

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
2,952,429 ordinary shares of Rupees 10 each, issued for cash		29,524,290	29,524,290
100,000 ordinary shares of Rupees 10 each, issued as bonus shares		1,000,000	1,000,000
		<u>30,524,290</u>	<u>30,524,290</u>
6. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening Balance		238,242,541	134,226,092
Addition due to revaluation of fixed assets during the period/year		-	165,055,047
Un-depreciated portion of surplus on revaluation of fixed assets		238,242,541	299,281,139
Deferred tax liability recognized on revaluation		-	(57,769,266)
Surplus on revaluation - net of deferred tax		238,242,541	241,511,873
Surplus realized on disposal of revalued fixed assets during the period/year		(227,109)	-
Incremental depreciation on revalued assets relating to current period/year transferred to accumulated losses		(2,366,367)	(3,269,332)
		<u>235,649,065</u>	<u>238,242,541</u>
7. LONG TERM FINANCES			
Long term finances from banking companies (secured) utilized under mark-up arrangements are as under :			
Industrial Development Bank of Pakistan (IDBP)	7.1		
Long term loan		-	88,801,517
Deferred mark-up		-	19,192,689
		-	107,994,206
PICIC Commercial Bank Limited (PCBL)	7.2	85,000,000	-
MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB)	7.3	7,616,000	8,569,000
Habib Bank Limited (HBL)	7.4	3,004,813	7,790,274
		95,620,813	124,353,480
Less: Current portion	14	19,077,482	51,364,243
		<u>76,543,331</u>	<u>72,989,237</u>

7.1 Industrial Development Bank of Pakistan (IDBP)

The State Bank of Pakistan Committee for resolution of cases formed under BPD circular No 29 dated October 15, 2002 vide its letter No MR-6295 dated July 12, 2004 waived off 25% of the Company's outstanding liability amounting to Rupees 30.984 million. The residual amount was finally swapped with PICIC Commercial Bank Limited (PCBL) under a settlement agreement on April 26, 2005 along with the relevant mark-up.

7.2 PICIC Commercial Bank Limited (PCBL)

This represents term finance facility of Rupees 85 million under a swap agreement executed between PICIC Commercial Bank Limited, IDBP and the company. It is repayable in 24 equal quarterly installments, commencing from July 26, 2005. This is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors. It carries mark-up at the rate of six months KIBOR plus 4.5% per annum with a floor of 8% and no caps to be reviewed at the beginning of each calendar quarter.

7.3 MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB)

This is secured against second charge on all fixed assets and guarantees of sponsor directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 20 equal half yearly installments commenced from September 01, 1999. The bank has deferred payment of mark up capitalised.

7.4 Habib Bank Limited (HBL)

This is secured against third charge on fixed assets and personal guarantees of all directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 12 half yearly installments commenced from September 01, 2000.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
Minimum lease payments		46,547,115	16,667,057
Less: Unamortized finance charges		5,980,084	2,180,069
Present value of minimum lease payments		40,567,031	14,486,988
Less: Current portion	14	9,959,211	3,830,492
		<u>30,607,820</u>	<u>10,656,496</u>

- 8.1 The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 8% to 15% (2004:10% to 14%) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In case of default an additional charge of Rupee 1 and 83 paise per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for unexpired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on the leased assets, personal guarantees of sponsor directors and security deposits of Rupees 6,166,390 (2004: Rupees 3,687,779) as provided in Note 18.

- 8.2 Minimum lease payments and present value of minimum lease payments are regrouped as under :

	30 June 2005		30 September 2004	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due not later than one year	16,011,952	9,959,211	4,930,657	3,830,492
Due later than one year but not later than five years	30,535,163	30,607,820	11,736,400	10,656,496
	<u>46,547,115</u>	<u>40,567,031</u>	<u>16,667,057</u>	<u>14,486,988</u>

9. SUBORDINATED LOANS

Unsecured, interest free and were provided by the sponsor directors.

