

Suhail Jute Mills Limited

Annual Report 2001

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BOARD OF DIRECTOR

Chairman

Mian Farooq Ahmad Shaikh

Managing Director

Sohail Farooq Shaikh

Directors

Mian Rashid Ahmed Mussarrat

Mr. Muhammad Aslam Hayat Qureshi

Mr. Azam Jamil

Mrs. Sharmeen Azam Jamil

Mrs. Saddia Mohsin

Auditors

Messers Anjum Asim Shahid & Co.

(Chartered Accountants)

Jinnah Avenue, Blue Area,

Islamabad.

Registered Office

125-Murree Road, Rawalpindi.

Factory

Kabul River Railway Station,

Mardan Road,

Nowshera, N.W.F.P.

NOTICE OF MEETING

Notice is hereby given that the 20th Annual General Meeting of the shareholders of Suhail Jute Mills Limited will be held at the Registered Office 125 Murree Road, Rawalpindi on Monday the 31st day of December, 2001 at 1230 hrs to transact the following business:-

ORDINARY BUSINESS

1. To confirm the Minutes of 19th Annual General Meeting held on January 01, 2001.
2. To receive, consider and adopt the Balance Sheet and Profit and Loss Account alongwith notes for the year ended 30th June 2001 together with the Directors and Auditors report thereon.
3. To appoint Auditors for the year 2001-2002 and to fix their remuneration. M/S Anjum Asim Shahid & Co., Chartered Accountants have retired and being eligible offer themselves for re-appointment as auditors of the company.
4. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS

To approve the remuneration of the Chief Executive and Working Directors of the company.

Rawalpindi

Dated: December 06, 2001

By Order of the Board

COMPANY SECRETARY

NOTE:

(1) A member entitled to attend and vote at the meeting may appoint an other member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the Registered Office of the Company at least 48 hours before the time of meeting.

(2) Shareholders are requested to notify the company of any change in their address.

(3) The share transfer books of the company will remain closed from 24-12-2001 to 31-12-2001 (Both days inclusive)

STATEMENT U/S 160 OF THE COMPANIES ORDANCE 1984.

Approval of the remuneration of the Chief Executive and Working Directors is necessary in the General Meeting as per Government of Pakistan SRO No. 572 (I) 82 dated June 16. 1982.

DIRECTOR REPORT TO THE SHARE HOLDERS

DEAR SHAREHOLDERS

The directors of the company are pleased to place before you the annual accounts and auditors report thereon at the 20th Annual General Meeting of Suhail Jute Mills Ltd. for the year ended 30th June 2001.

PERFORMANCE

The operative profit for the year without depreciation is Rs. 30667 million, loss after charging depreciation on historical cost basis is Rs. 0.537 million and on revaluation increment depreciation will increase the loss by Rs. 3.628 million.

The entire raw material is imported and the continuous decline in exchange parity of the Pak currency has an adverse impact on cost which as

compared to last year is about 15%. The bulk of the production activity consists of bags, the purchases by the food department and PASSCO were less as compared to last year which had a negative impact. Further the input cost of utilities & financing etc. are ever increasing and play an important role to the input costs. Inspire of the above odds cost of manufacture remained in check and the closing inventories remained under control.

RELATED MATTERS

Your company's net worth is on sound footing as per prudential regulation parameters. Treatment of increment depreciation to net off with the revaluation surplus reflects more realistic figure of equity which is Rs. 282. 137 million.

The company has been doing business with NBP since 1985 to finance its working capital requirements and till date there has been not a single instance or any problem with this finance provided by NBP. In 1996 NBP arbitrarily forced a liability on the company to the tune of Rs. 11.139 million which was later on enhanced to Rs. 22.467 million on account of L/C opened in 1994 in connection with return to the suppliers of documents being discrepant. For unknown reasons NBP lost the recovery suit filed by the beneficiary bank in London. The company was not a party to suit and has not accepted this liability.

In order to make good its loss arising due to losing the case in London, the bank to pressurize the company did not renew its fifteen years old working capital financing and seek to recover it creating an uncalled for and illegal financial crisis in the company resulting in low productivity.

In spite of the company's best efforts to come of a settlement and have its working capital lines restored the bank has not responded in any positive manner.

In brief the case is of "non-observance" of banking norms and procedures including no action on State Bank circulars on the part of NBP.

However the company as per its policy without prejudice is making efforts for settlement outside the court. Furthermore, the company has applied for rehabilitation and restructuring.

GRATUITY

The company has provided adequate sum as provision for gratuity which stands at Rs. 6.693 million after satisfying the gratuity payments during the year. There is no precedent nor any tendency with the employees of the company to suppose that the payment of staff gratuity to entire work force become payable at any one time therefore the amount of Rs. 6.693 million in the opinion of board of director is enough provision for meeting the requirements.

ASSOCIATION UNDERTAKING

(a) The sum was advanced before the amendment in section 208 of the companies ordinance 1984 and as per management's point of view the same is not applicable retrospectively on the advance. Furthermore the company has reciprocal arrangements of lending and borrowing with its associated undertaking. However since few years the associated undertaking has turned to a sick unit and is making its best efforts for its revival which may become possible in the next few months hence both companies are meanwhile trying to workout plan for repayment. It may be added that no disbursement of principal

was made after the said amendment.

(b) Regarding joint office reimbursable expenditure as per company's point of view it does not constitute investment as per section 208. However monthly payments will be ensured from January alongwith possible reduction on this account (Refer Note 14).

