

## **Indus Jute Mills Limited**

### **Annual Report 2001**

#### **BOARD OF DIRECTORS**

<b>Chief Executive:</b>	MOHAMMED A. JAMAL
<b>Directors:</b>	SAFDARALI VIRJI WALJI ALI RAZA GHULAM ALI RAZA HUSSAIN VIRJI WALJI MOHAMMED ALI VIRJI WALJI MUHAMMAD YOUSUF - Representing NIT SYED ZUBAIR AHMED SHAH - Representing NIT
<b>Auditors:</b>	HYDER BHIMJI & CO. Chartered Accountants
<b>Bankers:</b>	UNITED BANK LIMITED NATIONAL BANK OF PAKISTAN LTD. BANK AL-HABIB LIMITED
<b>Registered Office:</b>	2nd Floor, Noor Chambers, M.A. Jinnah Road, Karachi.
<b>Mills:</b>	Dhabeji Industrial Area, District Thatta, Sindh.

#### **NOTICE OF MEETING**

NOTICE is hereby given that 35th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 2nd Floor, 53-Noor Chambers, M.A. Jinnah Road, Karachi on Saturday, the 29th December, 2001 at 11.00 a.m. to transact the following business:-

1. To confirm Minutes of the Annual General Meeting held on 26th February, 2001.
2. To receive and adopt the Directors' Report and Audited Accounts for the year ended 30th June, 2001.
3. To appoint Auditors for the year 2001-2002 and fix their remuneration.
4. To transact such other business as may be placed before the meeting with permission of the Chair.

**By Order of the Board**

**ARIF AHMED**  
**Company Secretary**

KARACHI: the 30th November, 2001

#### **NOTE**

1. The Share Transfer Book of the Company will remain closed from 23rd December, 2001 to 29th December, 2001 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his proxy to attend the Meeting. Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting. A Proxy must be a member.
3. The Shareholders are advised to notify the Company immediately of any change in their addresses to ensure prompt delivery of mail.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card and Account & Participant's ID numbers, for identification purpose and in case of proxy, to enclose an attested copy of his/her National Identity Card.

#### **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your directors are pleased to place before you their 35th Annual Report together with audited accounts of your company for the year ended 30th June, 2001.

The financial results for the year under report are as under:-

<b>NET LOSS BEFORE THE FOLLOWING:</b>		Rs. (32,893,851)
Add: Depreciation	Rs. 11,075,328	
Provision for taxation	Rs. 4,967,173	Rs. (16,042,501)
		-----
Net loss for the year		Rs. (48,936,352)
Add: Net loss brought forward		Rs. (19,181,741)
		-----
Net Loss Carried Forward		Rs. (68,118,093)
		=====

In view of the adverse financial results, directors have decided to passover dividend.

#### WORKING RESULTS

During the financial year under report, the company suffered net post-taxation loss of Rs. 48.936 million mainly due to (1) carrying huge stocks of major product jute grain sacks till March, 2001 due to surplus wheat at home being no demand in the period August/December, 2000. (2) Loss of business of 3000 bales suffered by the company on account of non-availability of required qualities of raw material which could not be imported due to L/c opening restrictions. (3) Fire at port which affected 1,500 tons raw jute stock in March, 2001 resulting in layoffs and increase in the fixed expenses. (4) Persisting liquidity crisis forcing bankers to stop L/c opening for buying raw jute timely. (5) Non-payment of bill by Sind Government amounting to Rs. 17.50 million for 45 days. (6) Withholding of security deposit of Rs. 7.5 million by the Punjab Food for 90 days which was received in the subsequent financial year. (7) Food departments bargained and negotiated rock bottom rates for grain sacks due to high stocks levels with the industry in March 2001. (8) Inability of the company to retrench 49% labour force which is management's right forcing it to keep the factory running on layoffs and thus increase fixed expenses and (9) Increase in electricity costs to tariff increases and fixed charges.

#### SALES TURNOVER

As a result of lower demand, sales during the year under review declined by 28%. Decline in sales would have been higher had exports to Iran not increased from Rs. 6.744 million to Rs. 50.193 million. In view of uncertain procurement targets, buying agencies resorted to remain away from the market till the month of March. However later on, with the revision of their targets, orders for heavy quantities were floated by them for supply during the April-June quarter but due to depleted stocks, your company could not avail benefit of this.

#### FUTURE PROSPECTS

Since the bulk of product is jute grain sacks and it's demand can only be firmed up in February/March, 2001 the real impact of operating position would crystallize in that period. The Central government has, however, instructed provincial food departments to procure 4 million tons wheat, which would create industry demand of 120,000 bales of grain sacks. But with the industry's current stock position, it appears that the industry would find it difficult to meet the target.

#### DIRECTORS

On 17-11-2001, Mr. Syed Zubair Ahmed Shah was co-opted on the Company's Board as nominee Director of N.I.T. in place of their outgoing nominee Director Ms. Farzana Munaf.

The Board place on record their appreciation for the contributions made by Ms. Farzana Munaf during her tenure on the Board and welcome Mr. Syed Zubair Ahmed Shah.

#### PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as at June, 2001 is attached to this report.

#### AUDITORS

The present auditors of the Company M/s. Hyder Bhimji & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year 2001-2002.

The Directors wish to place on record their appreciation for the enthusiasm, loyalty and devotion to duty displayed by the workers, staff and executives of the company.

