

# **Modern Textile Mills Limited**

## **Annual Report 2000**

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### **COMPANY INFORMATION**

#### **CHAIRMAN & CHIEF EXECUTIVE**

MR. MUHAMM QASIM

#### **DIRECTORS**

MR. MUHAMMED AMIN TAHIR  
MR. MUHAMMED YOUSUF SULEMAN  
MR. MUHAMMED EIJAZ TAHIR  
MR. SHOUKAT ALI  
MR. MUHAMMAD SIDDIQ SULEMAN  
MR. MUHAMMAD YAQOOB IBRAHIM

#### **AUDITORS**

MESSRS EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

#### **BANKERS**

HABIB BANK LIMITED  
HABIB BANK AG ZURICH  
METROPOLITAN BANK LIMITED

#### **LEGAL ADVISER**

ABDUL GHANI KHAN ADVOCATES

#### **REGISTERED OFFICE**

18-BADRI BUILDING  
I. I. CHUNDRIGAR ROAD,  
KARACHI.  
PHONES: 2414538, 2412106 & 2414429

#### **MILLS**

TANDO JAM (SINDH)

#### **FAX**

(92-21) 2417914

**E-MAIL:**

modern@cubexs.net.pk

## **NOTICE OF ANNUAL GENERAL MEETING**

The 47th Annual General Meeting of the shareholders of MODERN TEXTILE MILLS LTD. will be held at Haji Abdullah Haroon Muslim Gymkhana, Aiwan-e-Sadar, Behind Shaheen Complex, Karachi on Saturday, 31st March, 2001 at 2.30 p.m. to transact the following business:-

1. To confirm the minutes of the 46th Annual General Meeting held on 31st March, 2000.
2. To receive, consider and adopt the Director's Report, Auditor's Report and Audited Accounts of the Company for the year ended 30th September, 2000.
3. To appoint Auditors for the ensuing year and fix their remuneration. The retiring Auditors M/s. Ebrahim & Co., Chartered Accountants being eligible have offered themselves for reappointment.
4. To transact any other business, with the permission of the chair.

**By Order of the Board**

**for Modern Textile Mills Ltd.  
MUHAMMAD QASIM  
(Chief Executive)**

Karachi,  
Dated: 9th March, 2001

### **NOTES:**

- I. The Share transfer books of the Company will remain closed from 29th March, 2001 to 7th April, 2001.
- II. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself. Proxies in order to be valid must be received at the Registered Office of the Company atleast 48 hours of the time appointed for the meeting. A proxy must be a member of the Company.
- III. The Shareholders are requested to communicate immediately to the Company for any change in address.

## **DIRECTOR'S REPORT**

### **BISMILLAH-HIR-REHMAN-NIR-RAHIM**

#### **Assalam-o-Alaikum,**

The Directors of your Company are pleased to present their 47th annual report and audited financial statements for the year ended 30 September, 2000.

#### **OPERATING RESULTS:**

The Board regrets the continuing losses sustained by the Company. The following are the results of the Company for the year under review:-

#### ***RUPEES***

Gross profit

1,433,168

Administrative, selling and distribution expenses	9,220,401
	-----
Operating (Loss)	(7,787,233)
Other Income	6,562,625
	-----
	(1,224,608)
Financial Charges	1,310,260
	-----
Net (Loss)	(2,534,868)
Taxation	(1,725,633)
	-----
Net (loss) after taxation	(809,235)
Accumulated (losses) brought forward	(81,569,992)
	-----
Accumulated (losses) carried forward	(82,379,227)
	=====

Hence no dividend could be recommended

#### **THE YEAR UNDER REVIEW**

As reported last year, due to financial constraints, we could not procure full quantities of cotton required for the full year's operation. Although many textile mills were able to cover their stocks from their available bank facilities as the prices went down to the lowest. However after intervention of buying cotton by Trading Corporation of Pakistan the prices flared up and instantly they were unworkable for mills. Your company could acquire only few quantities of cotton for day to day operation. Hence we had to often close down the plant thus incurring heavy expenses. The electric power rates and diesel purchase expenses increased substantially. We are trying to cut down all unnecessary expenses specially administration expenses. However, your directors tried to run the mills to the best of their efforts to minimize losses.

