

# **ICC Textile Limited**

## **Annual Report 2000**

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### **Company Information**

#### **Board of Directors**

MR. A. REHMAN	CHAIRMAN
MR. SHAFIQ A. SIDDIQI	CHIEF EXECUTIVE
MR. S.A. MANNAN	
MR. TM. SHEIKH	
MR. TARIQ REHMAN	
MR. JAVAID S. SIDDIQI	
MR. HARIS NOORANI	
MR. SUHAIL MANNAN	
MR. USMAN HAQ	
MR. TAHIR REHMAN	

#### **Company Secretary**

MR. USMAN HAQ

#### **Auditors**

M/S ANJUM ASIM SHAHID & CO.  
CHARTERED ACCOUNTANTS

#### **Bankers**

MUSLIM COMMERCIAL BANK LTD.  
ABN AMRO BANK.  
CITIBANK N.A.  
FAYSAL BANK LTD.  
SOCIETE GENERALE, THE FRENCH & INTERNATIONAL BANK.

#### **Registered Office**

242-A, ANAND ROAD,

UPPER MALL, LAHORE.

**Factory**

32-K.M, LAHORE-MULTAN ROAD, SUNDER  
DISTT. LAHORE.

**Notice of Annual General Meeting**

Notice is hereby given that the Twelfth (12th) Annual General Meeting of **ICC Textiles Limited** will be held at Company's Registered Office at 242-A, Anand Road, Upper Mall, Lahore on Saturday 31st March 2001 at 11.00 A.M to transact the following business:

**ORDINARY**

1. To confirm the minutes of the 11th Annual General Meeting held on March 31, 2000.
2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2000 together with the Directors' and Auditors' Reports thereon.
3. To approve the dividend @ Rs. 1.25 per share i.e 12.5% for the year September 30, 2000.
4. To appoint auditors for the year ending 30th September 2001 and to fix their remuneration. The retiring auditors M/s Anjum Asim Shahid & Company, Chartered Accountants, have offered themselves for re-appointment.
5. Any other business with the permission of the chair.

**By Order of the Board**

**Sd/-**

**USMAN HAQ**

**Director & Company Secretary**

LAHORE

March 08, 2001

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from 31-03-2001 to 06-04-2001 (both days inclusive), for determination of entitlement of dividend. No transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.
3. Shareholders are requested to notify the change in their postal addresses, if any.

On behalf of the Board of Directors, I take pleasure to present the Twelfth Annual Report alongwith the Audited Accounts of the Company pertaining to the ninth full year of commercial production ending on September 30, 2000.

**Financial Highlights**

The Net profit of the company for the year under review increased by 16% to Rs. 31.8 Million as against Rs. 27.4 Million in the preceding year. Due to substantial decrease in International price of Cotton & Fabrics, the total Sales was decreased to Rs. 629 Million. Simultaneously, there was a corresponding decrease in the Cost of Sales to Rs. 506 Million.

Total Sales quantity	11,439,284	Lin meters
Total Export quantity (88%)	10,046,853	Lin meters
Total Sales	629,300,548	Rupees
Gross Profit	122,439,301	Rupees
Gross Profit %	19.5%	
Operating Profit	76,003,406	Rupees
Net Profit after Tax	31,822,003	Rupees
Proposed Dividend	12.5%	

### **The Year under Review**

The highlights for the year are as follows:

The year started with a sharp decline in International Cotton price, which dropped to an all time low, resulting in further reduction of already depressed fabric prices.

The arrival of a bumper cotton crop coupled with the non-interference policy adopted by the present regime led to a crash in local cotton price. Unfortunately, only some portion of the cotton benefit was passed on to the weaving sector.

The yarn rates declined gradually from October 1999 to December 2000, but due to the excessive export demand, the prices again shot up in the domestic market.

In June 2000, the Govt. took a decision to withdraw the export refinance facility available at a reduced mark up rate of 8% on fabric exports. However, subsequently, the facility was restored at a higher mark up rate of 10% .

The sluggish trend of exports from Pakistan was also attributable to a static overvalued rupee, until June 2000.

Despite, the aforementioned adverse circumstances, the Profit for the year was enhanced due to Sales of certain special fabrics with higher margins.

The leverage of the company has significantly improved as the Debt Equity ratio, including current maturity has decreased from 76% in 1997 to 38% in 2000. Similarly, the Gearing ratio has shown a consistent decline over the recent years, indicating better financial health of the company.

Once again, Pakistan was blessed with a good cotton crop of over 10 million bales in the current year 2000-2001. However, due to high international prices, and revival of the spinning sector last year, the domestic cotton prices once again touched an all time high in the current year. Thus the yarn prices have remained high in the initial months, however, we have seen a downturn in the recent past.