On behalf of the Board

MOHAMMED A. JAMAL  
Chief Executive

KARACHI: the 30th November, 2001

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **M/s INDUS JUTE MILLS LIMITED** as at June 30th,

2001 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 have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 company's business; and

iii) the business conducted 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, except the deviation from IAS-19 as more fully explained in note 7.1 and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30th, 2001 and of the loss, it's cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source, under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited into the Central Zakat Fund established under section 7 of that Ordinance.

KARACHI: the 30th November, 2001

**HYDER BHIMJI AND CO.**  
**Chartered Accountants**

## BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note No.</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>CAPITAL &amp; RESERVES</b>			
<b>Authorised Capital:</b>			
5,000,000 Ordinary Shares of Rs. 10/-each.		50,000,000	50,000,000
		=====	=====
Issued, Subscribed & Paid-up Capital	3	28,102,030	28,102,030
<b>RESERVES</b>			
Capital	4	19,500,000	19,500,000
Revenue	4	38,000,000	38,000,000
Accumulated (Loss)		(68,118,093)	(19,181,741)
		-----	-----
		(10,618,093)	38,318,259
		-----	-----
		17,483,937	66,420,289
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	5	67,763,005	67,763,005
<b>LIABILITIES AGAINST ASSETS SUBJECT</b>			

<b>TO FINANCE LEASE</b>	6	1,100,966	987,355
<b>DEFERRED LIABILITIES</b>	7	67,850,501	72,181,240
<b>CURRENT LIABILITIES</b>			
Short Term Loans -- unsecured	8	28,921,484	28,921,484
Short Term Running Finance utilized under mark-up arrangements (Secured)	9	42,444,306	15,214,359
Current Portion of Liabilities against Assets Subject to Finance Lease		515,959	1,202,008
Creditors, Accrued and Other Liabilities	10	95,797,535	82,045,142
		-----	-----
		167,679,284	127,382,993
Contingencies and Commitments	11	--	--
		-----	-----
Total Rupees		321,877,693	334,734,882
		=====	=====

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

KARACHI: the 30th November, 2001

**TANGIBLE FIXED ASSETS**

Operating Fixed Assets	12	136,196,591	143,123,961
Stores and Spares held for Capital Expenditure		5,956,980	5,058,052
		-----	-----
		142,153,571	148,182,013

**LONG TERM LOANS AND ADVANCES**

	13	1,296,658	2,129,463
--	----	-----------	-----------

**LONG TERM DEPOSITS**

	14	1,744,131	1,266,592
--	----	-----------	-----------

**CURRENT ASSETS**

Stores, Spares & Loose Tools	15	18,478,060	21,549,477
Stock-in-Trade	16	46,466,605	49,479,655
Trade Debts (Unsecured) Considered Good		45,770,061	36,699,127
Loan and Advances	17	2,446,666	3,625,860
Trade Deposits & Prepayments	18	10,935,020	13,538,181
Other Receivables	19	9,112,530	6,421,325
Advance Income Tax		36,356,135	29,688,125
Cash & Bank Balances	20	7,118,256	22,155,064
		-----	-----
		176,683,333	183,156,814
		-----	-----

Total Rupees 321,877,693 334,734,882

**MOHAMMED A. JAMAL**  
Chief Executive

**ALI RAZA GHULAMALI**  
**MOHAMMED ALI VIRJI WALJI**  
Directors

KARACHI: the 30th November, 2001

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note No.</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Sales		354,942,214	494,319,025
Cost of Goods Sold		(355,163,786)	(462,320,233)
		-----	-----
Gross (Loss)/Profit		(221,572)	31,998,792
Trading Profit / (Loss)	23	--	6,618
		-----	-----
		(221,572)	32,005,410
<b>OPERATING EXPENSES</b>			
Administrative	24	(15,611,622)	(16,406,855)
Selling and Distribution	25	(12,468,898)	(10,748,762)
		-----	-----
		(28,080,520)	(27,191,617)

Operating (Loss) / Profit:		(28,302,092)	4,813,793
Net Income from Rice Division	26	7,800,914	2,421,782
Other Income	27	218,276	161,223
Financial Charges	28	(22,128,192)	(24,334,696)
Other Charges	29	(1,558,085)	(442,601)
		(23,686,277)	(24,777,297)
Net (Loss) for the year before taxation		(43,969,179)	(17,380,499)
Provision for Taxation	30	(4,967,173)	(2,600,000)
Net (Loss) for the year after taxation		(48,936,352)	(19,980,499)
(Loss)/Profit brought forward		(19,181,741)	798,758
Unappropriated (Loss) Carried Forward		(68,118,093)	(19,181,741)
Earning per Share	31	(17.41)	(7.11)