During the year, as approved by the shareholders meeting held on 7th July, 2000, portion of textile machines and extra land was offered for sale. We are pleased to confirm sale of machines having a written down value of Rs.9,187,154 at Rs.15,128,400 making a profit of Rs.5,941,246. This enabled your company to pay off substantial portion of bank liabilities. Our main bankers Habib Bank Ltd. have not yet finalized mode of balance payment of principal amount of loan as they are still insisting for payment of principal amount together with markup accrued to-date or make a lump sum payment of the outstanding loan. We are persuing the bankers to forgo current markup as the balance of loan outstanding includes markup charged by them and the additional markup is un Islamic and the Banking Courts are not allowing the charging of this markup. In anticipation we have not charged any markup during the year.

#### **FUTURE PROSPECTS**

During the year, in anticipation of rescheduling of our loan and waiver of markup, we made further payment of Rs.5 Million to Habib Bank Ltd. We are hopeful of the outcome in our negotiation with the Bankers. We have prepared a plan to modernize the plant at the earliest after Bank's settlement as the bank is insisting on settling Bank's liabilities first. Once again requesting all shareholders for special prayers to Allah Almighty to relieve the company of the Bank's clutches and make the company profitable as was for so many years in sequence.

#### **AUDITORS OBSERVATIONS**

The Management's comments on the auditors observations regarding non accrual of markup on short term running finance and Company's ability to continue as a going concern are given in Note 8.1(c) and 1.2 respectively in the Notes to the Accounts.

#### **INDUSTRIAL RELATIONS**

The Directors wish to thank the staff and the workers for their continued dedication and honest

work in improving the working and maintaining the standard of quality during the year under review.

**EARNING PER SHARE**

The earnings per share of your Company was Rs.(0.22)[1999: Rs.(4.18)].

**PATTERN OF SHAREHOLDING**

The pattern of shareholding in prescribed form is included in this report.

**AUDITORS**

The auditors of the Company M/s. Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

**For and on behalf of the board**

Karachi  
Dated: 9th March, 2001

**MUHAMMAD QASIM**  
**(Chief Executive)**

**FORM 34**

**PATTERN OF SHARE-HOLDING AS ON 30-09-2000**

<i>NO. OF SHARE HOLDERS</i>	<i>SHARE HOLDINGS</i>			<i>TOTAL SHARES HELD</i>	
105	FROM	1	TO	100	1,828
172	FROM	101	TO	500	38,369
33	FROM	501	TO	1,000	27,113
157	FROM	1,001	TO	5,000	476,931
153	FROM	5,001	TO	10,000	1,112,664
39	FROM	10,001	TO	15,000	475,216
10	FROM	15,001	TO	20,000	181,670
13	FROM	20,001	TO	25,000	292,345
7	FROM	25,001	TO	30,000	192,000
4	FROM	30,001	TO	35,000	131,625
5	FROM	35,001	TO	40,000	185,373
5	FROM	40,001	TO	45,000	214,125
5	FROM	45,001	TO	50,000	239,616
1	FROM	50,001	TO	55,000	53,625
2	FROM			55,001	127,500
-----				-----	-----
711					3,750,000
=====					=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
INDIVIDUALS	710	3,740,426	99.74%
INVESTMENT COMPANIES	1	9,574	0.26%
JOINT STOCK COMPANIES	--	--	--
	-----	-----	-----
TOTAL	711	3,750,000	100.00%
	=====	=====	=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **MODERN TEXTILE MILLS LIMITED** as at September 30, 2000 and the related profit and loss account and cash flow statement and statement of changes in equity, togetherwith 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 above said statements. We believe that our audit provides a reasonable basis for our opinion, and after due verification, we report that:

Provision of mark-up accrued on short term running finance amounting to Rs. 18.407 million has not been recognised in these accounts as explained morefully in note: 8.1(c)

Except for the adjustment, if any, in respect of matter stated above:

a) in our opinion, proper books of accounts 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 togetherwith the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts 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) except for the matter referred above, 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 loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980. Without qualifying our opinion we draw attention to the fact that the Company has been incurring losses for a number of years and accumulated losses exceed the issued, subscribed and paid up capital and revenue reserves by Rs. 14.879 million. The current liabilities of the Company exceed the current assets by Rs. 39.861 million. The ability of the Company to continue as a going concern is dependent on the prospect of operating profitably in the future in the absence of which the basis would not be valid and adjustments would have to be made for any gain or loss arising on realisation of the Company's assets and settlement of liabilities.

