payable on average cut-off yield on six months T-Bills auctioned during the six months immediately preceding the mark-up payment date plus 2.50% with a minimum rate of 14% per annum. Effective July, 2003 mark-up rate revised to 1.50% above 6 months T-bill rate with no floor and no cap. The loan is secured by pari passu charge over the fixed assets of the Company.
- 5.5 Habib Bank Limited Loan 2 is repayable in nine half yearly equal instalments commencing from October, 2002. Mark-up is payable half yearly @ 14.50% per annum for first 18 months and subsequently @ 1.60% above five years Pakistan Investment Bond cut-off yield, auctioned immediately preceding the start of six monthly payment period. The loan is secured by way of pari passu charge over the fixed assets of the Company.
- 5.6 Standard Chartered Bank Loan is repayable in eight half yearly equal instalments commencing from January, 2002. Mark-up is payable quarterly @ 1.50% above SBP's discount rate immediately preceding the previous mark-up payment date with a minimum rate of 13% per annum revised to 11.50% effective April 2002. Effective from January, 2004 mark-up will be revised to six months T-bill cut-off yield plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.

- 5.7 United Bank Limited Loan 1 is repayable in eight half yearly equal instalments commencing from September, 2002. Mark-up is payable half yearly @ 2.50% above prevailing SBP's discount rate at the time of due date of the relevant instalment or six months T-Bill+1.50%, whichever is higher. This amount is now repayable in six half yearly equal instalments commencing from March 2006. Mark-up is payable half yearly at six months T-bill cut-off yield immediately preceding the mark-up payment date plus 1%. The loan is secured by way of pari passu charge over the fixed assets of the Company.
- 5.8 United Bank Limited Loan 2 is repayable at the time of maturity in September, 2008. Mark-up is payable half yearly @ 0.85% above six months T-bill cut-off yield immediately preceding the mark-up payment date. The loan is secured by way of hypothecation of stock, book debts and receivables.
- 5.9 Pakistan Industrial Credit & Investment Corporation Limited Loan was repaid during the year.
- 5.10 Credit Agricole Indosuez Bank Loan is repayable in eight half yearly equal instalments commencing from March, 2003. Mark-up is payable half yearly @ 1.50% above SBP's discount rate prevailing before the beginning of each six months payment period. Effective from September, 2003 mark-up rate has been revised at 6-months T-bill cut-off yield plus 2% with a minimum rate of 4% per annum. The loan is secured by hypothecation charge over specified machinery.

## 6. TAXATION

Liability for deferred taxation as on the Balance Sheet date has been provided in full.

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>7. GRATUITY</b>		
Opening balance as at October 1	35,974	27,393
Provision during the year	<u>14,321</u>	<u>10,373</u>
	50,295	37,766
Paid during the year	<u>(5,245)</u>	<u>(1,792)</u>
Closing balance as at September 30	<u><u>45,050</u></u>	<u><u>35,974</u></u>
<b>8. SHORT TERM RUNNING FINANCE - SECURED (Under mark-up arrangements)</b>	<u><u>2,068,619</u></u>	<u><u>1,873,264</u></u>

The above amount includes Rs.1,628 million (2002: Rs.1,730 million) which is secured by pari passu hypothecation/ floating charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs.2,565 million (2002:Rs.2,152 million).

The balance amount of short term running finance Rs.441 million (2002: Rs.144 million) is secured against US Dollar bonds, referred to in note 20. Unavailed facility at the year end was Rs.71 million (2002: Rs.368 million).

Mark-up rates range from 1.75% to 6.25% (2002: 2.39% to 14%) per annum.