10 DEFERRED MARK UP

MCB Bank Limited - formerly Muslim Commercial Bank Limited (MCB) has deferred payment of mark-up capitalized of Rupees 12.455 million (2004: Rupees 12.455 million) which will be repaid in 20 equal half yearly installments with effect from September 01, 2009, after the principal repayment of original demand finance.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
11. TRADE AND OTHER PAYABLES			
Secured creditors:			
Against letters of credit		19,374,589	-
Un-secured creditors:			
For goods		22,100,234	47,826,811
For services		1,347,699	1,434,378
		23,447,933	49,261,189
Advances from customers		4,599,772	7,458,404
Sales Tax payable		6,369,985	-
Short term employees benefits		274,159	188,082
Withholding tax payable		64,849	387,305
Unclaimed dividend		15,574	16,118
Workers' profit participation fund	11.1	1,054,387	534,989
Others		8,988,115	12,223,112
		<u>64,189,363</u>	<u>70,069,199</u>

11.1 Workers' profit participation fund

Balance at the beginning of the period/year		534,989	512,639
Allocation for the period/year	30	1,054,387	516,000
Interest on funds utilized in the Company's business	31	15,683	18,989
		<u>1,070,070</u>	<u>534,989</u>
		1,605,059	1,047,628
Less: Payments to the fund		<u>550,672</u>	<u>512,639</u>
		<u>1,054,387</u>	<u>534,989</u>

11.2 No provision for workers profit participation fund has been made against the waiver of a portion of long term finance and it's relevant mark up amounting to Rupees 44.952 million in the light of an opinion given by a legal advisor.

11.3 The Company retains workers' profit participation fund for its business operations till the date of its allocation to workers. Mark-up is paid at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on the funds utilized by the Company till the date of its allocation to workers.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
12. ACCRUED MARK-UP			
Long term finances		2,062,471	19,027,694
Liabilities against assets subject to finance lease		16,820	639,745
Short term borrowings		1,069,086	702,727
		<u>3,148,377</u>	<u>20,370,166</u>
13. SHORT TERM BORROWINGS - Secured			
From banking companies:			
Cash finances	13.1	45,095,878	74,381,591
Running finance	13.2	9,998,547	-
Others		174,988	-
		<u>55,269,413</u>	<u>74,381,591</u>
13.1	These are secured against the pledge of stock of raw material, finished goods and personal guarantees of sponsor directors. Rate of mark-up on these finances ranges from 16 paisa to 31 paisa (2004: from 16 paisa to 18 paisa) per thousand per day. The total sanctioned limits of these facilities obtained from three (2004: three) financial institutions is Rupees 135 million (2004: Rupees 130 million).		
13.2	This represents running finance facility of Rupees 10 million (2004 : Rupees Nil) obtained from PICIC Commercial Bank Limited .It is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of three sponsor directors. Rate of mark-up on this finance is 34 paisa per thousand per day.		
14. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term Loans:	7		
Current		19,077,482	19,701,069
Over Due		-	31,663,174
		19,077,482	51,364,243
Finance lease:	8		
Current		9,822,442	3,707,281
Over Due		136,769	2,897,719
		<u>9,959,211</u>	<u>6,605,000</u>
		<u>29,036,693</u>	<u>57,969,243</u>

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

Taxation

- a) Income tax demand for assessment year 2002-2003 was raised for Rupees 774,582 out of which 15% amounting to Rupees 116,188 was paid. The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore, who decided the case in favour of the Company on April 11, 2005. Later Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 against the said decision. No provision for this demand has been made in the financial statements, as the Company is confident of outcome of the appeal in its favour.
- b) The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore against the assessment order for assessment year 1998-1999, in which Rupees 44.306 million were treated as income of the Company. The appeal was decided in Company's favour on May 02, 2005. The Company applied for appeal effects to the concerned taxation officer but benefit of Rupees 44.306 million has not yet been given. The Company has filed rectification application in this regard but Income tax department has filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT(A). However the Company is confident of favourable outcome of the case.

15.2 Commitments

- a) Letters of credit for import of plant and machinery amounting to Rupees 61.746 million (2004: Rupees 36.089 million).

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	526,815,635	500,818,882
Capital work in progress - Building		5,347,572	1,346,568
		<u>532,163,207</u>	<u>502,165,450</u>

17. LONG TERM INVESTMENT

Held To Maturity:

It represents investment in Defence Saving Certificates. Return on this investment will be paid on maturity at the rates ranging from 16% to 20% per annum for a period of 10 years. The certificates of this investment are deposited with the banks as securities against guarantees given on behalf of the Company.