Karachi:  
Dated: 9th March, 2001

**EBRAHIM & CO.**  
**Chartered Accountants**

**BALANCE SHEET AS AT 30 SEPTEMBER, 2000**

	<i>Notes</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>CAPITAL AND RESERVES</b>			
Authorised capital 5,000,000 ordinary shares of Rs.10/- each		50,000,000	50,000,000
Issued, subscribed and paid up capital	3	37,500,000	37,500,000
Revenue reserves	4	30,000,000	30,000,000
Profit and loss account (adverse balance)		(82,379,227)	(81,569,992)
		(14,879,227)	(14,069,992)
<b>DEFERRED LIABILITIES</b>	5	5,001,259	6,663,137
<b>CURRENT LIABILITIES</b>			
Short term running finances	6	49,789,788	68,597,080
Creditors, accrued and other liabilities	7	12,034,557	12,379,601
Dividend - Unclaimed		56,865	56,865
		61,881,210	81,033,546
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		52,003,242	73,626,691

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

Karachi:  
Dated: 9th March, 2001

<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	9	28,688,994	38,798,591
Spares held for capital expenditure		1,259,196	1,214,978
		29,948,190	40,013,569
<b>LONG TERM DEPOSITS</b>			
Security deposits		34,650	34,650
<b>CURRENT ASSETS</b>			
Stores and spares	10	1,759,139	2,066,118
Stock in trade	11	6,218,273	13,081,239
Trade debts	12	4,406,243	8,801,174
Advances, deposits, prepayments and other receivables	13	9,242,435	9,507,608
Cash and bank balances	14	394,312	122,333

22,020,402	33,578,472
-----	-----
52,003,242	73,626,691
=====	=====

**MUHAMMAD QASIM**  
Chief Executive

**MUHAMMAD AMIN TAHIR**  
Director

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER, 2000

	<i>Notes</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Sales	15	69,906,828	104,884,544
Cost of sales	16	68,473,660	99,937,374
Gross profit		1,433,168	4,947,170
Administrative expenses	17	5,846,773	6,607,330
Selling and distribution expenses	18	3,373,628	6,290,099
		9,220,401	12,897,429
Operating (loss)		(7,787,233)	(7,950,259)
Other income	19	6,562,625	263,255
		(1,224,608)	(7,687,004)
Financial charges	20	1,310,260	1,534,998
Net (loss) for the year		(2,534,868)	(9,222,002)
Taxation	21	(1,725,633)	6,451,510
Net (loss) after taxation		(809,235)	(15,673,512)
Accumulated (losses) brought forward		(81,569,992)	(65,896,480)
Accumulated (losses) carried forward		(82,379,227)	(81,569,992)
Earning per share	27	(0.22)	(4.18)

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

**MUHAMMAD QASIM**  
Chief Executive

**MUHAMMAD AMIN TAHIR**  
Director

Karachi: Dated: 9th March, 2001

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER, 2000

<i>2000</i>	<i>1999</i>
<i>Rupees</i>	<i>Rupees</i>

**CASH FLOW FROM OPERATING ACTIVITIES**

Net (loss) for the year	(2,534,868)	(9,222,002)
Adjustments for items not involving movement of funds		
Depreciation	2,496,343	3,608,020
Profit on sale of fixed assets	(5,941,246)	(263,255)
Reversal of custom duty capitalised	624,034	--
Reversal of accumulated depreciation charged on custom duty capitalised	(519,863)	--
Provision for gratuity (net)	69,801	(96,199)
Provision for doubtful debts	581,388	2,136,214
	-----	-----
	(5,224,411)	(3,837,222)

**(Increase) / Decrease in current assets**

Stores and spares	306,979	(142,742)
Stock in trade	6,862,966	7,081,977
Trade debts	3,813,543	(2,678,260)
Advances, deposits, prepayments and other receivables	589,720	(117,293)
	-----	-----
	11,573,208	4,143,682

**Increase in current liabilities**

	6,348,797	306,460
Creditors, accrued and other liabilities	273,711	577,793
	-----	-----
Net cash from operating activities before tax	6,622,508	884,253
Taxes paid	(949,348)	(2,106,988)
	-----	-----
Net cash from operating activities	5,673,160	(1,222,735)