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

**MOHAMMED A. JAMAL**  
Chief Executive

**ALI RAZA GHULAMALI**  
**MOHAMMED ALI VIRJI WALJI**  
Directors

KARACHI: the 30th November, 2001

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (Loss) before taxation	(43,969,179)	(17,380,499)
Adjustment for non cash & other items:		
Profit on Sale of Fixed Assets	(33,850)	(16,608)
Depreciation	11,075,328	11,743,780
Provision for Gratuity	4,584,869	1,696,711
Financial Charges	22,128,192	24,334,696
Payment of Gratuity	(6,915,608)	(5,409,154)
	(13,130,248)	14,968,926
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase) / decrease in current assets		
Stores, Spares & Loose Tools	3,071,417	57,184
Stock-in-Trade	3,013,050	74,014,387
Trade Debts	(9,070,934)	(23,703,723)
Loan & Advances	638,344	1,185,781
Deposits and Prepayments	2,603,161	(10,194,111)
Other Receivables	(2,691,205)	(147,729)
Increase / (decrease) in current liabilities		
Short Term Loan	--	4,625,000
Creditors, accrued and other liabilities	9,214,379	47,941,494
	6,778,212	93,778,283
	(6,352,036)	108,747,209
Financial charges paid	(16,861,055)	(25,178,041)
Income Tax paid	(13,635,655)	(27,095,238)
Income Tax Refund Received	--	10,701,365
Long Term Loans and Advances	1,373,655	2,354,806
Long Term Deposits	(477,539)	272,272
<b>CASH GENERATED FROM OPERATIONS</b>	(35,952,158)	69,802,373

**CASH FLOW FROM INVESTING ACTIVITIES**

Proceeds from disposal of fixed assets	385,272	107,900
Fixed capital expenditure	(5,398,308)	(5,334,643)
	-----	-----
Net cash used in investing activities	(5,013,036)	(5,226,743)
	=====	=====

**CASH FLOW FROM FINANCING ACTIVITIES**

Assets obtained under Finance Lease	1,314,000	819,000
Dividend Paid	(729,123)	(2,914,253)
Payments of lease liability	(1,886,438)	(1,346,810)
	-----	-----
	(1,301,561)	(3,442,063)
	-----	-----
Net Increase/(Decrease) in cash and cash equivalents	(42,266,755)	61,133,567
Cash and cash equivalents at the beginning of the year	6,940,705	(54,192,862)
	-----	-----
Cash and cash equivalent at end of the year	(35,326,050)	6,940,705
	=====	=====

**MOHAMMED A. JAMAL**  
Chief Executive

**ALI RAZA GHULAMALI**  
**MOHAMMED ALI VIRJI WALJI**  
Directors

KARACHI: the 30th November, 2001

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Share Capital</i>	<i>Capital Reserve Plant &amp; Machinery</i>	<i>Revenue Reserve General</i>	<i>Unappropriated Profit/ Accumulated (Loss)</i>	<i>Total</i>
Balance as at June 30, 1999	28,102,030	19,500,000	38,000,000	798,758	86,400,788
Net Loss for the year ended 30-Jun-00	--	--	--	(19,980,499)	(19,980,499)
	-----	-----	-----	-----	-----
	28,102,030	19,500,000	38,000,000	(19,181,741)	66,420,289
	-----	-----	-----	-----	-----
Net (loss) for the year ended June 30, 2001	--	--	--	(48,936,352)	(48,936,352)
	-----	-----	-----	-----	-----
	28,102,030	19,500,000	38,000,000	(68,118,093)	17,483,937
	=====	=====	=====	=====	=====

**MOHAMMED A. JAMAL**  
Chief Executive

**ALI RAZA GHULAMALI**  
**MOHAMMED ALI VIRJI WALJI**  
Directors

KARACHI: the 30th November, 2001

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2001****1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on March 21, 1966 and is listed on the Karachi Stock Exchange (guarantee) Limited. The Company is principally engaged in the manufacture and sale of Jute Products and trading/export of Rice.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention:**

These accounts have been prepared under historical cost convention. Modification, if any, are stated.

**2.2 Foreign Currency Translation:**

Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the Balance Sheet date. However, if these are paid or realised subsequently but before the date of issue of financial statement, the same are converted at the actual exchange rate of conversion. Exchange difference, if any, on account of goods supplied are charged to Profit & Loss Account.

**2.3 Staff retirement benefits:**

The Company operates an unfunded gratuity scheme covering all employees eligible to the benefit. Provision is made annually to cover obligation under the scheme.

**2.4 Taxation:****a) Current:**

Provision for current taxation is computed in accordance with the provisions of the Income Tax Ordinance 1979.

**b) Deferred:**

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

**2.5 Fixed Assets:****a) Company Owned Assets:**

These are stated at cost less accumulated depreciation except freehold land and capital work in progress, if any, which is stated at cost.

Depreciation is computed by applying reducing balance method at the rate specified in the related note to written off the cost of assets over its estimated useful life. Depreciation on additions to fixed assets during the year is charged for the whole year, while no depreciation is charged on fixed assets disposed off during the year. Profit or Loss on disposal of fixed assets are taken to profit and loss account.

**b) Leased Assets (Under Finance Lease):**

The company accounts for assets obtained under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of lease period to be paid by the company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities. Depreciation is computed by applying reducing balance method at the rate specified in the related note to write off the cost of assets over its estimated useful life in view of the certainty of the ownership of the assets at the end of the lease.

**2.6 Stores, Spares and Loose Tools:**

These are valued as follows:

-- In Stock	At average cost
-- In Transit	At actual cost

**2.7 Stock in Trade:**

These are valued as follows:

Jute:	
Raw Materials:	
-- In Stock	At average cost
-- In Transit	At actual cost.
Finished Goods	At lower of average manufacturing cost and net realisable value.
Work in Process	At average cost of Raw Material plus appropriate portion of manufacturing overheads.
Rice:	
Rice stock:	At average purchase price or market price whichever is lower.