	<u>2003</u>	<u>2002</u>
	Rs000s	
<b>9. CREDITORS AND ACCRUED LIABILITIES</b>		
Creditors	427,832	330,015
Due to associated undertakings	142	-
Accrued expenses	168,101	145,285
Workers' profit participation fund (note 9.1)	23,261	28,064
Interest/mark-up accrued on loans (secured)	23,722	31,804
Mark-up on running finance (secured)	13,568	11,962
	<u>656,626</u>	<u>547,130</u>

**9.1 Workers' profit participation fund**

Opening balance as at October 1	28,064	39,269
Provision for the year	20,246	21,268
Interest for the year	3,015	6,796
	<u>51,325</u>	<u>67,333</u>
Less: Payments made during the year	28,064	39,269
Closing balance as at September 30	<u>23,261</u>	<u>28,064</u>

**10. OTHER LIABILITIES**

Unclaimed dividend	482	478
Others	7,212	4,964
	<u>7,694</u>	<u>5,442</u>

**11. CONTINGENT LIABILITIES AND COMMITMENTS**

11.1 The Company is contingently liable for:

(a) Rs.73 million (2002: Rs. 73 million) against guarantees issued by Banks which are secured by pari passu hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques Rs.19 million (2002: Rs.18 million) issued to various Government Agencies.

(c) Export bills discounted Rs. 741 million (2002: Rs.532 million).

11.2 The Company is committed for capital expenditure as at September 30,2003 of Rs.206 million (2002: Rs.64 million).

## 12. OPERATING ASSETS

Rs. 000s

	Cost at Oct. 01, 2002	Additions/(deletions)	Cost at Sep. 30, 2003	Accumulated depreciation/amortization at Oct. 01, 2002	Depreciation/amortization charge/(deletions) for the year	Accumulated depreciation/amortization at Sep. 30, 2003	Written down value at Sep. 30, 2003	Annual Rate %
<b>Tangible</b>								
Leasehold land	32,053	64,609	96,662	-	-	-	96,662	-
Buildings on leasehold land	407,962	69,533	477,495	192,182	28,531	220,713	256,782	10
Plant and machinery	3,646,321	192,432	3,838,753	1,572,631	218,761	1,791,392	2,047,361	10
Office equipment, furniture and fixtures	125,121	69,539 (7,054)	187,606	59,228	25,236 (5,382)	79,082	108,524	10 to 30
Transport equipment	130,649	32,412 (21,347)	141,714	65,397	17,597 (11,666)	71,328	70,386	20
	4,342,106	428,525 (28,401)	4,742,230	1,889,438	290,125 (17,048)	2,162,515	2,579,715	
<b>Intangible</b>								
Computer Software	11,378	9,203	20,581	5,171	4,347	9,518	11,063	20
<b>2003</b>	<b>4,353,484</b>	<b>437,728</b> <b>(28,401)</b>	<b>4,762,811</b>	<b>1,894,609</b>	<b>294,472</b> <b>(17,048)</b>	<b>2,172,033</b>	<b>2,590,778</b>	
2002	4,208,727	177,935 (33,178)	4,353,484	1,633,113	284,506 (23,010)	1,894,609	2,458,875	

12.1 Depreciation/amortization charged for the year has been allocated as follows:

	<u>2003</u>	<u>2002</u>
Cost of goods manufactured (note 23.1)	264,889	265,169
Administrative expenses (note 24)	29,583	19,337
	<u>294,472</u>	<u>284,506</u>