Next years operations depends on Pak Rupee exchange parity and Government procurement policy of gunny bags, electricity tariffs, borrowing costs and sales tax etc. play an important role. If conditions remain stable, normal profit can be expected next year.

CIB REPORT

There is one very important aspect due to which the bankability of a company suffers on account of alleged bank liabilities which are not only subject to litigation but also have adverse effect for full utilization of the available production capacity.

The disputed liabilities although are' subjudice but banks are misusing the State Bank of Pakistan CIB reporting a default unilaterally thus concealing the facts of the case.

This misuse is injuriously affecting the productive capacity of the units in spite of the facts that the financial health of the company is sound as per parameters of the prudential regulation for bankability. Therefore the remedial measures for maximization of the productive potentials and to remove the sickness of the productive units by restoring the availability of the working capital facilities in the light of State Bank of Pakistan circular No. BPRD 14 dated 25-10-1994 and No. 9/121.04-95 dated 05-04-1995 will go a long way for revival of the economy which is the need of the day.

AUDITORS

The present auditors of the company M/s Anjum Asim Shahid & Co. Chartered Accountants retire and being eligible offer their services for re-appointment.

GENERAL

The board of directors would like to express their appreciation for the efforts of all officers, staff and workers of the company, which enabled the management to run the company efficiently during the year

Rawalpindi
December 06, 2001

On behalf of board of directors

**MIAN FAROOQ AHMAD SHAIKH
CHAIRMAN**

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Suhail Jute Mills Limited as at June 30, 2001 and the related profit and loss account, cash flow statement and the 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 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 the 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:-

1. The aggregate investment of Rs. 45.4 million (2000: Rs. 41.459 million) made in an associated undertaking has exceeded the limit prescribed under Section 208 of the Companies Ordinance, 1984 which is not in lines with the above provisions of the Ordinance, 1984 (refer note 14). More over, the company has not charged interest aggregating Rs. 1.852 million on the outstanding receivable during the year as required under the law. The refund of this investment is dependent on the financial ability and liquidity of the associated company.
2. The company has under provided staff gratuity by Rs. 2.0 million (2000: Rs. nil). Had the gratuity been fully provided, the loss for the year would have been higher by the similar amount.

Except for the matters stated above and the extent to which the same may effect the financial statements of the Company, 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 June 30, 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Place: Islamabad
December 06, 2001

ANJUM ASIM SHAHID & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 2001

CAPITAL AND LIABILITIES	NOTE	2001 (RUPEES)	2000 (RUPEES)
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised 5,000,000 (2000: 5,000,000) ordinary shares of Rs. 10 each		50,000,000	50,000,000
Issued, subscribed and paid up	3	37,450,000	37,450,000
Revenue reserves	4	10,870,000	10,870,000
Accumulated loss		(10,526,708)	(7,086,502)
		37,793,292	41,233,498
SURPLUS ON REVALUATION OF FIXED ASSETS	5	244,344,759	246,228,869
LONG TERM LOAN	6	37,000,000	43,000,000
OBLIGATIONS UNDER FINANCE LEASE	7	909,867	1,569,949
DEFERRED LIABILITIES	8	46,007,204	46,811,591
DEFERRED TAXATION		494,287	2,015,310
CURRENT LIABILITIES			
Current portion / overdue installment of redeemable capital	9	8,235,390	8,285,390
long term loan	6	6,000,000	4,500,000
obligations under finance lease	7	660,087	552,046
Bank borrowing claims.	10	49,475,217	49,475,217
Creditors, accrued and other liabilities	11	41,004,093	34,880,691
Provision for taxation	25	7,650,469	6,856,841
Proposed dividend		--	2,808,750
		113,025,256	107,358,935
CONTINGENCIES AND COMMITMENTS	30	--	--
		479,574,665	488,218,152

The annexed notes form an integral of these financial statements.

Mian Farooq Ahmad Shaikh
CHAIRMAN

PROPERTIES AND ASSETS

FIXED ASSETS - Tangible

At cost or reassessed values	12	367,611,702	369,578,921
------------------------------	----	-------------	-------------

Less: Accumulated depreciation	12	134,068,927	127,284,101
		-----	-----
		233,542,775	242,294,820
REALIZABLE ASSETS	13	33,512,500	33,512,500
DUE FROM ASSOCIATED UNDERTAKING	14	45,400,433	41,459,266
CURRENT ASSETS			
Inventories	15	51,394,482	49,992,655
Trade debtors	16	1,003,469	4,199,094
Advances, deposits, prepayments and other receivables	17	36,637,004	36,376,624
Cash and bank balances	18	78,084,002	80,383,193
		-----	-----
		167,118,957	170,951,566
		-----	-----
		479,574,665	488,218,152
		=====	=====

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>(RUPEES)</i>	<i>2000</i> <i>(RUPEES)</i>
SALES - Net	19	158,725,594	169,848,851
COST OF SALES	20	137,951,968	141,035,011
		-----	-----
Gross Profit		20,773,626	28,813,840
OPERATING EXPENSES			
Administrative	21	11,707,373	11,594,184
Selling and distribution	22	1,753,006	2,137,327
Gratuity		500,000	635,000
		-----	-----
		13,960,379	14,366,512
		-----	-----
OPERATING PROFIT BEFORE DEPRECIATION		6,813,247	14,447,328
Depreciation for the year:	12	7,834,332	8,433,383
		-----	-----
OPERATING (LOSS)/ PROFIT AFTER DEPRECIATION		(1,021,085)	6,013,945
		-----	-----
Other income	23	7,104,780	8,510,968
Excess mark up written back		--	11,903,755
Financial charges	24	(10,251,296)	(16,194,049)
		-----	-----
		(3,146,516)	4,220,674
Workers profit participation fund		--	211,034
		-----	-----
NET (LOSS) /PROFIT BEFORE TAXATION		(4,167,601)	10,023,585