**2.8 Trade Debts:**

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

**2.9 Revenue Recognition:**

Sales are recorded on despatch of goods to customers. Income on deposit is recorded on accrual basis.

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

<i>No. of Shares</i>		<i>2001</i>	<i>2000</i>
<i>2001</i>	<i>2000</i>	<i>Rupees</i>	<i>Rupees</i>
1,584,553	1,584,553	15,845,530	15,845,530
	Ordinary Shares of Rs. 10/- each fully paid in cash.		

200,000	200,000 Ordinary Shares of Rs. 10/- each issued for consideration other than cash.	2,000,000	2,000,000
1,025,650	1,025,650 Ordinary Shares of Rs. 10/- each issued as fully paid Bonus shares.	10,256,500	10,256,500
-----	-----	-----	-----
2,810,203	2,810,203	28,102,030	28,102,030
=====	=====	=====	=====

**4. RESERVES**

Movement in and composition of reserves are as follows:

	<i>CAPITAL</i>	<i>REVENUE</i>	<i>TOTAL</i>	
	<i>Plant</i>			
	<i>Modernization</i>	<i>General</i>		
	<i>Reserve</i>	<i>Reserve</i>	<i>2001</i>	<i>2000</i>
-- At July 1, 2000	19,500,000	38,000,000	57,500,000	57,500,000
-- Transfer	--	--	--	--
	-----	-----	-----	-----
At June 30, 2001	19,500,000	38,000,000	57,500,000	57,500,000
	=====	=====	=====	=====
			<i>2001</i>	<i>2000</i>
			<i>Rupees</i>	<i>Rupees</i>

**5. SURPLUS ON REVALUATION OF FIXED ASSETS**

This represents surplus over book value resulting from the revaluation of the following assets as at June 30, 1996.

on freehold land	14,877,177	14,877,177
on factory building	52,885,828	52,885,828
	-----	-----
	67,763,005	67,763,005
	=====	=====

**6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured**

Opening Balance	2,189,363	2,717,173
Add: Obtained during the year	1,314,000	819,000
	-----	-----
	3,503,363	3,536,173
Less: Repayment during the year	(1,886,438)	(1,346,810)
	-----	-----
	1,616,925	2,189,363
Less: Current Maturity Shown under Current Liabilities	(515,959)	(1,202,008)
	-----	-----
	1,100,966	987,355
	=====	=====

-- These assets have been leased by Orix Leasing Pakistan Ltd. under the agreements of finance lease.

-- The above liability represents total of minimum lease payments discounted @ 23% approximately per annum being the rate implicit in the lease.

-- The liability in respect of above leases are repayable in 36-59 equal monthly installments.

-- The amount payable in the future years is as under:

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
2000-01	--	1,400,660
2001-02	713,160	214,200
2002-03	713,160	214,200
2003-04	297,360	214,000
	-----	-----



	1,723,680	2,043,260
Adjustment towards security deposit	213,300	482,700
	-----	-----
	1,936,980	2,525,960
Less: Financial charges allocated to future period	(320,055)	(336,597)
	-----	-----
	1,616,925	2,189,363
	=====	=====

-- The cost of operating and maintaining the leased assets is to be borne by the Company.

#### Security

These assets are secured by way of lessors' lien on them

#### 7. DEFERRED LIABILITIES

Gratuity	51,850,501	54,181,240
Taxation	16,000,000	18,000,000
	-----	-----
	67,850,501	72,181,240
	=====	=====

7.1 The provision for gratuity is made on the basis of one gross salary per annum for those employees who have completed qualifying period of their service. The company has been accounting for gratuity on liability method. However, as required by IAS-19, the liability has not been determined on actuarial valuation. It is expected that the provision accounted for will not be less than the liability which may arise under actuarial valuation. Further the financial impact of the same is insignificant and also the cost of actuary valuation will not commensurate with the benefits.

<b>2001</b>	<b>2000</b>
<b>Rupees</b>	<b>Rupees</b>

#### 8. SHORT TERM LOANS - UNSECURED

From Directors	564,360	564,360
From Sponsors	28,357,124	28,357,124
	-----	-----
	28,921,484	28,921,484
	=====	=====

All above borrowings carries mark-up @ 14% p.a. (2000 14% p.a.).

#### 9. SHORT TERM RUNNING FINANCE UTILISED UNDER MARK-UP ARRANGEMENTS - SECURED

##### RUNNING FINANCE:

From Commercial Banks -United Bank Ltd.9.1	42,444,306	6,165,961
--	------------	-----------

##### DEMAND/TERM FINANCE:

From Commercial Banks - Bank Al-Habib Ltd.	--	548,398
--	----	---------

From Investment Bank - Crescent Investment Bank Limited	--	8,500,000
---	----	-----------

	-----	-----
	42,444,306	15,214,359
	=====	=====

#### 9.1 RUNNING FINANCE

##### FROM UNITED BANK LIMITED:

Mark-up: The mark-up is charged @ 18.25% per annum calculated on daily product basis (2000: 18.25% per annum).

Aggregate facility: The aggregate facility available to the Company from bank is Rs. 115 Million (2000: Rs. 115 Million).