18. LONG TERM DEPOSITS

Deposits against lease finance:

Asian Leasing	-	652,069
Saudi Pak Leasing	4,553,990	2,132,010
Bank Al falah	288,700	288,700
First Fidelity Leasing Modaraba	615,000	615,000
B.R.R International Modaraba	708,700	-
	<u>6,166,390</u>	<u>3,687,779</u>
Security deposits	895,270	880,570
	<u>7,061,660</u>	<u>4,568,349</u>

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
19. STORES, SPARES AND LOOSE TOOLS			
Stores		2,289,743	1,338,789
Spares		1,652,137	1,445,928
Loose tools		5,550	8,741
		<u>3,947,430</u>	<u>2,793,458</u>
20. STOCK-IN-TRADE			
Raw materials		46,500,188	81,747,789
Work-in-process		8,209,301	8,611,648
Finished goods		6,729,701	3,656,128
Waste		122,708	88,547
		<u>61,561,898</u>	<u>94,104,112</u>
20.1	The carrying value of stock in trade pledged as security against short term borrowings is Rupees 45.00 million (2004: Rupees 74.381 million).		
21. ADVANCES - Considered good			
Advances to:			
- Employees		463,374	471,726
- Suppliers		17,815,331	3,890,492
		<u>18,278,705</u>	<u>4,362,218</u>
Letters of credit		5,773,524	4,058,089
		<u>24,052,229</u>	<u>8,420,307</u>
22. DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits:			
Deposit for acquisition of machinery	22.1	2,000,000	2,000,000
Lease deposits		-	1,276,686
		<u>2,000,000</u>	<u>3,276,686</u>
Prepayments		-	268,204
		<u>2,000,000</u>	<u>3,544,890</u>
22.1	It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favour of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honorable Lahore High Court, Rawalpindi Bench, against the aforesaid order, but provided bank guarantees of Rupees 20 million to the Honorable Court.		

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
23. OTHER RECEIVABLES - Considered good			
Income tax		11,041,106	9,793,589
Sales tax		-	12,860,378
Export rebate		-	115,657
Excise duty receivable	23.1	5,679,617	5,679,617
Others		101,450	37,699
		<u>16,822,173</u>	<u>28,486,940</u>
<p>23.1 The Company has filed writ petition in the Honorable Supreme Court of Pakistan against the levy of central excise duty on bank finance facility. Honorable Lahore High Court has decided the appeal against the Company.</p>			
24. CASH AND BANK BALANCES			
Cash in hand		76,688	280,214
Cash at bank:			
- On current accounts		2,393,936	4,570,137
- On deposit accounts		16,141,371	22,978,546
		<u>18,535,307</u>	<u>27,548,683</u>
		<u>18,611,995</u>	<u>27,828,897</u>
<p>The balances in deposit accounts carry interest ranging from 2.5% to 3% (2004 : 2.5% to 3%) per annum.</p>			
25. SALES			
Export		-	16,164,399
Local - net of sales tax	25.1	<u>456,257,742</u>	<u>467,860,236</u>
		456,257,742	484,024,635
Less: Commission to selling agents		<u>418,964</u>	<u>1,647,038</u>
		<u>455,838,778</u>	<u>482,377,597</u>
<p>25.1 Local sales are exclusive of sales tax amounting to Rupees 62,106,164 (2004: Rupees 69,967,439).</p>			

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
26. COST OF SALES			
Raw materials consumed	26.1	309,630,371	330,979,049
Stores and spares consumed		6,867,361	7,548,203
Salaries, wages and other benefits		29,594,287	30,258,800
Fuel and power		52,505,410	56,473,266
Insurance		868,183	987,926
Packing material		6,158,168	6,319,592
Labour welfare		456,442	712,938
Other factory overheads		10,200	618,665
Depreciation	16.3	9,272,655	11,886,702
		<u>415,363,077</u>	<u>445,785,141</u>
Work-in-process			
Opening stock		8,611,648	4,704,048
Closing stock		(8,209,301)	(8,611,648)
		<u>402,347</u>	<u>(3,907,600)</u>
Cost of goods manufactured		415,765,424	441,877,541
Finished goods			
Opening stock		3,744,675	1,872,159
Closing stock		(6,852,409)	(3,744,675)
		<u>(3,107,734)</u>	<u>(1,872,516)</u>
Cost of goods sold		412,657,690	440,005,025
Cost of viscose sold		-	1,827,372
Cost of yarn sold		<u>412,657,690</u>	<u>441,832,397</u>
26.1 Raw materials consumed			
Opening stock		81,747,793	18,993,387
Add : Purchases		274,382,766	395,560,827
Cost of viscose sold		-	(1,827,372)
		<u>356,130,559</u>	<u>412,726,842</u>
Less : Closing stock		<u>(46,500,188)</u>	<u>(81,747,793)</u>
		<u>309,630,371</u>	<u>330,979,049</u>
27. OTHER OPERATING INCOME			
Income from financial assets:			
Income on bank deposits and investments		85,197	75,612
Income from non- financial assets:			
Gain on disposal of property, plant and equipment		378,057	-
Rental Income		114,771	415,935
Miscellaneous		1,606	-
		<u>494,434</u>	<u>415,935</u>
		<u>579,631</u>	<u>491,547</u>