**CASH FLOW FROM INVESTING ACTIVITIES**

Addition to fixed assets	(1,678,071)	(1,254,903)
Spares held for capital expenditure	(44,218)	(1,214,978)
Proceeds from disposal of fixed assets	15,128,400	945,000
	-----	-----
Net cash from investing activities	13,406,111	(1,524,881)

**CASH FLOW FROM FINANCING ACTIVITIES**

Short term running finances	(18,807,292)	1,541,140
	-----	-----
Net increase / (decrease) in cash and cash equivalents	271,979	(1,206,476)
Cash and cash equivalents at the beginning of the year	122,333	1,328,809
	-----	-----
Cash and cash equivalents at the end of the year	394,312	122,333
	=====	=====

**MUHAMMAD QASIM**  
Chief Executive

**MUHAMMAD AMIN TAHIR**  
Director

Karachi: Dated: 9th March, 2001



for the effect of inflation or current values.

### **2.3 Taxation**

Provision for current taxation is the higher of the amounts computed on taxable income at the current tax rates after taking into account tax rebate on export and minimum tax computed at the prescribed rate on sales.

Deferred tax, if any, in respect of timing differences on account of accelerated depreciation is accounted by using the liability method to the extent that the liability can be estimated for the foreseeable future.

### **2.4 Staff retirement benefits**

The Company operates an unfunded gratuity scheme covering all its employees. Provisions are made annually to meet the obligations

### **2.5 Tangible fixed assets**

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

Depreciation is charged using the reducing balance method at rates specified in the relevant note.

Full year's depreciation is charged on additions during the year, whereas, no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacement and improvements, if any, are capitalised.  
Gains/losses on disposal of assets are included in current income.

### **2.6 Stores and spares**

These are valued at moving average cost.

### **2.7 Stock in trade**

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	-- Annual average cost
Packing material	-- Moving average cost
Stock in process and finished goods	-- Material as above plus proportionate production overheads
Waste	-- Net realisable value.

Net realisable value of finished goods represents estimated selling prices in the ordinary course of business less expenses incidental to making the sale.

### **2.8 Foreign currency translation**

Assets and liabilities in foreign currency, if any, are translated into rupees at the exchange rate prevailing on the balance sheet date except those covered by forward exchange contracts. Exchange gains/losses on translation of foreign currency are charged to income currently.

### **2.9 Revenue recognition**

Sales are recorded on despatch of goods to customers. Services income, if any, is recognised on rendering of bill upon completion of work.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
551,000 ordinary shares of Rs.10/- each fully paid in cash	5,510,000	5,510,000
24,000 ordinary shares of Rs.10/- each issued for consideration other than cash	240,000	240,000
3,175,000 ordinary shares of Rs. 10/- each issued as bonus shares	31,750,000	31,750,000
	-----	-----
	37,500,000	37,500,000
	=====	=====
<b>4. REVENUE RESERVES</b>		
General reserve	20,000,000	20,000,000
Machinery replacement and modernisation reserve	10,000,000	10,000,000
	-----	-----
	30,000,000	30,000,000
	=====	=====
<b>5. DEFERRED LIABILITIES</b>		
Provision for gratuity	1,198,906	1,129,105
Provision for deferred taxation	3,802,353	5,534,032
	-----	-----
	5,001,259	6,663,137
	=====	=====
<b>6. SHORT TERM RUNNING FINANCES</b>		
Banking Companies		
Secured		
Export refinance (Note: 6.1)	10,500,000	13,530,000
Running finance (Note: 6.2)	38,260,539	54,888,316
Unsecured		
Temporary bank overdraft	1,029,249	178,764
	-----	-----
	49,789,788	68,597,080
	=====	=====
6.1 These facilities are secured against hypothecation of stocks, lien on export letters of credits, contract and personal guarantee, of all directors. Total sanctioned limit as at the balance sheet date amounts to Rs. 10.500 million (1999: 12.500 million) and finances carry mark-up at 8% per annum.		
6.2 These facilities are secured against hypothecation of stock, equitable mortgage of property and lien on export letters of credit.. Total sanctioned limit as at the balance sheet date amounts to Rs.50.000 million (1999: Rs. 50.000 million) and carry mark-up at 19% per annum.		
<b>7. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Trade creditors	5,402,754	4,856,699
Accrued expenses	1,187,768	1,115,155
Accrued mark-up on secured running finances	4,189,690	4,294,601
Due to an associated undertaking	191,843	--
Due to other	522,152	--

Trade advances	39,964	397,131
Other liabilities		
Custom and regulatory duty, iqra and surcharge payable	445,715	1,069,750
Workers welfare fund	--	618,755
Others	54,671	27,510
	500,386	1,716,015
	-----	-----
	12,034,557	12,379,601
	=====	=====

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

(a) There is a contingent liability in respect of guarantees issued by the company's bankers in the ordinary course of business amounting to Rs. 1.022 million (1999: Rs. 2.347 million).