Security: The above bank financing is secured by

a) hypothecation of raw jute and finished/semi-finished products.

b) Pledge of finished goods stocks

c) Equitable mortgage of land, factory building, plant & machinery and stocks

## d) Personal guarantees of the Directors

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	12,885,801	2,241,594
Accrued Expenses	13,644,557	11,151,006
Foreign Bills Payable	41,527,227	50,139,309
Mark-up accrued on short term finances (secured)	4,102,687	198,490
Mark-up accrued on short term loan (unsecured):		
from directors	449,265	370,255
from sponsors	4,205,391	2,921,461
Workers' profit participation fund (Note 10.1)	--	--
Workers' welfare fund	--	935,195
Unclaimed Dividend	96,266	96,266
Dividend Payable	5,439,651	6,168,774
Other Liabilities (Note 10.2)	13,446,690	7,822,792
	-----	-----
	95,797,535	82,045,142
	=====	=====

**10.1 Workers' Profit Participation Fund**

Balance at the beginning of the year	--	1,728,804
Allocation for the year	--	--
	-----	-----
	--	1,728,804
Interest on funds utilised in company's business	--	246,538
	-----	-----
	--	1,975,342
Less - Amount paid to the trustees	--	(1,975,342)
	-----	-----
	--	--
	=====	=====

**10.2 Other Liabilities:**

Land lords - Noor Market	1,000,000	1,000,000
Sales Tax Payable	9,100,435	6,055,377
Workers' death claim	150,000	250,000
Share Fraction Account	4,739	4,739
Others	3,191,516	512,676
	-----	-----
	13,446,690	7,822,792
	=====	=====

**11. CONTINGENCIES AND COMMITMENTS****CONTINGENCIES**

11.1 Demand of Rs.1.752 million raised by the Sales Tax Department in respect of sales tax on finished goods stocks burnt by fire

The Company has filed an appeal in the Sales Tax Appellate Tribunal and paid Rs.1.752 million under protest.

11.2 The Sales Tax Department has disallowed sales tax input of Rs.3.989 million claimed by the Company against which the Company has made an appeal in the Sales Tax Appellate Tribunal claiming the refund of the disputed amount.

No provision has been made in these accounts for the above stated sums totalling Rs.5.741 million as the same is not likely to crystallise. (see note 19).

**COMMITMENTS**

11.3 Commitments in respect of letters of credit issued by the bankers in favour of the Company Rs.11.352 million (2000: Rs.27.522 million).

**12. OPERATING FIXED ASSETS**

<i>PARTICULARS</i>	<i>COST</i>			<i>Rate</i> <i>%</i>	<i>DEPRECIATION</i>			
	<i>Opening</i> <i>Balance as on</i> <i>01/07/00</i>	<i>Addition/</i> <i>Transfer</i> <i>(Deletion)</i> <i>during the year</i>	<i>Closing</i> <i>Balance as on</i> <i>30/06/01</i>		<i>on Disposal/</i> <i>Transfers</i>	<i>For the year</i>	<i>Accumulated</i> <i>Upto 30/06/01</i>	<i>Book Value</i> <i>as at</i> <i>30/06/01</i>
<b>OWN ASSETS</b>								

Free Hold Land									
- Cost	122,823	--	122,823	--	--	--	--	--	122,823
- Revaluation	14,877,177	--	14,877,177	--	--	--	--	--	14,877,177
	15,000,000	--	15,000,000	--	--	--	--	--	15,000,000
Factory Building on Free Hold Land:									
- Cost	24,798,106	570,972	25,369,078	5%	13,643,785	--	586,265	14,230,050	11,139,028
- Revaluation	52,885,828	--	52,885,828	5%	11,963,782	--	2,046,102	14,009,884	38,875,944
	77,683,934	570,972	78,254,906		25,607,567	--	2,632,367	28,239,934	50,014,972
Office Premises	2,540,000	--	2,540,000	5%	127,000	--	120,650	247,650	2,292,350
Plant & Machinery	231,876,238	4,085,108	235,961,346	10%	168,011,673	453,925	6,749,575	175,215,173	60,746,173
Electrical Installation & Factory Equipment	3,874,311	431,225	3,917,436	10%	2,555,753	--	136,168	2,691,921	1,225,515
Office Equipments	4,420,067	98,275	4,518,342	10%	2,493,417	--	202,493	2,695,910	1,822,432
Furniture & Fixtures	1,178,513	12,900	1,191,413	10%	873,721	--	31,769	905,490	285,923
Vehicles	9,950,836	2,383,000 (784,050)	11,549,786	20%	6,889,770	1,050,312 (432,628)	808,466	8,315,920	3,233,866
Sub-Total	346,523,899	7,193,380 (784,050)	352,933,229		206,558,901	1,504,237 (432,628)	10,681,488	218,311,998	134,621,231
<b>ASSETS OBTAINED UNDER FINANCE LEASE:</b>									
Plant & Machinery	1,675,000	*(1,675,000)	--	10%	453,925	(453,925)	--	--	--
Vehicles	3,152,000	1,314,000 *(2,333,000)	2,133,000	20%	1,214,112	(1,050,312)	393,840	557,640	1,575,360
Total (2000-2001)	351,350,899	4,499,380 (784,050)	355,066,229		208,226,938	1,504,237 (1,936,865)	11,075,328	218,869,638	136,196,591
Total (1999-2000)	346,270,899	5,428,250 (348,250)	351,350,899		196,740,116	-- (256,958)	11,743,780	208,226,938	143,123,961

\* These represents transfer to own assets upon expiring of lease term.