The fabric prices in the international markets are maintaining their downward trend.

We continue to explore new markets and presently, the diversity of our special products is the key to our success. The present export market distribution is as follows:

- Far East Countries	44%
- Europe	32%
- North America	24%

#### **Dividend**

The board members are pleased to propose a cash dividend of 12.50% i.e. Rs. 1.25 per ordinary share of Rs. 10 each.

#### **Acknowledgement**

This opportunity is also being availed to convey appreciation for the continued hard work and devotion of the employees of the company.

**For & on Behalf of the Board of Directors**

**Sd/-  
SHAFIQ A. SIDDIQI  
Chief Executive**

LAHORE  
March 03, 2001

#### **Company Profile**

ICC Textiles limited, belongs to a leading and well established business group of Pakistan, engaged in Manufacturing, Heavy Electrical, Mechanical and Civil construction, Engineering and Indenting fields. Over the past four decades the group has played a vital role in the country's economy. It is proud of the reputation earned in this period which is reflected through a dynamic list of achievements in various fields.

The textile project was set up in the vicinity of Lahore in 1990 as a diversification strategy, and to exploit the growing export potential from Pakistan. The project is equipped to produce highest quality of Grey Cloth according to international standards. The product range includes Twills, Drills, Satins, Poplins, oxfords, Percals, Cords, Dobby Designs and Sheetings of different constructions and widths, in 100% cotton and polyester/cotton blends.

#### **Plant Summary:**

##### **Warping Machine:**

Benninger Zell (Switzerland)

##### **Sizing Machine:**

Benninger Zell (Germany)

##### **Weaving:**

Sulzer (Switzerland)	
Sulzer P7100 390 cm	48 Nos
Sulzer P7100 430 cm	12 Nos
Sulzer P7100 390 cm	30 Nos
(4 Color Dobby with Batching)	
Sulzer P7100 390 cm	10 Nos

(4 Color Dobby)

Total	----- 100 Nos =====
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**Shearing Machine:**

Vollenweider (Switzerland)

**Air Conditioning:**

Sulzer (Switzerland)

**Loom Data Control:**

Banninger &amp; Hubscher (Switzerland)

The project has been in operation for the last 9 years and we have succeeded in establishing good reputation in the fabric markets of Far East, Europe and North America. We have been exporting our grey fabric to various countries including Japan, Korea, Hong Kong, Taiwan, UK, Germany, Switzerland, Spain, Belgium, Canada and USA.

**FINANCIAL TREND**

	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Gross Profit	10.4%	14.1%	21.0%	21.0%	17.4%	19.5%
Operating Profit	5.0%	8.8%	16.2%	15.5%	11.2%	12.1%
Profit Before Tax	4.8%	1.5%	8.0%	8.4%	4.5%	5.8%
Profit After Tax	3.8%	1.5%	5.3%	7.7%	3.8%	5.1%
Debt Equity Ratio	85:15	81:19	76:24	52:48	45:55	38:62
Current Ratio	1.02:1	1.13:1	1.17:1	1.02:1	0.99:1	1.06:1
Share Break Up Value (Rs.)	2.99	3.62	6.15	11.32	12.81	14.74
Earning per Share (Rs.)	-1.35	0.62	2.53	5.17	2.74	3.18

**Auditors' Report to the Members**

We have audited the annexed balance sheet of **ICC Textiles Limited** as at September 30, 2000 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;

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, 2000 and of the profit, its cash flow 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 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE:  
March 03, 2001

**ANJUM ASIM SHAHID & CO.**  
**Chartered Accountants**

## Balance Sheet as at September 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Capital and Liabilities			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
12,000,000 ordinary shares (1999: 12,000,000) of Rs. 10 each		120,000,000	20,000,000
		=====	=====
<b>Issued, Subscribed &amp; Paid up</b>			
10,000,800 ordinary shares (I 999: 10,000,800) of Rs. 10 each fully paid in cash	3	100,008,000	100,008,000
<b>ACCUMULATED PROFIT</b>		47,433,897	28,112,894

		147,441,897	28,120,894
<b>LONG TERM LOANS</b>	4	68,662,830	88,824,830
<b>DEFERRED LIABILITIES</b>			
Staff gratuity		7,979,178	6,404,201
<b>CURRENT LIABILITIES</b>			
Short term finances	5	313,865,221	306,835,000
Current portion of long term liabilities	4	20,162,000	16,630,291
Creditors, accrued & other liabilities	6	18,417,517	21,712,778
Dividend	7	13,179,530	7,854,994
Taxation		332,384	844,510
		365,956,652	353,877,573
<b>CONTINGENCIES AND COMMITMENTS</b>	8	--	--
		590,040,557	577,227,498
		=====	=====

The annexed notes form an integral part of these accounts.