(b) The assessments for all the years upto assessment year 1999-2000 have been completed but the Company have preferred appeals for assessment years 1991-92 and 1994-95 to 1999-2000 which are pending before appeal authorities. In the event of adverse decisions the Company would be faced with maximum additional tax liabilities of approximately Rs.4.697 million (1999: Rs. 4.463 million) and a corresponding charge against profits of Rs.7.997 million (1999:Rs.7.779 million).

(c) There is a contingent liability in respect of mark-up amounting to Rs.18.407 million (1999:Rs.9.830 million) accrued by the bank on outstanding balance of running finance. The management is of the opinion that as the negotiation for rescheduling of loan is in progress the Company would not be liable to pay mark-up on outstanding balance. No provision in respect of mark-up has been made in these accounts.

### 8.2 Commitments

There was no capital commitment as at balance sheet date.

## 9. OPERATING FIXED ASSETS

PARTICULARS	COST					RATE %	DEPRECIATION			Written down value as at 30-09-2000
	As at 01-10-1999	Additions	Deletions (Note: 9.3)	Adjustment (Note 9.4)	As at 30-09-2000		As at 01-10-1999	For the year	Adjustment	
<b>OWNED</b>										
Freehold land	1,787,665	350,000	--	--	2,137,665	--	--	--	--	2,137,665
Building on freehold land	13,114,856	205,592	--	--	13,320,448	10	10,016,308	330,414	--	10,346,722
Office premises	2,674,131	--	--	--	2,674,131	10	1,029,179	164,495	--	1,193,674
Plant and machinery	105,974,923	904,542	32,192,738	(624,034)	74,062,693	10	78,776,570	1,525,394	24,448,861	55,843,103
Electric installation	5,613,901	--	1,978,305	--	3,635,596	10	4,459,016	43,537	1,418,593	3,083,960
Godown	1,508,748	--	1,508,748	--	--	10	1,145,046	--	1,145,046	--
Staff and labour quarter	1,892,807	--	--	--	1,892,807	5	1,169,861	36,147	--	1,206,008
Furniture and fixtures	5,874,645	--	--	--	5,874,645	10	3,767,247	210,740	--	3,977,987
Vehicles	3,453,441	217,937	--	--	3,671,378	20	2,743,299	185,616	--	2,928,915
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL RUPEES-2000	141,895,117	1,678,071	35,679,791	(624,034)	107,269,363		103,096,526	2,496,343	27,012,500	78,580,369
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL RUPEES-1999	140,113,154	4,008,458	2,226,495	--	141,895,117		101,033,256	3,608,020	1,544,750	103,096,526
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>9.1 Depreciation for the year has been allocated as follows:</b>			
Cost of sales	16	2,133,670	3,219,402
Administrative expenses	17	362,673	388,618
		-----	-----
		2,496,343	3,608,020
		=====	=====

9.1 During the year the company has charged depreciation on idle plant & machinery and electric installation at 50% of normal depreciation rate of these assets on the grounds that these assets were not used. Had depreciation been charged on normal rates, the charge for the year would have increased by Rs.0.476 million (1999: Rs.0.505 million) with a corresponding increase in loss for the year and accumulated losses.

9.3 In the absence of details of cost and written down value of fixed assets sold during the year, cost and written down value has been calculated on the basis of percentage of market value as determined by the valuer.