## 12.2 Details of operating assets sold (by negotiation)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Office equipment, furniture and fixture	1,001	200	220	Sikandar Office Automation I.I. Chundrigar Road Karachi
	511	113	124	Akram & Co. Regal Chowk, Saddar Karachi
	464	108	118	Kashif & Co. Uni Tower, I.I. Chundrigar Road Karachi
	365	116	127	Rab Nawaz Furnitures Aram Bagh Karachi
	516	200	220	Fazal-ur-Rehman Furnitures Liaquatabad Furniture Market Karachi.
	260	101	111	Yasin Furniture Mart Gharibabad Furniture Market Karachi
	347	135	148	Saqib Furniture Mart Landhi Furniture Market Karachi
	275	106	116	S. Fazal & Sons Aram Bagh Karachi
	1,275	164	180	Amazon Computers Uni Centre, I.I. Chundrigar Road Karachi
	2,040	431	-	Scrapped
Transport Equipment	168	28	35	Mr. Mirza Abdul Raziq Baig 19/2-B, Street 17, Phase V Off Khayaban-e-Tanzeem DHA Karachi
	773	203	450	Mr. Mohammed Munir Hussain (Employee) A-90, Block C, Gulshan-e-Jamal Karachi
	10,923	6,139	6,754	Metro Securities (Pvt) Ltd. 35-B, Block 6, P.E.C.H.S Karachi
	331	56	120	Mr. Jamal Asghar C-168, Block 14, Gulistan-e-Jauhar Karachi

## 12.2 Details of operating assets sold (by negotiation)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport Equipment (Continued)	330	35	155	Syed Junaid Ali A-484, Block L, North Nazimabad Karachi
	1,865	955	1,150	Cosmos Trading Corporation Plot No. C1-19,20 & 21 Sector 16-B North Karachi, Karachi
	269	56	140	Mr. Mehmood New Annus Cars, Shop No. 7 Ruby Apartments, Islamia College Road Karachi
	367	39	120	Mohammed Usman Nakhuda House No. 8, Sharah-E-Liaquat Hanif Manzil, Aram Bagh, Karachi
	328	35	170	Mr. Adnan Yousuf House No. 1006/15 Dastagir, F.B. Area Karachi
	283	74	160	Mr. Mohammed Saleem Chanda C-30, Block 17, F.B. Area Karachi
	656	111	300	Mr. Mohammed Saleem 5/26 Street No. 5, C-37 Babar Market Landhi, Karachi
	348	58	175	Mr. Zafar-ul-Islam R-43 Shaz Bungalows, Sector 16 A/5 Scheme 33, Karachi
	187	25	58	Syed Mohammed Amir Zaidi Bungalow No. 7/6 B-3, Nazimabad Karachi
	969	496	600	Mr. Nadeem Bawa A-6, Block No. 18, Gulshan-e-Iqbal Karachi
	356	48	160	Mr. Ahmer Hafeez Sheikh C-6, Block No. 8, Gulshan-e-Iqbal Karachi
	321	67	162	New Annus Cars Shop No. 7, Ruby Apartments Islamia College Road, Karachi
	711	95	303	Mr. Mohammed Saleem 710/5, H. R. Arcade, M.A. Jinnah Road Karachi

## 12.2 Details of operating assets sold (by negotiation)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport Equipment (Continued)	1,039	426	785	Ms. Rabia Imran Metro Center Room No. B-5, 3rd Floor Kharadar, Karachi
	1,103	732	1,127	Insurance Claim
Written down value below Rs. 5,000 each	20	1	5	Various
<b>2003</b>	<b>28,401</b>	<b>11,353</b>	<b>14,293</b>	
<b>2002</b>	<b>33,178</b>	<b>10,168</b>	<b>12,855</b>	

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>13. CAPITAL WORK-IN-PROGRESS</b>		
Machinery under installation	201,077	28,009
Building construction	128,953	78,696
Store items held for capitalization	4,888	4,363
	<u>334,918</u>	<u>111,068</u>

#### 14. LONG TERM INVESTMENT

##### In subsidiary - unquoted

Gul Ahmed International Limited FZC  
10,000 ordinary shares of USD 100 each (2002: NIL)  
Equity held 100 % (2002: NIL)  
Value of investment based on the net assets  
shown in the audited accounts as at September 30, 2003  
Rs. 62 million. (2002: NIL)

<u>58,450</u>	<u>-</u>
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#### 15. LONG TERM LOANS AND ADVANCES - SECURED

Considered good, due from

Executives	8,148	10,091
Less: Receivable within one year	<u>3,105</u>	<u>3,855</u>
	5,043	6,236

Other employees	8,018	10,284
Less: Receivable within one year	<u>5,550</u>	<u>6,284</u>
	2,468	4,000
	<u>7,511</u>	<u>10,236</u>

15.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly instalments. These loans are secured against retirement benefits and other dues of the employees.