**LAHORE:**  
**March 03, 2001**

**Property and As Note**

**FIXED CAPITAL EXPENDITURE**

Operating fixed assets - tangible	9	217,706,770	235,973,937
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**LONG TERM DEPOSITS AND DEFERRED COSTS**

	10	7,378,134	6,693,205
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**CURRENT ASSETS**

Stores, spares & loose tools	11	10,840,412	8,352,079
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Stock in trade	12	85,380,977	59,492,626
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Trade debts	13	135,741,668	199,541,060
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Advances, deposits, prepayments & other receivabl	14	39,203,622	31,401,300
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Cash and bank balances	15	93,788,974	35,773,291
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		364,955,653	334,560,356
--	--	-------------	-------------

		590,040,557	577,227,498
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		=====	=====
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Sd/-  
**A. Rehman**  
Chairman

Sd/-  
**Shafiq A. Siddiqi**  
Chief Executive

**Profit and Loss Account for the year ended September 30, 2000**

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>SALES</b>	16	629,300,548	722,100,124
<b>COST OF SALES</b>	17	506,861,247	596,642,640
<b>GROSS PROFIT</b>		122,439,301	125,457,484
<b>OPERATING EXPENSES</b>			
Administrative	18	19,931,803	18,720,824
Selling	19	26,504,092	26,175,766
		46,435,895	44,896,590
<b>OPERATING PROFIT</b>		76,003,406	80,560,894
<b>OTHER INCOME</b>	20	4,472,002	972,520
<b>OTHER CHARGES</b>	21	80,475,408 43,964,530	81,533,414 49,074,937
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		36,510,878	32,458,477
<b>TAXATION</b>	22	4,688,875	5,039,169
<b>PROFIT FOR THE YEAR AFTER TAXATION</b>		31,822,003	27,419,308
<b>ACCUMULATED PROFIT BROUGHT FORWARD</b>		28,112,894	13,194,588
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		59,934,897	40,613,896
<b>APPROPRIATION:</b>			
Interim dividend @ Nil (1999: 5%)		--	5,000,402
Proposed final dividend @ 12.5% (1999: 7.5%)		12,501,000	7,500,600
<b>ACCUMULATED PROFIT CARRIED TO BALANCE SHEET</b>		47,433,897	28,112,894
<b>BASIC EARNING PER SHARE</b>	23	3.18	2.74

The annexed notes form an integral part of these accounts.

LAHORE:  
March 03, 2001

**Sd/-**  
**A. Rehman**  
**Chairman**

**Sd/-**  
**Shafiq A. Siddiqi**  
**Chief Executive**

### Cash Flow Statement for the year ended September 30, 2000

*2000*  
*Rupees*

*1999*  
*Rupees*



**CASH FLOW FROM OPERATING ACTIVITIES**

<b>Profit for the year before taxation</b>		36,510,878	32,458,477
Adjustments for:			
Depreciation		23,632,166	25,731,298
Profit on sale of fixed assets		(422,177)	(336,724)
Amortization of deferred costs		2,115,525	1,579,200
Staff gratuity		2,535,398	2,776,146
Financial charges		41,959,550	47,366,596
		-----	-----
		69,820,462	77,116,516
		-----	-----
		106,331,340	9,574,993
<b>(Increase) / Decrease in current assets</b>			
Stores, spares and loose tools		(2,488,333)	(2,620,679)
Stock in trade		(25,888,351)	1,097,171
Trade debts		63,799,392	(41,428,708)
Advances, deposits, prepayments & other receivables		(7,802,322)	(1,893,005)
		-----	-----
		27,620,386	(44,845,221)
<b>Increase / (Decrease) in current liabilities</b>			
Creditors, accrued and other liabilities		652,402	(222,401)
		-----	-----
		134,604,128	64,507,371
<b>Cash flow from operations</b>			
Financial charges paid		(45,907,213)	(47,813,028)
Taxes paid		(5,201,001)	(4,644,847)
Gratuity paid		(960,421)	(671,182)
		-----	-----
		(52,068,635)	(53,129,057)
		-----	-----
<b>Net cash flow from operating activities</b>	(A)	82,535,493	11,378,314
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Long term advances, deposits and deferred costs		(2,800,454)	(8,135,155)
Sale proceeds of fixed assets		790,000	846,500
Short term investments		--	202,600
Fixed capital expenditure		(5,732,822)	(28,821,925)
		-----	-----
Net cash flow from investing activities	(B)	(7,743,276)	(35,907,980)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short term finances - Secured		7,030,221	59,862,000
Repayment of long term loans		(16,630,291)	(16,360,709)
Dividend paid		(7,176,464)	(4,646,008)
Net cash flow from financing activities	(c)	(16,776,534)	38,855,283
		-----	-----
Net Increase in cash & bank balances	(A+B+C)	58,015,683	14,325,617
Cash & bank balances at the beginning of the year		35,773,291	21,447,674
		-----	-----