9.4 This represents adjustment in respect of custom duty capitalised in previous year now not payable.

9.5 Details of fixed assets disposed off during the year.

<i>Assets Description</i>	<i>Original Cost (Rupees)</i>	<i>Accumulated depreciation (Rupees)</i>	<i>Written down value (Rupees)</i>	<i>Sale proceeds (Rupees)</i>	<i>Mode of Disposal</i>	<i>Name and Address of buyers</i>
Plant and Machinery	3,314,300	2,463,600	850,700	1,600,000	Negotiation	M/s. Minhaj Spinning (Pvt) Ltd. Kharianwala Sheikhpura
	708,450	526,600	181,850	350,000	Negotiation	M/s. Minhaj Spinning (Pvt) Ltd. Kharianwala Sheikhpura
	10,771,538	8,006,648	2,764,890	4,300,000	Negotiation	M/s. Khalid Shafiq Spinning Mills Ltd. Lahore.
	12,013,250	8,929,350	3,083,900	4,480,000	Negotiation	Mr. Farooq Ibrahim, Karachi.
	2,692,600	2,001,400	691,200	770,000	Negotiation	M/s. International Textile Machineries, Karachi.
	2,692,600	2,001,400	691,200	758,400	Negotiation	M/s. Mohammad Jaffar & Co. Faisalabad.
	-----	-----	-----	-----		
	32,192,738	23,928,998	8,263,740	12,258,400		
Electric Installation	220,700	158,250	62,450	300,000	Negotiation	M/s. Minhaj Spinning (Pvt) Ltd. Kharianwala Sheikhpura
	47,175	33,825	13,350	50,000	Negotiation	M/s. Minhaj Spinning (Pvt) Ltd. Kharianwala Sheikhpura
	827,630	593,478	234,152	500,000	Negotiation	M/s. Khalid Shafiq Spinning Mills Ltd. Lahore.
	882,800	633,040	249,760	520,000	Negotiation	Mr. Farooq Ibrahim, Karachi.
	-----	-----	-----	-----		
	1,978,305	1,418,593	559,712	1,370,000		
Godown	1,508,748	1,145,046	363,702	1,500,000	Negotiation	M/s. Omer Son Textile Industries, Karachi (An associated undertaking)
	-----	-----	-----	-----		
	35,679,791	26,492,637	9,187,154	15,128,400		

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10. STORES AND SPARES</b>		
Stores	782,260	1,345,221
Spares	976,879	720,897
	-----	-----
	1,759,139	2,066,118
	=====	=====
<b>11. STOCK IN TRADE</b>		
Raw material	108,160	1,452,536
Packing material	68,354	173,094
Stock in process	85,434	788,356
Finished goods including waste	5,956,325	10,667,253
	-----	-----
	6,218,273	13,081,239
	=====	=====
11.1 Stock in trade includes stock held by third parties amounting to Rs. Nil (Rs.1999: Rs.1.804 million).		
<b>12. TRADE DEBTS</b>		
Secured	2,984,942	4,659,363
Unsecured		
Considered good	1,421,301	4,141,811
Considered doubtful	2,717,602	2,136,214
	-----	-----
	4,138,903	6,278,025
Less: Provision for doubtful debts	2,717,602	2,136,214
	-----	-----
	1,421,301	4,141,811
	-----	-----
	4,406,243	8,801,174
	=====	=====
<b>13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances (unsecured but considered good)		
Staff (Note: 13.1)	25,650	274,809
Supplies and services		
Considered good	1,376,785	952,187
Considered doubtful	133,032	133,032
	-----	-----
	1,509,817	1,085,219
Less: Provision doubtful debt	133,032	133,032
	-----	-----
	1,376,785	952,187
Income tax (Note 13.2)	4,830,329	4,505,782
	-----	-----
	6,232,764	5,732,778
Short term deposits	182,800	940,557
Short term prepayments	48,173	89,093

Other receivables		
Export rebate	203,458	673,769
Sales tax receivable	1,466,384	734,425
Due from an associated undertaking (Note 13.3)	--	266,566
Sales tax claim refundable	1,070,420	1,070,420
Others	38,436	--
	-----	-----
	2,778,698	2,745,180
	-----	-----
	9,242,435	9,507,608
	=====	=====

13. 1 These are stated to be recoverable within a year.

### 13.2 Income Tax

Advance Tax	15,653,206	25,879,453
Income tax refundable	500,328	--
	-----	-----
Less: Provision for taxation	16,153,534	25,879,453
	11,323,205	21,373,671
	-----	-----
	4,830,329	4,505,782
	=====	=====

13.3 The maximum aggregate balance outstanding at the end of any month during the year was Rs.0.978 million (1999: Rs.6.661 million).