15.2 The maximum amount due from Directors and Executives at the end of any month during the year was Rs.NIL and Rs.11 million respectively (2002: Rs. NIL and Rs.12 million respectively).

15.3 Outstanding for a period exceeding three years Rs. 2 million (2002: Rs. 2 million).

#### 16. STORES AND SPARES

Stores and chemicals	110,656	76,673
including in transit Rs. 3 million (2002: Rs. 8 million)		
Spare parts		
including in transit Rs. 3 million (2002: Rs. 2 million)	<u>151,322</u>	<u>141,031</u>
	261,978	217,704
Less: Provision for slow moving/obsolete stores and spares	<u>19,008</u>	<u>12,906</u>
	<u>242,970</u>	<u>204,798</u>

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>17. STOCK-IN-TRADE</b>		
Raw materials	234,669	350,182
Work-in-process	57,955	58,031
Finished goods	642,484	625,294
	<u>935,108</u>	<u>1,033,507</u>
<b>18. TRADE DEBTS - UNSECURED</b>		
Considered good	1,009,923	737,433
Considered doubtful	18,530	15,330
	<u>1,028,453</u>	<u>752,763</u>
Less: Provision for doubtful trade debts	18,530	15,330
	<u>1,009,923</u>	<u>737,433</u>
18.1	Includes Rs. 20 million (2002:NIL) due from associated undertaking.	
18.2	The maximum aggregate month end balance due from associated undertaking during the year is Rs. 23 million (2002: NIL).	
<b>19. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES - CONSIDERED GOOD</b>		
Current portion of loans and advances to employees (note 15)	8,655	10,139
Advances	96,815	72,037
Prepayments and other receivables	33,804	65,622
Accrued interest	6,780	7,865
Sales tax refundable	25,203	63,203
Duty drawback receivable	42,304	66,696
Advance income tax - net	78,807	51,603
	<u>292,368</u>	<u>337,165</u>
<b>20. SHORT TERM INVESTMENT</b>		
US Dollar bonds (USD 9.241 million (2002:USD 9.241 million))	<u>534,585</u>	<u>545,213</u>
These are under lien for borrowings referred to in note 8.		
These bonds carry mark-up between 2% to 4% (2002: 2% to 4%) above six months USD LIBOR.		
<b>21. CASH AND BANK BALANCES</b>		
In hand	3,081	1,784
With banks i - current accounts	19,742	2,617
- short term deposits	63,496	88,372
	<u>86,319</u>	<u>92,773</u>

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>22. SALES</b>		
Local	2,282,276	1,902,262
Export	3,299,340	3,877,493
	<u>5,581,616</u>	<u>5,779,755</u>
Less: Commission and brokerage	14,754	14,054
	<u>5,566,862</u>	<u>5,765,701</u>

### 23. COST OF SALES

Opening stock of finished goods	625,294	727,503
Add: Cost of goods manufactured (note 23.1)	4,247,607	4,162,338
Purchases and processing charges	267,660	270,198
	<u>5,140,561</u>	<u>5,160,039</u>
Less: Closing stock of finished goods	642,484	625,294
	<u>4,498,077</u>	<u>4,534,745</u>

#### 23.1 Cost of goods manufactured

Raw materials consumed (note 23.2)	1,984,035	1,971,880
Stores consumed	661,880	658,270
Salaries, wages and benefits	667,628	610,576
Fuel, power and water	461,325	452,558
Insurance	28,334	31,764
Repairs and maintenance	163,345	153,479
Depreciation	264,889	265,169
Provision for slow moving/obsolete stores and spares	6,102	4,760
Other expenses	9,993	9,904
	<u>4,247,531</u>	<u>4,158,360</u>
Work-in-process		
Opening	58,031	62,009
Closing	(57,955)	(58,031)
	76	3,978
	<u>4,247,607</u>	<u>4,162,338</u>

Salaries, wages and benefits include gratuity of Rs.9 million (2002: Rs.7 million).