Cash & bank balances at the end of the year	93,788,974	35,773,291
	=====	=====

LAHORE:	<b>Sd/-</b>	<b>Sd/-</b>
March 03, 2001	<b>A. Rehman</b>	<b>Shafiq A. Siddiqi</b>
	<b>Chairman</b>	<b>Chief Executive</b>

### Statement of changes in equity for the year ended September 30, 2000

	<i>Paid-up Capital</i> <i>Rupees</i>	<i>Accumulated</i> <i>Profit/ (Loss)</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
<b>Balance as at September 30, 1998</b>	100,008,000	13,194,588	13,202,588
Net profit for the year	--	27,419,308	27,419,308
Appropriation:			
Interim dividend @ 5%	--	(5,000,402)	(5,000,402)
Proposed final dividend @ 7.5%	--	(7,500,600)	(7,500,600)
<b>Balance as at September 30, 1999</b>	100,008,000	28,112,894	28,120,894
Net profit for the year	--	31,822,003	31,822,003
Appropriation:			
Proposed dividend @ 12.5%	--	(12,501,000)	12,501,000)
Balance as at September 30, 2000	100,008,000	47,433,897	147,441,897
	=====	=====	=====

LAHORE:	<b>Sd/-</b>	<b>Sd/-</b>
March 03, 2001	<b>A. Rehman</b>	<b>Shafiq A. Siddiqi</b>
	<b>Chairman</b>	<b>Chief Executive</b>

### Notes to the Accounts for the year ended September 30, 2000

#### 1. STATUS AND OPERATION

ICC Textiles Limited was incorporated on May 25, 1989 as a public limited company and is listed on the Lahore and Karachi Stock Exchanges in Pakistan. The principal activity of the company is manufacture and sale of grey fabrics.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Accounting Convention

These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting standards, except for the IAS-19 (Employees Benefits) and IAS-28 (Accounting for Investments in Associates) as applicable in Pakistan in all material respects.

##### 2.2 Staff Retirement Benefits

The company operates an unfunded gratuity scheme covering all its employees. Provision is

made annually to cover the obligations.

### **2.3 Tangible Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost.

Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period and attributable expenses in bringing the assets to their working condition. Pre-production expenses and trial run results are also capitalized.

Depreciation is calculated applying reducing balance method so as to write off the cost of operating fixed assets over their useful lives.

Full annual rate of depreciation is applied to the cost of additions. However, depreciation for proportionate period of use is charged on major project cost capitalized resulting in increased production capacity. No depreciation is charged on assets deleted during the year.

Gain / loss on disposal of fixed assets is reflected in the income currently. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

### **2.4 Long Term Investments**

These are stated at lower of cost and market value.

### **2.5 Stores, Spares and Loose Tools**

These are stated at cost using moving average method.

### **2.6 Stock in Trade**

Stock in trade is stated principally at lower of cost and net realizable value.

Cost of major components of stock in trade is determined as follows:

<b>Raw materials</b>	- At annual average cost
<b>Work in process and finished goods</b>	- At prime cost plus appropriate production overheads
<b>Wastes</b>	- At net realizable value

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

### **2.7 Foreign Currency Translation**

All assets and liabilities in foreign currencies are translated at exchange rates ruling on the balance sheet date except foreign currency loans covered under State Bank of Pakistan exchange risk scheme which are stated at the contracted rates. Exchange risk fee on translation of foreign currency loans and other exchange differences are accounted for in the income currently.

### **2.8 Revenue Recognition**

Export sales are recognised at the time of shipment. Exchange differences, if any, are adjusted in the period of realisation. Export rebates are accounted for on accrual basis.

Local sales are recorded on despatch of goods to the customers.

Investment and interest income is recognized on accrual basis.

## 2.9 Deferred Costs

The deferred costs are amortized over a period of five years.

## 2.10 Taxation

Provision for current taxation is based on taxable income after taking into account tax depreciation and tax credits available under the tax laws.