Provision for taxation

-current	25	793,628	1,414,107
-deferred		(1,521,023)	2,015,310
		(727,395)	3,429,417
NET (LOSS) /PROFIT AFTER TAXATION		(3,440,206)	6,594,168
DIVIDENDS		--	2,808,750
		(3,440,206)	3,785,418
ACCUMULATED LOSS BROUGHT FORWARD		(7,086,502)	(10,871,920)
ACCUMULATED LOSS CARRIED TO BALANCE SHEET		(10,526,708)	(7,086,502)
Earnings per share	26	(0.92)	1.76

The annexed notes form an integral part of these financial statements.

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 2001

	<i>2001</i> (RUPEES)	<i>2000</i> (RUPEES)
Cash flow from operating activities		
(Loss) / Profit for the year before taxation	(4,167,601)	10,023,585
Adjustment for items not involving movement of funds:		
- Depreciation	7,834,332	8,433,383
- Gain on disposal of fixed assets	(1,526,993)	--
- Mark-up accrued on redeemable capital	--	6,156,191
- Provision for gratuity	500,000	635,000
	6,807,339	15,224,574
Operating profit before working capital changes	2,639,738	25,248,159
Change in working capital		
(Increase) / decrease in current assets:		
- Inventories	(1,401,827)	19,081,020
- Trade debtors	3,195,625	(1,877,126)
- Advances, deposits, prepayments and other receivables	(260,380)	(1,394,509)
Increase/ (decrease) in current liabilities		
- Creditors, accrued and other liabilities	6,123,402	(13,385,886)
Net changes in working capital	7,656,820	2,423,499
Gratuity paid	(1,672,826)	(1,197,532)
Deferred liabilities - provident fund	368,441	16,932
Net cash inflow from operating activities	8,992,173	26,491,058

Cash flow from investing activities

Purchase of operating fixed assets	(1,348,343)	(4,682,267)
Proceeds from sale of equipment	1,908,938	--
Due from associated undertaking	(3,941,167)	(3,697,097)
	-----	-----
Net cash outflow from investing activities	(3,380,572)	(8,379,364)

Cash flow from financing activities

Dividend Paid	(2,808,750)	--
Long term loan	(4,500,000)	(13,500,000)
Redeemable capital	(50,000)	(461,861)
Finance lease	(552,042)	(62,005)
	-----	-----
Net cash outflow from financing activities	(7,910,792)	14,023,866)

Net increase in cash and cash equivalents

	(2,299,191)	4,087,828
Cash and cash equivalents at the beginning of the year	80,383,193	76,295,365
	-----	-----
Cash and cash equivalents at the end of the year.	78,084,002	80,383,193
	=====	=====

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

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

<i>Particulars</i>	<i>Share Capital Rupees</i>	<i>Revenue Reserves Rupees</i>	<i>Revaluation Reserve Rupees</i>	<i>Accumulated Profit / (Loss) Rupees</i>	<i>Total Rupees</i>
Balance as at June 30, 1999	37,450,000	10,870,000	246,228,869	(10,871,920)	283,676,949
Net profit for the year	--	--	--	6,594,168	6,594,168
Dividends	--	--	--	(2,808,750)	(2,808,750)
	-----	-----	-----	-----	-----
Balance as on June 30, 2000	37,450,000	10,870,000	246,228,869	(7,086,502)	287,462,367
	-----	-----	-----	-----	-----
Adjustment on account of sale of machinery	--	--	(1,884,110)	--	(1,884,110)
Net loss for the year	--	--	--	(3,440,206)	(3,440,206)
	-----	-----	-----	-----	-----
Balance as at June 30, 2001	37,450,000	108,700,000	244,344,759	(10,526,708)	282,138,051
	=====	=====	=====	=====	=====

The annexed notes form an integral part of these financial statements.

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. THE COMPANY AND ITS OPERATIONS

Suhail Jute Mills Limited (the Company) was incorporated in Pakistan in 1981 as a public limited Company under the Companies Act, 1913. Its shares are quoted on all stock exchanges in Pakistan. The Company is principally engaged in the business of manufacturing and sale of Jute products.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention modified by the adjustments made due to revaluation of fixed assets (refer note 2.4).

2.3 Taxation

Current:

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any, envisaged under the Income Tax Ordinance, 1979.

Deferred:

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

2.4 Fixed capital expenditure and depreciation

Company owned assets

Fixed assets are principally stated at cost less accumulated depreciation, while the revalued assets are stated at revalued amounts less accumulated depreciation.

Capital work in progress and land are stated at cost.

Depreciation is charged to income applying reducing balance method. Full year's depreciation is charged on addition during the year while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets, if any, are included in the current year's income.

Leased assets

The Company accounts for assets under the finance lease by recording the asset and the related liability. The amounts are determined on the basis of the lower of fair value of the assets and the present value of minimum lease payments.