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
28. SELLING AND DISTRIBUTION EXPENSES			
Export		-	656,080
Salaries and other benefits		276,660	368,880
Freight outward and others		516,635	559,903
Postage and telephone		76,450	163,940
		<u>869,745</u>	<u>1,748,803</u>
29. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		2,758,911	3,792,999
Rent, rates and taxes		861,078	101,194
Printing and stationery		301,573	462,209
Postage, telephone and telex		675,282	1,321,779
Traveling and conveyance		842,319	1,021,665
Vehicles' running		1,035,394	1,062,054
Entertainment		187,891	614,111
Advertisement		162,710	73,550
Legal and professional		90,857	135,459
Fees and subscriptions		347,629	243,442
Depreciation	16.3	<u>1,799,663</u>	<u>1,176,044</u>
		<u>9,063,307</u>	<u>10,004,506</u>
30. OTHER OPERATING EXPENSES			
Auditors' remuneration	30.1	212,314	171,385
Donations	30.2	225,865	183,925
Workers' profit participation fund	11.1	<u>1,054,387</u>	<u>516,000</u>
		<u>1,492,566</u>	<u>871,310</u>
30.1 Auditors' remuneration			
Audit fee		75,000	75,000
Half yearly review		35,000	35,000
Consultancy services		69,000	30,000
Out of pocket expenses		<u>33,314</u>	<u>31,385</u>
		<u>212,314</u>	<u>171,385</u>
30.2	None of the directors or their spouses had any interest in any donee's fund.		

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
31. FINANCIAL AND OTHER CHARGES			
Mark-up/ finance charges/ interest on:			
Long term finances		2,936,925	11,665,410
Finance leases		2,629,514	611,942
Short term borrowings		5,538,486	4,682,210
Workers' profit participation fund	11.1	15,683	18,989
		<u>11,120,608</u>	<u>16,978,551</u>
Other Charges			
Bank charges and commissions		785,148	740,869
Penalty from State Bank of Pakistan		396,000	-
Loss on disposal of property, plant and equipment		-	888,713
		<u>1,181,148</u>	<u>1,629,582</u>
		<u>12,301,756</u>	<u>18,608,133</u>

32 STAFF RETIREMENT BENEFITS

The amounts recognized in financial statements are determined as follows :

Reconciliation of amount recognized in the balance sheet		
Present value of unfunded defined benefit obligation	10,172,996	9,225,255
Add: Actuarial gains charged to current profit and loss account	226,421	-
Liability in the balance sheet	<u>10,399,417</u>	<u>9,225,255</u>
Amount recognized in the profit and loss account		
Current service cost/provision for the period/year	1,433,237	1,511,869
Interest cost	666,625	-
Total included in salaries and benefits	<u>2,099,862</u>	<u>1,511,869</u>
Movement in liability recognized in the balance sheet		
At the beginning of the period/year	9,225,255	9,505,442
Amount recognized during the period/year	2,099,862	1,511,869
Benefit payments	(925,700)	(1,792,056)
At the end of the period/year	<u>10,399,417</u>	<u>9,225,255</u>
Principal actuarial assumptions used		
Discount rate	9%	10%
Expected rate of increase in salary	8%	9%
Average expected remaining working life of employees	5 years	5 years