Revaluation of freehold land and building on freehold land has been carried out by M/s. Munif Ziauddin & Co., Chartered Accountants as at June 30, 1996. The Revaluation of above mentioned assets produced a revaluation surplus of Rs. 67,763,005 which has been added to the book value of fixed assets as of date and corresponding amount has been credited to surplus on revaluation of fixed assets account.

NOTE: Depreciation charge for the year has been allocated as under:

	2001 Rupees	2000 Rupees
Manufacturing Expenses	9,518,110	10,119,105
Administrative Expenses	1,557,218	1,624,675
	11,075,328	11,743,780

## 12.1 Disposals of Fixed Assets

PARTICULARS	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit	Mode of Disposal	Sold to
<b>MOTOR VEHICLE</b>							
Toyota Corolla Model 1997 Reg No. ADB-723	660,450	322,300	338,150	372,000	33,850	Negotiation	Muhammad Iqbal Jan Muhammad C/O. M/s. IFH Enterprises 1128 raadan Street, Kharadar, Karachi.
Suzuki Pickup Model 1990 Reg. No. CD-2410	123,600	110,328	13,272	13,272	--	Donated to	Educational Medical Censer & Free Clinic, Dastagir No. 9, Federal "B" Area, Karachi.
Total 2000-2001)	784,050	432,628	351,422	385,272	33,850		
Total (1999-2000)	348,250	256,958	91,292	107,900	16,608		

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13. LONG TERM LOANS AND ADVANCES</b>		
Considered Good:		
Due from employees other than Chief Executive & Directors	3,294,109	4,667,764
Less: Considered under Current Assets		
Less amount Receivable within one year (Note 17)	(1,997,451)	(2,538,301)
	-----	-----
	1,296,658	2,129,463
	=====	=====
<b>14. LONG TERM DEPOSITS</b>		
Security Deposits	1,418,098	940,559
Margin on Letter of Guarantee	326,033	326,033
	-----	-----
	1,744,131	1,266,592
	=====	=====
<b>15. STORES, SPARES &amp; LOOSE TOOLS</b>		
Stores	3,816,188	4,404,312
Spares	14,174,413	16,358,874
Loose Tools	181,723	209,730
Packing Material - Rice	305,736	576,561
	-----	-----
	18,478,060	21,549,477
	=====	=====
<b>16. STOCK-IN-TRADE</b>		
Raw Materials - In Stock	8,061,508	9,034,620
- In Transit	8,738,874	--
Goods-in-Process	11,740,217	11,343,054
Finished Goods	13,684,139	17,865,622
Rice	4,241,867	11,236,359
	-----	-----
	46,466,605	49,479,655
	=====	=====
<b>17. LOANS AND ADVANCES - Considered Good</b>		
Due from Employees	1,997,451	2,538,301
To Suppliers	44,990	101,800
Advance against expenses	56,790	80,000
Advance against letters of credit	234,685	795,045
Advances to others	112,750	110,714
	-----	-----
	2,446,666	3,625,860
	=====	=====
<b>18. TRADE DEPOSITS &amp; PREPAYMENTS</b>		
Deposits	10,772,141	13,371,399
Prepayments	162,879	166,782
	-----	-----
	10,935,020	13,538,181
	=====	=====
<b>19. OTHER RECEIVABLES</b>		
Sales tax refundable	5,741,633	5,741,633
Octroi refundable	285,326	285,326
	-----	-----
Other	4,340,377	1,649,172
Less: Provision for doubtful debts	(1,254,806)	(1,254,806)
	-----	-----
	3,085,571	394,366
	-----	-----
	9,112,530	6,421,325
	=====	=====
<b>20. CASH AND BANK BALANCES</b>		
Cash in hand	214,129	462,238
Balance with Banks:		
-- Deposit accounts	5,000,000	3,000,000
-- Current accounts	1,904,127	18,692,826

		7,118,256	22,155,064
<b>21. SALES</b>			
Local Sales:			
Sales		305,520,086	490,474,762
Brokerage & Commission		--	(1,190,095)
Late Delivery Charges		(492,390)	(1,710,072)
Additional Sales Tax		(278,622)	--
Net Local Sales		304,749,074	487,574,595
Export Sales:			
Sales		50,559,517	6,837,065
Sales Commission		(366,377)	(92,635)
Net Export Sales		50,193,140	6,744,430
		354,942,214	494,319,025
<b>22. COST OF GOODS SOLD</b>			
Raw Materials Consumed	22.1	183,430,581	208,141,048
Manufacturing Expenses	22.2	167,948,885	177,015,723
		385,156,771	351,379,466
Work in Process - Opening		11,343,054	8,423,976
- Closing		(11,740,217)	(11,343,054)
		(397,163)	(2,919,078)
		350,982,303	382,237,693
<b>COST OF GOODS MANUFACTURED</b>			
Finished Goods-Opening		17,865,622	97,948,162
- Closing		(13,684,139)	(17,865,622)
		4,181,483	80,082,540
		355,163,786	462,320,233
<b>22.1 RAW MATERIALS CONSUMED</b>			
Opening Stock		9,034,620	3,962,157
Purchases		182,457,469	213,213,511
		191,492,089	217,175,668
Closing Stock		(8,061,508)	(9,034,620)
		183,430,581	208,141,048
<b>22.2 MANUFACTURING EXPENSES</b>			
Stores and Spares Consumed		23,926,864	29,237,935
Salaries, Wages & Other Benefits		106,180,281	104,211,477
Fuel, Power and Water		26,365,843	27,536,218
Repairs and Maintenance		911,634	922,640
Insurance		2,218,252	3,462,255
Rent, Rates and Taxes		243,354	203,224
Vehicle Expenses		1,722,897	1,754,896
Depreciation		9,518,110	10,119,105
Hussain Duty Draw Back		(3,138,350)	(432,027)
		167,948,885	177,015,723
<b>23. TRADING PROFIT/(LOSS)</b>			
Sales		--	652,174
Brokerage & Commission		--	(7,500)
		--	644,674
Purchases		--	(638,056)