Financial charges are charged to profit and loss account and are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the same rates as is applied on company's owned assets so as to write off the assets over their estimated useful lives keeping in view of the certainty of the ownership of the assets at the end of the lease.

In case of operating leases, lease rentals are charged to current income.

2.5 Stores and spares

These are valued at moving average cost.

2.6 Stock in trade

These are valued principally at lower of cost and net realizable value.

Cost of the major components of stocks are determined as follows:

Raw materials	- On average cost basis
Work in process and finished goods	- Production cost plus related overheads
Material in transit	- Material cost and other charges incurred thereon

2.7 Debts

Known bad debts are written off, while debts considered doubtful of recovery are provided.

2.8 Revenue recognition

Sales represent invoiced value of goods dispatched by the company to its customers during the year.

2.9 Deferred costs

These are written off over a maximum period of five years.

2.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees. Provision is made in the accounts to cover the obligations under the scheme based on one month's last drawn gross salary for each completed year.

The Company also operates an unfunded provident fund scheme for its employees. Monthly contributions are made to the fund @ 6% of basic salary.

2.11 Rates of exchange

Transactions in foreign currencies are recorded in the books at the rates of exchange ruling on the date of transaction. Assets and liabilities in foreign currencies at the year end are translated in to rupees at the rates prevailing on the balance sheet date or at the contracted rate where exchange risk cover has been obtained. Exchange differences are included in the income for the year.

2.12 Investments

Realizable assets are stated at cost or reassessed values as the case, may be. The diminution in the value of investment is accounted for in the same year.

	<i>2001</i> <i>(RUPEES)</i>	<i>2000</i> <i>(RUPEES)</i>
3. ISSUED, SUBSCRIBED AND PAID UP		
3,245,000 (2000: 3,245,000) ordinary shares of Rs. 10 each issued for cash	32,450,000	32,450,000
500,000 (2000: 500,000) ordinary shares of Rs. 10 each issued for consideration other than cash	5,000,000	5,000,000

-----	-----
37,450,000	37,450,000
=====	=====

4. REVENUE RESERVES

These are made up as follows:

- General reserve	3,380,000	3,380,000
- Dividend equalization reserve	7,490,000	7,490,000
	-----	-----
	10,870,000	10,870,000
	=====	=====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents revaluation surplus arising from the revaluation of following assets:

Land	36,235,333	36,235,333
Building	23,780,646	23,780,646
Plant and Machinery	184,328,780	186,212,890
	-----	-----
	244,344,759	246,228,869
	=====	=====

The revaluation was carried out by M/s Razzaque Umerani & Co in the year 1995-1996 and surplus was determined by an approved firm of Accountants on the panel of State Bank of Pakistan (SBP). During the year, the surplus has been adjusted by Rs.1,884,110 on account of sale of machinery which was previously revalued at Rs.2,148,000.

6. LONG TERM LOAN

Habib bank limited (HBL)

Principal amount	47,500,000	61,000,000
Payment during the period	4,500,000	12,000,000
	-----	-----
	43,000,000	49,000,000
Advance payment	--	1,500,000
	-----	-----
	43,000,000	47,500,000
Transferred to current maturity	6,000,000	4,500,000
	-----	-----
	37,000,000	43,000,000
	=====	=====

The loan is secured against equitable mortgage on the present and future fixed assets of the company with a pari passu charge in favour of other creditors in connection with PTCs.

6.1 Restructuring of HBL loan

The Company entered into a compromise arrangement with Habib Bank Limited (HBL) under a settlement supervised by the Lahore High Court, Rawalpindi bench, the details of which are contained in the compromise deed for consent decree dated 9th February 2000, issued with respect to the suit for recovery filed by the bank for a sum of Rs. 98,836,903.

In accordance with the provision of the compromise deed, the settlement of the outstanding balance of Rs. 98,836,903 was instituted through the following provisions:

i) Rs. 12 million, down payment;

ii) Rs. 6 million per annum payable in 33 equal quarterly installments of Rs. 1.5 million per quarter with first installment falling on July 01, 2000;

iii) The accrued interest of Rs. 37.837 million would be written-back in a phased manner over the period of the repayment of the principle. Accordingly, interest liability would be waived off in annual rest on successful payment of principal amount each year at Rs. 3 million per annum or as the case may be. In case, the company fails to pay the two consecutive installments or Rs. 6 million in aggregate per annum, the whole package would be treated as canceled and stand withdrawn and the said liability less any repayments, if any, would be restored alongwith any interest charged at commercial rates. The company guided by prudence principally has decided to account for the gain when the loan is fully paid off.

iv) After full and final payment of Rs. 61 million made in accordance with the provisions of the compromise agreement, the loan will stand fully settled and all liabilities shall be deemed to have been discharged by the company.

v) The existing charge over the assets of the company shall continue till the final settlement of the debt obligation.

vii) The bank has the right to invoke the personal guarantees of its main directors, in case the company commits default in making payment of Rs. 6 million in aggregate per annum or if the total amount due is not settled through realization of the assets of the company.

7. OBLIGATION UNDER FINANCE LEASE

The terms and conditions of the lease facilities are as under:-

Number of installments	36
Installment interval	monthly
Markup	17%
Lease kee money	Rs. 73, 716

The amount of future payments and the period in which these payments would become due are as under:

	<i>Rupees</i>
Year ending June 30, 2002	884,592
Year ending June 30, 2003	992,857

	1,877,449
Less: Financial charges not yet due	307,495

	1,569,954
Less: transferred to current maturity	660,087

	909,867
	=====

The lease financing is secured against a demand promissory note issued for the full value of lease rentals.