The latest actuarial valuation was carried out for the nine months period ended 30 June 2005, using the projected unit credit method.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
33. PROVISION FOR TAXATION			
Current period			
Current	33.1	2,279,194	2,411,888
Deferred		(1,274,198)	(1,760,409)
		<u>1,004,996</u>	<u>651,479</u>
33.1	The provision for taxation in these financial statements represents the minimum tax liability under section 113 of the Income Tax Ordinance, 2001 in view of available tax losses of Rupees 47.707 million (2004: Rupees 57.296 million). As a consequence tax expense reconciliation is not being presented.		
33.2	The Company's income tax liability has been assessed for the tax year 2003 and assessment year 2002-2003. However, the assessment for the assessment year 2003-2004 has not been finalized.		
34. EXTRA ORDINARY ITEMS			
The amount represents the long term finance and its accrued mark-up amounting to Rupees 44.82 million which was waived off by IDBP under the directions of State Bank of Pakistan Committee formed under BPD circular No 29 dated October 15, 2002 as stated in Note 7.1.			
35. BASIC EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share of the Company, which is based on :			
Net profit for the period/year	Rupees	<u>63,980,441</u>	<u>9,152,516</u>
Weighted average ordinary shares in issue	Number	<u>3,052,429</u>	<u>3,052,429</u>
Basic earning per share	Rupees	<u>20.96</u>	<u>3.00</u>
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		20,033,345	9,803,995
Adjustments for non-cash charges and other items:			
Depreciation		11,072,318	13,062,746
Gratuity		2,099,862	1,511,869
(Gain)/Loss on sale of property, plant and equipment		(378,057)	888,713
Workers' profit participation fund		1,054,387	516,000
Financial charges		12,301,756	17,719,420
Working capital changes	36.1	<u>21,916,552</u>	<u>(69,133,407)</u>
		<u>68,100,163</u>	<u>(25,630,664)</u>
36.1 Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(1,153,972)	(481,850)
Stock-in-trade		32,542,214	(68,534,518)
Trade debts		(1,831,322)	(1,180,157)
Advances		(15,631,922)	(4,479,072)
Deposits and short term prepayments		1,544,890	319,512
Other receivables		<u>12,845,354</u>	<u>(4,432,751)</u>
		28,315,242	(78,788,836)
Increase/(decrease) in current liabilities			
Trade and other payables		<u>(6,398,690)</u>	<u>9,655,429</u>
		<u>21,916,552</u>	<u>(69,133,407)</u>

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the period/year for remuneration including certain benefits to the chief executive and directors of the Company is as follows:

	Chief Executive		Directors	
	2005	2004	2005	2004
Number of persons	1	1	3	2
(Rupees).....			
Remuneration	519,677	440,000	429,760	518,880
House rent	207,871	176,000	-	-
Cost of living allowance	-	-	4,100	4,800
Utilities	51,968	44,000	-	-
Special allowance	-	-	4,000	4,800
Bonus	-	-	43,449	42,240
	<u>779,516</u>	<u>660,000</u>	<u>481,309</u>	<u>570,720</u>

37.1 The Company also provides to chief executive and directors free use of the Company maintained cars, residence and residential telephone facility. The Company based on actuarial valuation, has also charged amounts in respect of gratuity for above mentioned directors.

37.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 1 (2004: 1) director was Rupees 3,000 (2004: Rupees 3,000).

38. NUMBER OF EMPLOYEES	2005	2004
Number of employees at period/year end	<u>827</u>	<u>680</u>

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Bilal Textiles (Private) Limited

Sale of goods and services	41,139,164	26,568,100
----------------------------	------------	------------

40. PLANT CAPACITY AND ACTUAL PRODUCTION	30 June 2005	30 September 2004
--	-----------------	----------------------

	(Numbers)	
Spindles installed / worked;	28,272	22,080

	(Kilograms)	
100 % plant capacity converted into 20s count based on 3 shifts per day for 819 shifts (2004: 1,098 shifts)	6,892,550	7,216,738

Actual production of P.C yarn after conversion into 20s count based on 3 shifts per day for 819 (2004 : 1096) shifts	9,124,272	10,237,755
---	-----------	------------

40.1 Conversion of actual production of cotton and blended yarn of various mix and counts into cotton yarn of 20s depicts production efficiency attained since it fluctuates with changes in count of yarn spun and blend mix in a particular production period.

41.1 Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, mark-up rates, market interest, credit risks associated with various financial assets and liabilities as referred in Note 41. The Company manages its exposure risk in the following manner:

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company's all borrowings and significant transactions are in Pak Rupees, hence foreign exchange rates risk are considered minimal.

b) Interest rate risk

Interest/mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term/short term Rupee based facilities at variable and fixed rates. The Company is exposed to interest/mark-up rate risk in respect of long term/short term Rupee based facilities. Out of the total risk based instruments of Rupees 276,984,793 (2004 : Rupees 340,401,064), the instruments which are subject to interest rate risk amounted to Rupees 140,269,413 (2004 : Rupees 74,381,591).

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The management of the Company believes that it does not have any significant concentration of business transacted with an individual, counterparty or group of counterparties that could, if suddenly eliminated/failed to act as contracted, severely impact its operations. The Company manages its credit risk by obtaining advances from customers against its sales and continues monitoring of credit worthiness of its customers.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

41.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 September 2005 by the Board of Directors of the Company.

43. COMPARATIVE FIGURES

Due to revision of the Fourth Schedule to Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(I)/2004 dated July 05, 2004, previous year's figures have been rearranged and/or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are impracticable to list and disclose.

CHIEF EXECUTIVE

DIRECTOR