The company accounts for deferred taxation on all significant timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

		<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>3. SHARE CAPITAL</b>			
10,000,800 ordinary shares of Rs. 10 each			
(1999: 10,000,800)		100,008,000	100,008,000
<b>4. LONG TERM LOANS</b>		<i>Sanctioned</i>	<i>2000</i>
	<i>Note</i>	<i>Limit-Rs.</i>	<i>Rupees</i>
<b>Financial Institution - Secured</b>			
Foreign currency loan	4.1	164,765,830	69,674,830
(Equivalent US\$ 7,277,990)			86,305,121
<b>Associated Company - Unsecured</b>			
	4.2		19,150,000
		-----	-----
		88,824,830	105,455,121
<b>Less: Current Portion</b>		20,162,000	16,630,291
		-----	-----
		68,662,830	88,824,830
		=====	=====

4.1 a. The loan was sanctioned by Pakistan Industrial Credit and Investment Corporation Limited (PICIC). The loan is repayable in 23 half yearly installments commencing July 01, 1992.

b. It carries interest @ 14% per annum or 1% per annum above the prime rate of interest applicable to US Dollar, whichever is higher.

c. In case of default additional interest is payable @ 5% per annum above the bank rate or applicable rate of interest, whichever is higher, on the unpaid amount.

d. The loan is secured against:

i. first charge by way of an equitable mortgage on the present and future immovable properties of the company.

ii. first hypothecation charge on all the present and future machinery of the

company.

iii. first floating charge on all other present and future assets of the company subject to a charge by way of hypothecation of stock in trade, stores and work - in - progress created in favour of other bankers with the approval of PICIC.

iv. demand promissory note for the amount of loan convertible into usance bill on demand of PICIC.

4.2 The loan has been obtained from an associated company. It carries interest @ 12% to 15.5% per annum and principal amount is repayable after twelve months.

## 5. SHORT TERM FINANCES

	<i>Note</i>	<i>Sanctioned Limit-Rs.</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>Commercial banks</b>				
<b>Secured:</b> Pre-shipment	5.1	285,000,000	219,750,000	160,000,000
Post-shipment	5.2	220,000,000	93,307,000	146,835,000
<b>Unsecured:</b> Current accounts			808,221	--
			-----	-----
			313,865,221	306,835,000
			=====	=====

5.1 The facilities are secured against hypothecation of stock in trade, pari passu charge on current assets, second charge on fixed assets of the company, deposit certificates as referred in note 15.1 and partial security of an associated company. Mark-up is payable @ 6.5% to 10% per annum.

5.2 The facilities are secured against lien on export bills / documents. Mark-up is payable @ 8% to 15.7% per annum.

## 6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		1,603,811	1,117,745
Deposits and retention money		3,000	172,808
Due to associated company		405,225	825,242
Accrued liabilities		8,178,798	7,573,379
Advance against sales		619,510	106,807
Accrued mark up/interest on long term loans		2,438,619	3,021,457
Accrued mark up/interest on short term finances		2,472,597	6,424,689
Accrued interest on loan from associated company		587,267	--
Letter of credit		--	661,725
Tax deducted at source		187,065	100,585
Workers' Profit Participation Fund	(Note 6.1)	1,921,625	1,708,341
		-----	-----
		18,417,517	21,712,778
		=====	=====

### 6.1 Workers' Profit Participation Fund

At the beginning of the year	1,708,341	2,970,814
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Allocation for the year	1,921,625	1,708,341
	-----	-----
	3,629,966	4,679,155
Add: Interest during the year	159,718	276,734
	-----	-----
	3,789,684	4,955,889
Less: Amount paid during the year	1,868,059	3,247,548
	-----	-----
	1,921,625	1,708,341
	=====	=====

**7. DIVIDEND**

Unclaimed dividend	678,530	354,394
-Proposed dividend @ 2.5% (1999: @ 7.5%)	12,501,000	7,500,600
	-----	-----
	13,179,530	7,854,994
	=====	=====

**8. CONTINGENCIES AND COMMITMENTS**

8.1 The company has not accounted for the Corporate Assets Tax levied u/s 12 of The Finance Act, 1991 amounting to Rs. 1,695,000 (1999: Rs. 1,695,000) in these accounts, although the tax has been paid by the company and treated as advance income tax (Refer Note 14). The company has filed an appeal in the Supreme Court of Pakistan against the decision of Lahore High Court which is pending for adjudication.

8.2 The company is contingently liable in respect of excise duty on long term loan charged by PICIC amounting to Rs. 6,471,581 (1999: Rs. 6,471,581). The company is of the view that such liability is not payable, consequently it has filed writ petition before the Lahore High Court and final outcome of the matter is still pending with the court.

8.3 Commitments against irrevocable letters of credit for import of machinery spares as at September 30, 2000 amounting to Rs. 2.679 million (1999: Rs. 1.821 Million).