### 14. CASH AND BANK BALANCES

Cash in hand	223,077	21,554
Cash at banks in current accounts	171,235	100,779
	-----	-----
	394,312	122,333
	=====	=====

### 15. SALES

Local	41,201,426	51,081,125
Export	28,305,733	53,308,048
Waste- Local	399,669	495,371
	-----	-----
	69,906,828	104,884,544
	=====	=====

### 16. COST OF SALES

Raw material consumed (Note: 16.1)	40,360,765	62,668,933
Stores and spares consumed	761,092	1,774,788
Packing material consumed	584,404	1,141,338
Salaries, wages and other benefits (Note: 16.2)	6,022,186	7,728,831
Processing charges	2,917,523	7,282,061
Power, fuel and lubricants	10,777,532	10,262,067
Repair and maintenance	217,236	227,948
Insurance	302,319	381,397
Depreciation	2,133,670	3,219,402
Other manufacturing expenses	72,228	120,264
	-----	-----
	64,148,955	94,807,029
	=====	=====
Stock in process		

Opening stock	788,356	2,114,275
Closing stock	(85,434)	(788,356)
	-----	-----
	702,922	1,325,919
	-----	-----
Cost of goods manufactured	64,851,877	96,132,948
Finished goods including waste		
Opening stock	10,667,253	16,098,004
Closing stock	(5,956,325)	10,667,253)
	-----	-----
	4,710,928	5,430,751
	-----	-----
Export rebate	69,562,805	101,563,699
	(1,089,145)	(1,626,325)
	-----	-----
	68,473,660	99,937,374
	=====	=====

**16.1 Raw material consumed**

Opening stock	1,452,536	1,424,219
Purchases	39,016,389	62,697,250
	-----	-----
	40,468,925	64,121,469
Less: closing stock	(108,160)	(1,452,536)
	-----	-----
	40,360,765	62,668,933
	=====	=====

16.2 This includes employees retirement benefits amounting to Rs.0.078 million (1999: Rs. 0.069 million).

**17. ADMINISTRATIVE EXPENSES**

Directors remuneration and allowances	660,000	864,000
Salaries, allowances and other benefits (Note: 17.1)	1,322,267	1,796,894
Communication expenses	602,077	716,440
Travelling and conveyance	208,374	289,896
Electricity	123,026	155,917
Legal and professional charges	295,045	85,310
Audit fee	40,000	40,000
Printing and stationery	90,814	77,996
Vehicle running and up keep	391,430	540,992
Subscription and periodicals	108,867	154,380
Rent, rates and taxes	103,820	45,830
Repairs and maintenance	49,824	112,772
Entertainment	359,798	466,317
Insurance	160,704	226,236
Depreciation	362,673	388,618
KMC octroi deposit written off	186,182	--
Other expenses	781,872	645,732
	-----	-----
	5,846,773	6,607,330
	=====	=====

17.1 This includes employees retirement benefits amounting to Rs. 0.060 million (1999: Rs. 0.037 million).

**18. SELLING AND DISTRIBUTION EXPENSES**

Freight and octroi expenses	2,349,699	3,642,166
Advertisement	35,874	49,626
Transportation	406,667	462,093
Doubtful debts expenses	581,388	2,136,214
	-----	-----
	3,373,628	6,290,099
	=====	=====

**19. OTHER INCOME**

Profit on sale of fixed assets (Note 19.1)	5,941,246	263,255
Central excise duty on clearance of cotton yarn refunded	101,516	--
Reversal of depreciation (Note 9.4)	519,863	--
	-----	-----
	6,562,625	263,255
	=====	=====

19.1 This represents profit on sale of plant and machinery, electric installation and godown sold during the year as per resolution passed by the shareholders.

**20. FINANCIAL CHARGES**

Mark-up on short term running finance	1,230,776	1,273,499
Bank charges and commission	79,484	261,499
	-----	-----
	1,310,260	1,534,998
	=====	=====

**21. TAXATION**

<b>Current</b>		
for the year	349,534	524,423
prior year	(343,489)	393,055
	-----	-----
	6,045	917,478
<b>Deferred</b>		
for the year	(1,731,678)	(1,037,989)
prior year	--	6,572,021
	-----	-----
	(1,731,678)	5,534,032
	-----	-----
	(1,725,633)	6,451,510
	=====	=====

**22. SUMMARISED WORKING RESULT  
BY LINE OF BUSINESS**

	<i>SPINNING &amp; WEAVING</i>	<i>GARMENT</i>	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
Sales	58,080,506	11,826,322	69,906,828	104,884,544
Cost of sales	58,341,633	10,132,027	68,473,660	99,937,374
	-----	-----	-----	-----
Gross profit	(261,127)	1,694,295	1,433,168	4,947,170
	-----	-----	-----	-----
Administrative expenses	5,285,938	560,835	5,846,773	6,607,330
Selling and distribution				

expenses	2,589,772	783,856	3,373,628	6,290,099
	-----	-----	-----	-----
	7,875,710	1,344,691	9,220,401	12,897,429
	-----	-----	-----	-----
Operating (loss) / profit	(8,136,837)	349,604	(7,787,233)	(7,950,259)
	=====	=====	=====	=====

Note: Expenses have been allocated at actuals.