Profit / (Loss) on Trading	--	6,618
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries, Allowances & Other Benefits	6,372,592	6,724,278
Electricity	492,240	414,882
Printing and Stationery	735,396	765,232
Postage, Telegram & Telephone	1,912,560	1,912,163
Rent, Rates and Taxes	50,000	212,960
Repair and Maintenance	214,616	265,756
Insurance	249,348	270,913
Fees and Subscription	766,573	448,242
Vehicle Expenses	1,393,936	1,678,638
Conveyance	79,238	67,084
Entertainment	342,233	381,218
Legal and Professional Charges	429,950	600,936
Travelling Expenses	666,395	616,400
Depreciation	1,557,218	1,624,675
Miscellaneous Expenses	132,310	159,310
Cash Handling Charges	187,767	264,168
Gas Charges	29,250	--
	15,611,622	16,406,855
<b>25. SELLING &amp; DISTRIBUTION EXPENSES</b>		
Salaries, Allowances and Other Benefits	1,416,988	1,459,551
Advertisement Expenses	19,386	72,646
Freight & Forwarding Expenses	7,751,509	8,803,323
Development of New Products	168,223	47,627
Export Expenses	3,112,792	401,615
	12,468,898	10,784,762
<b>26. NET INCOME FROM RICE DIVISION</b>		
Sale		
-- Export	173,503,896	99,778,712
-- Local	10,663,743	6,337,600
	184,167,639	106,116,312
Cost of Goods Sold		
Opening Stock	11,236,359	5,797,635
Purchases	123,508,340	85,009,085
Direct & Incidental Expenses	26.1 12,176,922	7,190,620
Closing Stock	(4,241,867)	(11,236,359)
	142,679,754	86,760,981
Gross Income	41,487,885	19,355,331
Administrative Expenses	26.2 (559,651)	(548,835)
Selling & Distribution Expenses	26.3 (33,127,320)	(16,384,714)
	(33,686,971)	(16,933,549)
Net Income	7,800,914	2,421,782
<b>26.1 Direct &amp; Incidental Expenses</b>		
Packing Material Consumed	7,642,902	3,518,023
Salaries and Wages	3,936,498	3,405,557
Repairs and Maintenance	27,926	45,260
Rent	307,204	338,785
Others	269,062	135,690
Duty Draw Back	(58,075)	(321,541)
Vehicle Expenses	51,405	38,346
Professional Charges	--	30,500
	12,176,922	7,190,620
<b>26.2 Administrative Expenses</b>		
Salaries and Allowances	285,317	263,622

Printing and Stationery	57,018	38,019
Postage, Telegrams & Telephone	115,049	89,515
Vehicle Expenses	71,926	109,808
Entertainment	13,500	30,359
Miscellaneous Expenses	16,841	17,512
	-----	-----
	559,651	548,835
	=====	=====

**26.3 Selling & Distribution Expenses**

Salaries and Allowances	303,318	300,865
Freight & Forwarding Expenses	32,824,002	16,083,849
	-----	-----
	33,127,320	16,384,714
	=====	=====

**27. OTHER INCOME**

Profit on Disposal of Fixed Assets	33,850	16,608
Profit on Bank Deposits	184,426	144,615
	-----	-----
	218,276	161,223
	=====	=====

**28. FINANCIAL EXPENSES**

Mark-up on		
- Short Term Running Finances	16,802,697	18,985,612
- Assets under Finance Lease	330,822	504,850
- Loan from Directors	91,668	79,226
- Loan from Sponsors	4,105,958	3,974,189
Interest on Workers' Profit Participation Fund	--	246,538
Bank Charges and Guarantee Commission	797,047	544,281
	-----	-----
	22,128,192	24,334,696
	=====	=====

**29. OTHER CHARGES**

Auditors Remuneration	29.1	93,900	89,925
Donations	29.2	296,168	348,826
Zakat		3,850	3,850
Workers' Welfare Fund - Prior Years		1,164,167	--
		-----	-----
		1,558,085	442,601
		=====	=====

**29.1 Auditors Remuneration**

Audit Fee		70,000	70,000
Out of Pocket Expenses		23,900	19,925
		-----	-----
		93,900	89,925
		=====	=====

**29.2 Donations:**

Recipients of donations do not include any institution in which a Director or his spouse had any interest.