**9. OPERATING FIXED ASSETS - Tangible**

DESCRIPTION	COST				DEPRECIATION			Written down value as on	
	As on October 01, 1999	Additions/ (Deletions)	As on September 30, 2000	Rate %	As on October 01, 1999	Adjustments	For the year	As on September 30, 2000	September 30, 2000
Land-freehold	7,553,867	--	7,553,867	--	--	--	--	--	7,553,867
Building-on freehold land	55,401,947	431,552	55,833,499	10	22,811,871	--	3,302,163	26,114,034	29,719,465
Plant & machinery	348,652,283	4,381,797	353,034,080	10	58,900,953	--	19,413,313	178,314,313	174,719,814
Furniture & fixture	1,687,376	269,325	1,956,701	10	760,667	--	119,603	880,270	1,076,431
Vehicles	5,495,831	375,128 (986,716)	4,884,243	20	2,966,545	(618,893)	507,318	2,854,970	2,029,273
Electric appliances	442,252	--	442,252	10	253,771	--	18,848	272,619	169,633
Office equipments	3,455,252	275,020	3,730,272	10	1,021,064	--	270,921	1,291,985	2,438,287
	-----	-----	-----		-----	-----	-----	-----	-----
2000 Rupees	422,688,808	5,732,822 (986,716)	427,434,914		186,714,871	(618,893)	23,632,166	209,728,144	217,706,770



85,380,977	59,492,626
=====	=====

**13. TRADE DEBTS - Considered good**

Export - Secured against letters of credit	132,837,405	191,541,497
Local- Unsecured	2,904,263	7,999,563
	-----	-----
	135,741,668	199,541,060
	=====	=====

**14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advances - Considered good:		
to employees	97,944	125,743
to executives (Note 14.1)	306,200	73,500
to suppliers	778,107	2,754,464
Advance income tax	1,695,000	1,695,000
Sales tax refundable	24,280,255	16,646,598
Advance central excise duty	1,941,474	--
Letters of credit	28,269	1,062,161
Prepayments	350,654	467,973
Export rebate receivable	8,124,794	6,811,226
Accrued interest	218,265	124,555
Other receivables	1,382,660	1,640,080
	-----	-----
	39,203,622	31,401,300
	=====	=====

14. I The maximum aggregate amount due from the directors and executives of the company at the end of any month was Rs. Nil (1999: Rs. Nil) and Rs. 985,655 (1999: Rs. 247,560) respectively.

**15. CASH AND BANK BALANCES**

Cash in hand	316,639	57,244
Cash at banks - Current accounts	55,372,335	25,716,047
Term Deposit Certificates (Note 15.1)	38,100,000	10,000,000
	-----	-----
	93,788,974	35,773,291
	=====	=====

15.1 The certificates carry interest @ 14% to 16% per annum and have been pledged with ABN AMRO Bank and Societe Generale, The French and International Bank as collateral against short term finances.

**16. SALES**

Cloth- Export	568,880,134	653,270,419
- Local	58,989,759	66,286,063
	-----	-----
	627,869,893	719,556,482
Waste	2,444,632	2,925,470
Export rebate	10,100,585	10,783,574



Processing income		--	154,419
		-----	-----
		640,415,110	733,419,945
Less: Commission on sales		11,114,562	11,319,821
		-----	-----
		629,300,548	722,100,124
		=====	=====
<b>17. COST OF SALES</b>			
Raw materials consumed	(Note 17.1)	402,830,207	483,570,788
Salaries, wages and other benefits		24,812,274	22,536,895
Fuel and power		22,768,808	22,994,443
Stores consumed		39,797,200	37,868,683
Processing charges		1,515,029	118,614
Insurance		1,227,542	1,139,630
Repair and maintenance		1,517,108	1,549,963
Depreciation	(Note 9.1)	22,715,476	24,704,601
		-----	-----
		517,183,644	594,483,617
Adjustment of Work-in-process			
Opening stock		11,816,411	7,367,252
Closing stock		(10,368,665)	(11,816,411)
		-----	-----
		1,447,746	(4,449,159)
Adjustment of Finished goods and Waste			
Opening stock		32,143,404	38,751,586
Cloth purchased		1,199,344	--
Closing stock		(45,112,891)	(32,143,404)
		-----	-----
		(11,770,143)	6,608,182
		-----	-----
		506,861,247	596,642,640
		=====	=====
<b>17.1 Raw materials consumed</b>			
Opening Stock		15,532,811	14,470,959
Add: Purchases		415,346,122	491,161,964
Freight & octroi		1,768,723	2,791,432
		-----	-----
		432,647,656	508,424,355
Less: Claims		81,972	(289,620)
Closing Stock		(29,899,421)	(15,532,811)
		-----	-----
		402,830,207	492,601,924
Charged to trial production		--	(9,031,136)
		-----	-----
		402,830,207	483,570,788
		=====	=====