#### 23.2 Raw materials consumed

Opening stock	350,182	324,751
Purchases during the year	1,868,522	1,997,311
Closing stock	(234,669)	(350,182)
	<u>1,984,035</u>	<u>1,971,880</u>

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	101,772	89,140
Rent, rates and taxes	34,790	13,031
Repairs and maintenance	5,506	4,475
Vehicle up keep	18,994	21,761
Conveyance and traveling	37,670	37,930
Printing and stationery	22,344	21,105
Postage and telecommunication	17,012	16,563
Legal and consultancy fees	7,891	1,997
Depreciation/Amortization	29,583	19,337
Auditors' remuneration (note 24.1)	177	139
Donations (note 24.2)	1,838	668
Insurance	4,895	5,486
Bad/doubtful debts (note 24.3)	3,890	4,710
Other expenses	3,215	5,256
	<u>289,577</u>	<u>241,598</u>
Salaries and benefits include staff gratuity of Rs.5 million (2002: Rs.4 million).		
<b>24.1 Auditors' remuneration</b>		
Audit fee	120	110
Half yearly review	30	-
Audit of workers' profit participation fund and other services	2	5
Out of pocket expenses	25	24
	<u>177</u>	<u>139</u>
<b>24.2</b> None of the Directors or their spouses have any interest in the donees.		
<b>24.3</b> Provision for doubtful debts	3,200	4,710
Bad debts written off during the year	690	-
	<u>3,890</u>	<u>4,710</u>
<b>25. SELLING EXPENSES</b>		
Freight and shipment expenses	156,366	170,699
Insurance and bank charges	598	1,303
Advertisement and publicity	25,839	16,769
Other expenses	16,452	10,989
	<u>199,255</u>	<u>199,760</u>
<b>26. OTHER INCOME</b>		
Profit on sale of operating assets	2,940	2,687
Scrap sales	3,119	4,093
Provisions and unclaimed balances written back	256	318
Others	178	622
	<u>6,493</u>	<u>7,720</u>

	<u>2003</u>	<u>2002</u>
	Rs.000s	
<b>27. FINANCIAL CHARGES</b>		
Interest/mark-up on long term loans	88,322	132,499
Mark-up on running finance	104,780	202,784
Interest on workers' profit participation fund	3,015	6,796
Bank charges	14,976	16,745
Zakat	-	-
	<u>211,093</u>	<u>358,824</u>
Interest income/exchange differences	<u>(29,568)</u>	<u>13,125</u>
	<u><u>181,525</u></u>	<u><u>371,949</u></u>
<b>28. PROVISION FOR TAXATION</b>		
Deferred	5,000	10,000
Current	75,000	67,000
Prior	-	(12,400)
	<u>80,000</u>	<u>64,600</u>
<b>29. EARNINGS PER SHARE</b>		
Profit for the year	<u><u>301,834</u></u>	<u><u>335,762</u></u>
Number of shares	<u><u>34,073,297</u></u>	<u><u>34,073,297</u></u>
Earnings per share (Rs.)	8.86	9.85

### 30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2003				2002			
	Rs.000s							
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,400	4,700	116,369	123,469	1,200	4,380	94,740	100,320
House rent allowance	960	1,880	44,937	47,777	480	1,782	36,830	39,092
Utility allowance	240	470	11,237	11,947	120	438	9,208	9,766
Other allowances	-	-	22,303	22,303	-	-	17,364	17,364
	<b>3,600</b>	<b>7,050</b>	<b>194,846</b>	<b>205,496</b>	<b>1,800</b>	<b>6,600</b>	<b>158,142</b>	<b>166,542</b>
Number of persons	1	3	467	471	1	5	375	381

30.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

30.2 The Chief Executive and some Directors are also provided with free residential telephones.

30.3 Aggregate amount charged in the accounts for the year for meeting fee to one Director was Rs.4(000) (2002: one Director Rs.1(000)).