	2001 (RUPEES)	2000 (RUPEES)
8. DEFERRED LIABILITIES		
Gratuity	6,693,865	7,866,692
Provident fund	1,476,436	1,107,996
Deferred income (6.1 .iii)	37,836,903	37,836,903
	-----	-----
	46,007,204	46,811,591
	=====	=====

9. REDEEMABLE CAPITAL**Disputed**

Opening balance	8,285,390	2,591,060
Payment	(50,000)	(461,861)
Accrued mark-up	--	6,156,191
	-----	-----
	8,235,390	8,285,390
	=====	=====

The redeemable capital represents Participation Term Certificates (PTCs) issued for Rs. 14,300,000. PTCs were originally redeemable in sixteen semi annual installments, beginning December 30, 1984 and ending on December 1992.

As per trust deed and investment agreement, PTCs are secured by way of first fixed mortgage on all present and future assets including floating charge, ranking pari passu with mortgage and charge created in favour of Habib Bank Limited

The Company has since successfully negotiated the PTCs issue with the consortium leader namely Bankers Equity Limited and other members to the extent of 70% as per SBP circular No. 21 dated June 07, 1992. Management without prejudice is ready to settle the issue with the remaining 30% PTCs holders as per above settlement parameters.. However, claims lodged by the remaining group, are found not in the spirit of the issue of PTCs as the instrument is on profit/loss sharing basis.

In the opinion of the management, enough provision is available to cover any contingency which may arise as a consequence of settlement of the issue with the remaining holders.

10. BANK BORROWING CLAIMS

National Bank of Pakistan - Disputed borrowings.	49,475,217	49,475,217
	=====	=====

National bank of Pakistan has filed a suit for the recovery of Rs 49.48 million (2000: Rs. 49.48 million) against its outstanding claims under sale/ buy back mode of finance, bills of exchange and forced liability relating to a letter of credit which the borrower's bank has lost in the court in London. The company maintains that it was not a party in the suit directly. The suit also includes claim for mark up on demand finance and other litigation expenses incurred by the bank. The company is contesting the case but has fully provided the liability.

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	1,044,591	3,755,550
Accrued expenses	3,508,054	3,851,350

Security deposit		1,500	1,500
Advances from customers		159,000	288,103
Due to director	11.1	4,250,000	3,950,000
Accrued mark-up on loans		27,738,700	18,492,470
Workers' profit participation fund	11.2	3,356,061	3,101,996
Unclaimed dividend		86,112	7,935
Sales tax payable		--	578,547
Other taxes payable		500,000	788,308
Others		360,075	64,932
		-----	-----
		41,004,093	34,880,691
		=====	=====

11.1 This represents Godown's rent @ Rs. 25,000 per month, acquired by the Company for storage of finished goods.

11.2 Workers' Profit Participation Fund

Balance as at 1st July 2000		3,101,996	2,571,375
Allocation for the year		--	209,401
Interest for the year		372,895	321,220
Payments during the period		(118,830)	--
		-----	-----
Balance as at June 30, 2001		3,356,061	3,101,996
		=====	=====

The fund balance has been utilized by the Company. it has, however, allowed the fund to charge interest @ 12.5 % per annum, which has been credited to the fund.

12. FIXED ASSETS - Tangible

PARTICULARS	COST OR REVALUED AMOUNT			RATE	DEPRECIATION			Written down value as on 30th Jun-01 (Rupees)
	As on 1st Jul 00 (Rupees)	Addition/ (deletion) (Rupees)	As on 30th Jun. 01 (Rupees)		As on 1st-July 00 (Rupees)	For the year (Rupees)	As on 30th Jun-01 (Rupees)	
Free hold land	7,589,031	--	7,589,031	--	--	--	--	7,589,031
Building on freehold land	41,734,118	--	41,734,118	3%	14,785,327	808,464	15,593,791	26,140,327
Plant & machinery	312,150,019	1,084,607 (2,331,010)	310,903,616	3-15%	108,560,989	6,447,630 (668,929)	114,339,690	196,563,926
Tools & equipment	162,942	--	162,942	10%	125,091	3,785	128,876	34,066
Electric fittings	199,312	4,700	204,012	10%	157,317	4,670	161,987	42,025
Furniture & fixtures	796,791	215,336	1,012,127	10%	554,701	45,743	600,444	411,683
Office equipment	722,818	43,700	766,518	10%	308,016	45,850	353,866	412,652
Weight & measures	491,782	--	491,782	10%	385,538	10,624	396,162	95,620
Motor vehicles	3,520,819	(984,552)	2,536,267	20%	1,948,429	117,568 (380,577)	1,685,420	850,847
Fire fighting equipment	23,130	--	23,130	10%	17,828	530	18,358	4,772
Library books	4,159	--	4,159	30%	4,065	28	4,093	66
	-----	-----	-----		-----	-----	-----	-----
Total	367,394,921	1,348,343 (3,315,562)	365,427,702		126,847,301	7,484,892 (1,049,506)	133,282,687	232,145,015

Fixed Assets Subject to

Finance Lease

Leased Vehicles	2,184,000	--	2,184,000	20%	436,800	349,440	786,240	1,397,760
-----------------	-----------	----	-----------	-----	---------	---------	---------	-----------