**18. ADMINISTRATIVE EXPENSES**

Salaries and other benefits		9,657,079	8,737,351
Travelling and conveyance		1,699,155	2,252,125
Rent, rates and taxes		1,165,829	926,037
Printing and stationery		530,790	514,457
Communication		1,352,732	1,194,053
Vehicles running and maintenance		2,131,305	1,666,118
Entertainment		406,671	373,309
Repair & maintenance		285,474	267,814
Electricity, gas and water		857,669	595,151
Auditors' remuneration	(Note 18.1)	127,340	126,195
Legal and professional		140,300	282,760
Subscription		172,124	238,783
Insurance		338,111	392,615
Advertisement		38,381	103,753
Depreciation	(Note 9.1)	916,690	1,026,697
Donation	(Note 18.2)	69,000	6,500
Others		43,153	17,106
		-----	-----
		19,931,803	18,720,824
		=====	=====

**18.1 Auditors' Remuneration**

Audit fee		55,000	55,000
Tax representation and consultancy fee		65,000	65,000
Out of pocket expenses		7,340	6,195
		-----	-----
		127,340	126,195
		=====	=====

18.2 None of the directors or their spouse had any interest in the donee's fund.

**19. SELLING EXPENSES**

Salaries and other benefits		802,233	663,583
Vehicles running and maintenance		39,032	34,545
Communication		338,143	35,145
Freight, shipment and others		25,230,185	25,061,538
Other expenses		94,499	380,955
		-----	-----
		26,504,092	26,175,766
		=====	=====

**20. OTHER INCOME**

Profit on sale of fixed assets	(Note 20.1)	422,177	336,724
Profit on sale of raw materials		--	261,541
Interest on long term and short term investments		4,001,590	368,185
Others		48,235	6,070
		-----	-----
		4,472,002	972,520
		=====	=====

**20.1 Profit on sale of fixed assets**

The following is the detail of disposals during the year:

<i>Particulars</i>	<i>Cost</i>	<i>Book Value</i>	<i>Sale Profit/ Proceeds (Loss)</i>	<i>Mode of Disposal</i>	<i>Particulars</i>
Suzuki Mehran LOH - 5843	150,256	25,209	70,000	44,791	Negotiation Mr. Muhammad Khalid Faisal Abad.
Toyota Corolla LXA- 4634	836,460	342,614	720,000	377,386	Insurance claim EFU General Insurance Company Limited Lahore.
2000 Rupees	986,716	367,823	790,000	422,177	
1999 Rupees	1,215,655	509,776	846,500	336,724	

## 21. OTHER CHARGES

Financial charges	(Note 21.1)	41,959,550	47,366,596
Loss on sale of raw materials		83,355	--
Workers' Profit Participation Fund		1,921,625	1,708,341
		43,964,530	49,074,937

### 21.1 Financial Charges

Mark-up/interest on long term loans	10,974,524	13,038,815
Interest on loan from associated company	2,775,155	3,091,720
Mark-up/interest on short term finances	24,691,354	27,236,944
Interest on Workers' Profit Participation Fund	159,718	276,734
Bank charges	3,358,799	3,722,383
	41,959,550	47,366,596

## 22. TAXATION

Current year	4,688,875	4,899,528
Prior years	--	139,641
	4,688,875	5,039,169

Income tax assessments of the company have been finalized upto assessment year 1998-99.

## 23. BASIC EARNING PER SHARE

Profit after tax	31,822,003	27,419,308
Weighted average number of ordinary shares	10,000,800	10,000,800
Basic earning per share	3.18	2.74

## 24. FINANCIAL ASSETS AND LIABILITIES

	<i>Mark-up Bearing</i>		<i>Non Mark-up Bearing</i>		<i>2000</i>	<i>1999</i>
	<i>Maturity up to One year Rupees</i>	<i>Maturity after One Year Rupees</i>	<i>Maturity up to One Year Rupees</i>	<i>Maturity after One Year Rupees</i>	<i>Total Rupees</i>	<i>Total Rupees</i>
<b>Financial assets</b>						
Trade debts	--	--	135,741,668	--	135,741,668	199,541,060
Advances, deposits, prepayments & other receivables	--	--	36,351,592	--	36,351,592	25,421,702
Cash and bank balances	38,100,000	--	55,688,974	--	93,788,974	35,773,291
	-----	-----	-----	-----	-----	-----
	38,100,000	--	227,782,234	--	265,882,234	260,736,053
	=====	=====	=====	=====	=====	=====
<b>Financial liabilities</b>						
Long term loans	20,162,000	68,662,830	--	--	88,824,830	105,455,121
Short term finances	313,865,221	--	--	--	313,865,221	306,835,000
Creditors, accrued and other liabilities	--	--	17,798,007	--	17,798,007	21,605,971
Dividends	--	--	13,179,530	--	13,179,530	7,854,994
Provision for taxation	--	--	332,384	--	332,384	844,510
	-----	-----	-----	-----	-----	-----
	334,027,221	68,662,830	31,309,921	--	433,999,972	442,595,596
	=====	=====	=====	=====	=====	=====