30.4 Total number of employees at the end of the year were 6,571 (2002: 5,993).

### 31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs.2 million and Rs.29 million respectively (2002: Rs.15 million and Rs.NIL respectively). The basis of transactions is prevailing market rates.

### 32. CAPACITY AND PRODUCTION

Unit	2003			2002	
	Capacity	Production	Working	Capacity	Production
Cloth Sq. metres (50 Picks converted)	99,721	92,963	3 shifts	99,721	94,701
Yarn Kgs. (20 Counts converted)	30,164	29,949	3 shifts	30,164	29,028

Production is lower due to variation in production mix and various technical factors.

### 33. FINANCIAL ASSETS AND LIABILITIES

Rs.000s

	Interest/mark-up bearing			Non interest/mark-up bearing			2003 Total	2002 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial assets</b>								
Long term loans	-	-	-	-	7,511	7,511	7,511	10,236
Long term deposits	-	-	-	-	3,625	3,625	3,625	4,685
Trade debts	-	-	-	1,009,923	-	1,009,923	1,009,923	737,433
Loans and other receivables	-	-	-	49,201	-	49,201	49,201	57,901
Short term investment	534,585	-	534,585	-	-	-	534,585	545,213
Cash and bank balances	63,289	-	63,289	23,030	-	23,030	86,319	92,773
	<b>597,874</b>	<b>-</b>	<b>597,874</b>	<b>1,082,154</b>	<b>11,136</b>	<b>1,093,290</b>	<b>1,691,164</b>	<b>1,448,241</b>
<b>Financial liabilities</b>								
Long term loans	192,609	947,976	1,140,585	-	-	-	1,140,585	1,032,430
Short term running finance	2,068,619	-	2,068,619	-	-	-	2,068,619	1,873,264
Creditors and accrued liabilities	23,261	-	23,261	624,652	-	624,652	647,913	541,225
Proposed dividend	-	-	-	102,220	-	102,220	102,220	170,366
	<b>2,284,489</b>	<b>947,976</b>	<b>3,232,465</b>	<b>726,872</b>	<b>-</b>	<b>726,872</b>	<b>3,959,337</b>	<b>3,617,285</b>
<b>Off balance sheet items</b>								
Financial Commitments								
Guarantees	-	-	-	73,275	-	73,275	73,275	73,032
Export bills discounted	-	-	-	740,833	-	740,833	740,833	531,640
Commitments	-	-	-	205,803	-	205,803	205,803	122,863
	-	-	-	1,019,911	-	1,019,911	1,019,911	727,535
	<b>2,284,489</b>	<b>947,976</b>	<b>3,232,465</b>	<b>1,746,783</b>	<b>-</b>	<b>1,746,783</b>	<b>4,979,248</b>	<b>4,344,820</b>

The effective interest/mark-up rates for the monetary financial assets/liabilities are mentioned in the respective notes to the financial statements.

#### 33.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk.

#### 33.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts and partially through hedging by purchase of US Dollar bonds.

#### 33.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

#### 33.4 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

**34. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on December 03, 2003 by the Board of Directors of the Company. These have been signed by two Directors as Chief Executive is out of country.

**35. GENERAL**

35.1 During the year, the Company has reclassified its intangible assets being shown previously under subheading "Office equipment, furniture & fixtures" of Fixed Assets (note 12). There are no other rearrangements in prior year figures.

35.2 Figures have been rounded off to the nearest thousand rupees.

**ZAIN BASHIR**  
Director

**ZIAD BASHIR**  
Director