Total 2001	369,578,921	(1,967,219)	367,611,702	127,284,101	7,834,332	134,068,927	233,542,775
Total 2000	362,712,654	6,866,267	369,578,921	118,850,718	8,433,383	127,284,101	242,294,820

12.1 DISPOSAL OF FIXED ASSETS-Tangible

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale proceeds</i>	<i>Revaluation surplus realized</i>	<i>Mode of disposal</i>	<i>Particulars of buyer</i>
Pajeero	293,825	58,765	235,060	961,375	--	Negotiation	BNS Air Services, Lahore
Suzuki saloom	311,152	245,897	65,254	217,390	--	Negotiation	Mohammed Ali, Karachi
Mercedez benz	379,575	75,915	303,660	686,695	--	Negotiation	Usman Amir, Attock
Roll winding machine (refer note 12.1.1)	446,900	242,708	204,192	43,478	426,221	Negotiation	Thal Jute Mills Ltd.
	1,431,452	623,285	808,166	1,908,938	426,221		

12.1.1 The revaluation surplus realized represents depreciation charge on the incremental value of reassessed assets in the previous years which has been disposed off during the year.

12.2 Details regarding revaluation are as under:

<i>Particulars</i>	<i>Year of Revaluation</i>	<i>Original Cost of Assets</i>	<i>W.D.V at the time of revaluation</i>	<i>Revalued Amount</i>	<i>Surplus on Revaluation</i>
(a) Mills land	1992	2,227,167	2,227,167	38,462,50	36,235,333
(b) Building	1995	17,953,472	7,601,354	31,382,000	23,780,646
(c) Plant and machinery	1995	118,688,755	45,395,220	229,724,000	184,328,780
Total		138,869,394	55,223,741	299,568,500	244,344,759

*2001
(RUPEES)*

*2000
(RUPEES)*

12.2.1 Depreciation

On historical cost - accumulated	114,043,823	110,461,412
On revaluation increment - accumulated	20,025,104	16,822,689
	134,068,927	127,284,101
On historical cost for the year.	4,205,696	4,993,441
On revaluation increment for the year.	3,628,636	3,439,942
	7,834,332	8,433,383

13. REALIZABLE ASSETS

Land at Kabul river station-revalued	13.1	30,962,500	30,962,500
--------------------------------------	------	------------	------------

Land at Gadoon Amazai-at cost		2,550,000	2,550,000
		-----	-----
		33,512,500	33,512,500
		=====	=====

13.1 The historical cost of the land is Rs. 1,795,053. (2000: Rs. 1,795,053)

These assets have been separately stated with an intention to dispose off the surplus land at an appropriate time for meeting the liabilities and development expenditure of the Company. The revaluation surplus is shown in note 5 to the financial statements

14. DUE FROM ASSOCIATED UNDERTAKING

- Borrowings	14.1	13,284,835	13,285,652
- Mark up on borrowings		14,622,704	15,645,063
- Joint office expenses	14.2	17,492,894	12,258,551
		-----	-----
		45,400,433	41,459,266
		=====	=====

14.1 This represents amount due from an associated undertaking. The interest is being charged @ 14% per annum. No principal borrowings have been made after the amendment made in section 208 of the Companies Ordinance, 1984. The company is of the view that the provision of said section are not applicable retrospectively.

14.2 This represents 25%, the share of the total joint expenses of the office. The company maintains that joint office expenses dose not constitute investment as defined in section 208 of the companies ordinance, 1984.

The maximum balance due from the associated undertaking at the end of any month during the year was Rs. 45.40 million (2000 Rs. 41.459 million)

15. INVENTORIES

Stores and spares	15.1	10,920,282	11,335,256
Stock in trade	15.2	40,474,200	38,657,399
		-----	-----
		51,394,482	49,992,655
		=====	=====

15.1 Stores and spares

Stores		1,952,149	2,581,443
Spares		8,944,346	8,746,263
Stores in transit		23,787	7,551
		-----	-----
		10,920,282	11,335,256
		=====	=====

15.2 Stock in trade

Raw materials		23,826,000	11,286,735
Work in process		8,548,200	8,275,000
Finished goods		8,100,000	18,850,000
Raw materials in transit		--	245,664
		-----	-----
		40,474,200	38,657,399
		=====	=====

16. TRADE DEBTORS - Unsecured

Considered good		1,003,469	4,199,094
-----------------	--	-----------	-----------

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

Advances to unsecured (considered good)		
- employees		350,820
- others		688,711
Deposits		8,104,810
Prepayments		55,710
Withholding tax refundable	30.2	25,347,296
Other receivables - considered good		2,089,657

		36,637,004
		=====

		36,376,624
		=====

18. CASH AND BANK BALANCES

Cash in hand		39,127
Cash at banks		
- in current accounts		77,534,875
- in deposit accounts		510,000

		78,044,875

		78,084,002
		=====

19. SALES - Net

Jute Twine		21,300,160
Gunny bags		128,756,190
Hessian cloth		27,715,430
Rice bags		5,898,800
Waste		131,600

		183,802,180

		197,565,005

Less:		
- Sales Tax		24,054,818
- Forwarding and other expenses		1,021,768

		25,076,586

		158,725,594
		=====

20. COST OF SALES EXCLUDING DEPRECIATION

Opening work in process		8,275,000
Raw materials consumed	20.1	77,083,698
Stores and spares		12,551,798
Salaries and wages		21,384,172
Bonus and welfare		2,618,059
Fuel and power		10,501,301
Repair and maintenance		1,552,025
Insurance		1,484,115
Other costs		300,000