#### 24.1 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 believes that it is not exposed to major concentration of credit risk.

#### 24.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payable exist due to sales and purchase transactions with foreign undertakings. The company does not view hedging as being financially feasible owing to the excessive costs involved in relation to the amount at risk. However, where substantial amount of risk is involved the management manages the risk through forward cover.

#### 24.3 Fair values of financial assets and financial liabilities

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

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>25. TRANSACTIONS WITH ASSOCIATED COMPANIES</b>		
Interest on loan debited by associated company	2,775,155	3,091,720
Purchase of fixed assets	348,978	300,000
Purchase of generator's spares	566,926	--
Purchase of services	96,000	--

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

<i>Description</i>	<i>2000</i>			<i>1999</i>		
	<i>Chief Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Directors</i>	<i>Executives</i>
Managerial remuneration	--	1,956,000	3,117,913	--	1,700,400	2,843,018
House rent allowance	--	880,200	1,147,258	--	765,180	1,073,995
Other allowances	--	326,000	853,438	--	151,600	767,408
Medical expenses	--	85,435	44,278	--	85,777	81,703
Utilities	--	293,794	91,997	--	120,477	97,027
	--	3,541,429	5,254,884	--	2,823,434	4,863,151
No. of persons	1	2	14	1	2	12

Some of the directors and the executives are provided with free use of company cars as per rules.

		<i>2000</i>	<i>1999</i>
<b>27. PLANT CAPACITY &amp; PRODUCTION</b>			
No. of looms installed		100	100
No. of looms worked		100	100
Shifts per day		3	3
No. of days actually worked		364	364
Rated capacity	(Running meters in millions)	12.5	12.5
Actual production	(Running meters in millions)	11.6	12.5

It is difficult to determine precisely the production capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

**28. FIGURES**

- have been rounded off to the nearest rupee.

- of previous year have been re-arranged wherever necessary, for the purpose of comparison.

Sd/-  
A. Rehman  
Chairman

Sd/-  
Shafiq A. Siddiqi  
Chief Executive

**FORM - 34****THE COMPANIES ORDINANCE, 1984****PATTERN OF HOLDING OF THE SHARES****HELD BY THE SHARE HOLDERS AS ON SEPTEMBER 30, 2000**

<i>No. of Shareholders</i>	<i>Shareholding From To</i>	<i>Total Shares Held</i>
----------------------------	-----------------------------	--------------------------

269	1	100	26,862
3,158	101	500	1,468,820
103	501	1000	100,218
116	1001	5000	311,650
29	5001	10000	231,600
19	10001	15000	255,500
8	15001	20000	147,500
5	20001	25000	113,100
2	25001	30000	54,765
1	30001	35000	30,900
7	35001	40000	261,500
2	40001	45000	86,000
1	45001	50000	48,500
1	50001	55000	51,100
1	65001	70000	70,000
1	70001	75000	75,000
4	75001	80000	313,400
2	85001	90000	180,000
3	90001	95000	281,500
7	95001	100000	700,000
3	10001	115000	337,500
1	1500	120000	119,000
1	2000	125000	125,000
1	3000	135000	132,820
1	3500	140000	138,600
1	4000	145000	141,100
1	5500	160000	158,900
1	7000	175000	175,000
1	7500	180000	177,365
1	9500	200000	200,000
1	27000	275000	275,000
1	33000	335000	334,500
1	287500	2880000	2,878,100
-----			-----
3,754			10,000,800
=====			=====

**Categories of  
shareholders****Number of  
Shareholders****Shares  
Held****Percentage**

Individuals	3,741	6,327,400	63.27
Investment Companies	2	146,600	1.47
Insurance Companies	2	179,000	1.79
Banks / Financial Institutions	2	344,500	3.44
Private Limited Companies	5	2,993,100	29.93
Modaraba Companies	1	200	0.00
Chairtable Trusts	1	10,000	0.10
-----			-----
Total	3,754	10,000,800	100.00
=====			=====