**30. TAXATION**

Current		4,100,000	2,600,000
Deferred		(2,000,000)	--
Prior Years		2,867,173	--
		-----	-----
		2,600,000	4,967,173
		=====	=====

**31. EARNING PER SHARE**

Net (Loss) after Taxation		(48,936,352)	(19,980,499)
		-----	-----
		(Number)	(Number)
Weighted average no. of Shares Issued		2,810,203	2,810,203
		=====	=====
		(Rupees)	(Rupees)
Earning per Share		(17.41)	(7.11)
		=====	=====

**32. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents included in the Cash Flow Statement comprise of the following balance sheet amounts:

Short term running finance utilised under mark-up arrangements	(42,444,306)	(15,214,359)
Cash and Bank Balances	7,118,256	22,155,064
	(35,326,050)	6,940,705
	=====	=====

**33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES**

PARTICULARS	2001				2000			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	--	2,000	--	2,000	--	2,000	--	2,000
Managerial Remuneration	648,000	648,000	941,974	2,237,974	540,000	540,000	1,248,153	2,328,153
<b>PERQUISITES:</b>								
Re-imbursable								
Medical Expenses	230,555	72,976	139,623	443,154	279,749	435,274	265,278	980,301
House Allowance & Utilities	394,470	396,350	431,364	1,222,184	367,158	365,407	399,696	1,132,261
	1,273,025	1,119,326	1,512,961	3,904,312	1,186,907	1,342,681	1,913,127	4,442,715
	=====	=====	=====	=====	=====	=====	=====	=====
Number of Persons;								
For Fees	--	2	--	2	--	2	--	2
For Remuneration	1	1	4	6	1	1	4	6

In addition to the above the Chief Executive and a working Director have been provided free transport and telephone facility for business and personal use. The monetary value of these facilities are Rs.726,072/- (2000: Rs.861,532/-).

**34. PRODUCTION CAPACITY (In Metric Tons)**

Installed Capacity		Actual Production		Utilization Percentage	
2001	2000	2001	2000	2001	2000
15,090	15,090	9,293	10,748	61.58%	71.23%
=====	=====	=====	=====	=====	=====

The under utilization of the installed production capacity was attributable to changes in the product mix and continued absenteeism and turnover amongst workers.

**35. NUMBER OF EMPLOYEES**

Total number of employees at the year end	1,840	2,200
	=====	=====

**36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES:**

(i) Financial Assets and Liabilities

FINANCIAL ASSETS:	Interest bearing			Non-interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	
Loans & Advances to employees	--	--	--	1,997,451	1,296,658	3,294,109	3,294,109
Deposits	--	--	--	10,772,141	1,744,131	12,516,272	12,516,272
Trade Debtors	--	--	--	45,770,061	--	45,770,061	45,770,061
Other Receivables	--	--	--	3,085,571	--	3,085,571	3,085,571
Octroi Refund	--	--	--	285,326	--	285,326	385,326
Cash & Bank Balance	5,000,000	--	5,000,000	2,118,256	--	2,118,256	7,118,256
	5,000,000	--	5,000,000	64,028,806	3,040,789	67,069,595	72,069,595
	=====	=====	=====	=====	=====	=====	=====

Interest bearing

Non-interest bearing



	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Total</i>
<b>FINANCIAL LIABILITIES</b>							
Short Term Loans	--	28,921,484	28,921,484	--	--	--	28,921,484
Short Term Borrowings	42,444,306	--	42,444,306	--	--	--	42,444,306
Liabilities against Assets Subject to Finance Lease Creditors, Accrued & Other Liabilities	515,959	1,100,966	1,616,925	--	--	--	1,616,925
	--	--	--	95,797,535	--	95,797,535	95,797,535
	42,960,265	30,022,450	72,982,715	95,797,535	--	95,797,535	168,780,250
	(37,960,365)	(30,022,450)	(67,982,715)	(31,768,729)	3,040,789	(28,727,940)	(96,710,655)

**(ii) Concentration of Credit Risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if parties failed completely to perform as contracted. The company controls its credit risk by ascertainment of credit worthiness of its customers, monitoring of debts on a continuous basis and applying credit limits to its customers. The company does not believe that it is exposed to major concentration of credit risk.

**(iii) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rate will effect the value of financial instruments. The company is not exposed to any signified interest rate risk.

**(iv) Fair value of the financial instruments.**

The carrying values of all financial instrument reported in the financial statements approximate their fair value.

**37. GENERAL**

(i) Previous year's figures have been re-arranged and re-grouped, wherever necessary, to facilitate comparison.

(ii) Figures have been rounded off to the nearest rupee.

**PATTERN OF HOLDING OF SHARES HELD BY SHAREHOLDERS AS AT 30TH JUNE, 2001****FORM-A**

<i>No. of shareholders</i>	<i>Shareholdings</i>		<i>Total shares held</i>	
56	1	TO	100	2,013
69	101	TO	500	15,255
29	501	TO	1,000	15,154
71	1,001	TO	5,000	205,887
70	5,001	TO	10,000	530,882
25	10,001	TO	15,000	297,202
14	15,001	TO	20,000	249,993
6	20,001	TO	25,000	126,151
3	25,001	TO	30,000	83,774
1	30,001	TO	35,000	30,743
1	35,001	TO	40,000	389,193
2	50,001	TO	55,000	106,276
1	75,001	TO	80,000	77,500
1	485,001	TO	490,000	488,714
1	540,001	TO	545,000	541,466
341	TOTAL		2,810,203	

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	329	2,152,491	76.60
Investment Companies	5	568,107	20.22
Insurance Companies	3	52,334	1.86
Joint Stock Companies	3	21,101	0.75
Financial Institution	1	16,170	0.57

<b>TOTAL</b>	----- 341 =====	----- 2,810,203 =====	----- 100.00 =====
--------------	-----------------------	-----------------------------	--------------------------