		135,750,168

		134,502,011

Closing work in process		(8,548,200)

Cost of goods manufactured	127,201,968	126,227,011
Adjustment of finished goods:		
- Opening stock	18,850,000	33,658,000
- Closing stock	(8,100,000)	(18,850,000)
	10,750,000	14,808,000
	137,951,968	141,035,011
20.1 Raw materials consumed		
Opening stock	11,286,735	18,583,130
Add: Purchases	89,622,963	70,462,339
	100,909,698	89,045,469
Less: Closing stock	(23,826,000)	(11,286,735)
	77,083,698	77,758,734
21. ADMINISTRATIVE EXPENSES		
Salaries and allowances	2,679,061	2,399,635
Director's Remuneration	1,654,674	1,740,994
Director's meeting fee	5,000	4,500
Travelling	779,535	593,603
Motor vehicle running expenses	933,817	1,039,826
Entertainment	558,975	334,271
Printing and stationery	492,255	483,860
Postage, telegrams and telephones	1,126,454	1,013,186
News papers and periodicals	29,017	24,677
Rent, rates and taxes	1,226,819	1,055,753
Electricity	772,978	778,979
Fees and subscription	188,058	146,837
Donations	46,569	63,478
Professional charges	789,500	1,409,100
Audit and professional services	91,225	83,500
Miscellaneous	333,435	421,986
	11,707,373	11,594,184
21.1 None of the directors or their spouses had any interest in the donees' fund.		
21.2 Audit and professional services		
Audit fee	75,000	65,000
Out of pocket expenses	16,225	18,500
	91,225	83,500
22. SELLING AND DISTRIBUTION EXPENSES		
Advertisement	31,650	110,612
Loading/unloading expenses	1,721,356	2,026,715
	1,753,006	2,137,327

23. OTHER INCOME

Return on investment in the associated undertaking	1,847,831	1,859,750
Interest on bank deposits	3,656,956	6,414,084
Miscellaneous income	73,000	237,134
Profit on sale of fixed assets	1,526,993	--
	-----	-----
	7,104,780	8,510,968
	=====	=====

24. FINANCIAL CHARGES

Interest on workers profit participation fund	372,895	321,220
Mark up on:		
- redeemable capital - disputed, secured	--	6,156,191
- short term bank borrowings - secured	9,261,134	9,246,230
Excise duty	97,079	169,727
Bank charges	187,642	252,552
Leasing charges	332,546	48,130
	-----	-----
	10,251,296	16,194,049
	=====	=====

25. PROVISION FOR TAXATION

Opening	6,856,841	5,442,734
Current	793,628	891,706
Prior years	--	522,401
	-----	-----
	793,628	1,414,107
	-----	-----
	7,650,469	6,856,841
	=====	=====

26. EARNINGS PER SHARE

Net (loss) / profit after tax	(3,440,206)	6,594,168
	=====	=====
Weighted average number of shares in issue during the year.	3,745,000	3,745,000
	=====	=====
	(Number)	
	(Rupees)	
Basic earnings per share	(0.92)	1.76
	=====	=====

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	<i>Interest bearing</i>			<i>Non-Interest bearing</i>			<i>Total</i>
	<i>Less than one year (Rupees)</i>	<i>More than one years (Rupees)</i>	<i>Sub Total (Rupees)</i>	<i>Less than one year (Rupees)</i>	<i>More than one years (Rupees)</i>	<i>Sub Total (Rupees)</i>	
Financial Assets							
Due from associated undertaking	--	13,284,835	13,284,835	--	32,115,598	32,115,598	45,400,433
Trade debtors	--	--	--	1,003,469	--	1,003,469	1,003,469
Advances, deposits							

& other receivables	--	--	--	10,545,287	--	10,545,287	10,545,287
Cash and bank	510,000	--	510,000	77,574,002	--	77,574,002	78,084,002
	-----	-----	-----	-----	-----	-----	-----
	510,000	13,284,835	13,794,835	89,122,758	32,115,598	121,238,356	135,033,191
	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities							
Recognized							
Redeemable capital	--	--	--	--	8,235,390	8,235,390	8,235,390
Long term loans	--	--	--	6,000,000	37,000,000	43,000,000	43,000,000
Obligations under							
Finance lease	660,087	909,867	1,569,954	--	--	--	1,569,954
Bank borrowing claims		45,281,160	45,281,160	--	4,194,054	4,194,054	49,475,214
Creditors, accrued							
& other liabilities	--	--	--	36,989,032	--	36,989,032	36,989,032
Unrecognized							
Guarantees	--	--	--	--	348,400	348,400	348,400
	-----	-----	-----	-----	-----	-----	-----
	660,087	46,191,027	46,851,114	42,989,032	49,777,844	927,661,876	139,617,990
	=====	=====	=====	=====	=====	=====	=====

Interest / mark up rates applicable to interest bearing financial assets and financial liabilities are disclosed in relevant notes.

Fair value of the financial assets and liabilities

The carrying values of the financial assets and financial liabilities reflected in the financial statements approximate their fair values except redeemable capital and bank borrowings which are disputed and their fair values are dependent on the decision of the court. For more details, refer notes 9 and 10 to the accounts.

Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed completely to perform as contracted. Amount due from associated undertaking of Rs. 45,400,433 (2000: Rs. 41,459,266) is exposed to major credit risk as the associated Company is a sick unit and it has applied under the revival and restructuring arrangements of SBP. The Company believes that its remaining financial assets are not exposed to major credit risk. To manage credit risk on the remaining assets, the Company applies credit limits to its customers and by dealing with variety of major banks and financial institutions.

28. REMUNERATION AND BENEFITS TO DIRECTORS, MANAGING DIRECTOR AND EXECUTIVE

	2001			2000		
	Directors	Managing Director	Executive	Directors	Managing Director	Executive
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Fee	5,000	--	--	4,500	--	--
Remuneration	240,000	720,000	450,000	240,000	720,000	360,000
Allowances /						
Reimbursement	108,000	581,674	--	108,000	668,494	--
Provident Fund	--	--	27,000	--	--	21,600
	-----	-----	-----	-----	-----	-----
Rupees	353,000	1,301,674	477,000	352,500	1,388,494	381,600
	=====	=====	=====	=====	=====	=====

Number	1	1	1	1	1	1
	=====	=====	=====	=====	=====	=====

The Managing Director was provided with a company maintained car utilities and telephone at his residence.

29. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING

Aggregate transactions with an associated undertaking during the year were as follows:

	<i>2001</i> <i>(RUPEES)</i>	<i>2000</i> <i>(RUPEES)</i>
Purchases	71,500	74,956
Sales	6,000	12,700
Return on lending	1,847,831	1,859,750

30. CONTINGENCIES AND COMMITMENTS

30.1 Certain banks have issued guarantees aggregating Rs. 348,400 (2000: Rs. 348,400), on behalf of the Company in the ordinary course of business.

30.2 Against the assessments made for the assessment years 1992-93 to 1994-1995, 1996-97 and 1997-98, the company has lodged appeals with the commissioner (appellant). The appeals for all the years were set aside for denovo reconsideration. The department went into appeal to the Income Tax Tribunal who remanded the case for fresh consideration. Thereafter all the six years, including assessment year 1998-99, were reassessed by the assessing officer by repeating the earlier assessments and finalizing the assessment under presumptive tax regime creating a demand of Rs. 39.870 million. The company, on the other hand, is claiming a net balance of Rs. 15.482 million as refundable tax from the department, which has been with held at source between 1992-1998. The management is confident that its point of view would be vindicated in the current round of appeal as it achieved success in the earlier round. The final tax liability of company is contingent on the assessment / reassessment of all the years.

30.3 The Company is in litigation with flue National bank of Pakistan (NBP) against the suit fried by NBP for the recovery of its all outstanding claims aggregating to Rs. 49.48 million (2000: Rs. 49.48 million) as explained in note 10 to the financial statements. The Company has disputed the claim and has gone to litigation with the bank.. The final outcome of the proceedings cannot be ascertained at the moment. The Company has, however, provided the liability claimed by the bank.

30.4 The Habib Bank Limited has instituted a case against the Company for the recovery of its outstanding dues under Participation Term Certificates arrangement amounting to Rs. 3.206 million (2000: Rs. nil). The Company has disputed the suited amount. The final outcome of the proceedings cannot be ascertained at the moment. The company has, however, fully' provided the amount claimed by the bank (note 9 to the financial statements).

	<i>2001</i>	<i>2000</i>
31. PRODUCTION DATA		
Capacity (in kgs) on 360 days basis	6,000,000	6,000,000
Production achieved (kgs)		
- Sacking cloth	3,087,870	3,248,055
- Hessian cloth	493,162	679,118
- Twine	739,840	545,863

----- 4,320,872 =====	----- 4,473,036 =====
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The production capacity of a jute mill is generally indeterminable as it varies widely with the pattern of production and number of shifts worked. The production suffered mainly due to non-availability of working capital.

32. NUMBER OF EMPLOYEES

Total number of employees at the year end

764 =====	858 =====
--------------	--------------

33. GENERAL

Figures have been rounded off to the nearest rupee.

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

PATTERN OF SHARE HOLDINGS AS AT 30TH JUNE 2001

<i>No. of shareholders</i>	<i>share held</i>			<i>Total share held</i>	
407	From	1	to	100 Shares	40,600
138	From	101	to	500 Shares	47,200
90	From	501	to	1,000 Shares	77,202
80	From	1,001	to	5,000 Shares	179,200
14	From	5,001	to	10,000 Shares	98,200
2	From	10,001	to	15,000 Shares	27,700
2	From	15,001	to	20,000 Shares	36,500
2	From	25,001	to	30,000 Shares	58,300
1	From	60,001	to	75,000 Shares	65,200
1	From	80,001	to	85,000 Shares	84,198
4	From	305,001	to	310,000 Shares	1,240,000
1	From	495,001	to	500,000 Shares	500,000
1	From	1,285,001	to	1,290,000 Shares	1,290,000
----- 743 =====					----- 3,745,000 =====

<i>Categories of shareholder</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	735	3,194,500	85.30
Investment Companies	2	9,800	0.26
Insurance Companies	1	200	0.01
Joint Stock Companies	2	502,000	13.41
Financial Institutions	1	9,000	0.24
Surriya Farooq Charitable Foundation	1	20,000	0.53
Punjab Cooperative Board for Liquidation	1	9,500	0.25
	----- 743	----- 3,745,000	----- 100

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