### 23. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES

				<i>2000</i>
	<i>Chief</i>		<i>Executive</i>	<i>Rupees</i>
	<i>Executive</i>	<i>Directors</i>		<i>Total</i>
Remuneration	216,000	216,000	420,157	852,157
House rent	92,400	92,400	189,074	373,874
Conveyance	21,600	21,600	10,650	53,850
Utilities	--	--	42,019	42,019
	-----	-----	-----	-----
TOTAL RUPEES - 2000	330,000	330,000	661,900	1,321,900
	=====	=====	=====	=====
TOTAL RUPEES - 1999	330,000	534,000	664,000	1,528,000
	=====	=====	=====	=====
NUMBER OF PERSONS - 2000	1	1	3	5
	=====	=====	=====	=====
NUMBER OF PERSONS - 1999	1	2	3	6
	=====	=====	=====	=====

a) The directors have waived their meeting fees for the year.

b) Working directors have been provided with company maintained cars.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

### 24. TRANSACTION WITH ASSOCIATED COMPANY

The company completed following transactions with an associated undertaking in the normal course of business at fair value:

Purchase of fixed assets	--	1,145,623
Sale of fixed assets	1,500,000	850,000

### 25. CAPACITY AND PRODUCTION

#### Yarn

a) Number of spindles

Installed	7,816	15,112
Worked	4,990	12,712

b) Number of rotors

Installed	640	640
Worked	480	480

c) Installed capacity of yarn

Converted into 20/s	908,048	1,755,684
---------------------	---------	-----------

d) Actual production of Yarn converted into 20/s count into kilo grams	436,780	575,177
e) Number of shifts worked per day	1	2

Short fall in production was due to closure of Mill for 169 days during the year and constraint in market demand.

The installed capacity decreased due to sale of plant and machinery

## 26. INTEREST RATES RISK

The Company exposure to interest rate risk and sensitivity of financial liabilities and financial assets are summarized below:

	<i>(RUPEES)</i>			<i>Total</i>
	<i>Interest bearing Within one year</i>	<i>More than one year</i>	<i>Non interest bearing</i>	
<b>Financial assets</b>				
Trade debts	--	--	4,406,243	4,406,243
Short term deposits and other receivables	--	--	221,236	221,236
Cash and bank balances	--	--	394,312	394,312
	-----	-----	-----	-----
	--	--	5,021,791	5,021,791
	-----	-----	-----	-----
<b>Financial liabilities</b>				
Short term running finances	48,760,539	--	1,029,249	49,789,788
Creditors, accrued and other liabilities	--	--	11,548,878	11,548,878
Dividend	--	--	56,865	56,865
	-----	-----	-----	-----
	48,760,539	--	12,634,992	61,395,531
	-----	-----	-----	-----
Net financial assets / (liabilities)	(48,760,539)	--	(7,613,201)	(56,373,740)
	=====	=====	=====	=====

**26.1 Financial assets include Rs. 1.775 million, which are subject to credit risk.**

### 26.2 Fair value of financial instruments

The fair values of all the financial assets and financial liabilities are estimated to approximate their respective carrying values.

## 27. EARNING PER SHARE-- BASIC AND DILUTED

Net loss after tax	(809,235)	(15,673,512)
	=====	=====
Weighted average No. of ordinary shares	3,750,000	3,750,000
	=====	=====
Loss per share	(0.22)	(4.18)
	=====	=====

**28. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 80 (1999: 176).

**29. GENERAL**

i) Figures have been rounded off to the nearest rupee.

ii) Corresponding figures have been rearranged, reclassified wherever necessary to facilitate comparison.

**MUHAMMAD QASIM**  
**Chief Executive**

**MUHAMMAD AMIN TAHIR**  
**Director**

Karachi:

Dated: 9th March, 2001