

## Umer Fabrics Limited

### Annual Report 2000

#### Profile

The company was incorporated in 1988. Public subscription was offered in 1989 to issue a paid up capital of Rs. 35 million. A spinning unit with a capacity of 14,400 spindles was installed at Bhai Pheru, Tehsil Chuniyan in 1989. The capacity was increased to 22,080 spindles in 1990 while paid up capital was increased to Rs. 70 million. In 1994 a sister concern Raza Textile Mills Limited was merged with the company. The total capacity of the company was raised to 39,840 spindles after the inclusion of the adjacent unit of Raza Textile Mills Limited. The paid up capital was raised to Rs. 240 million while the net worth became Rs. 247 million. The company successfully managed the merger and earned handsome profits in the years to follow that increased the net worth to Rs. 539 million in 2000.

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#### Company Information

##### Board of Directors:

Mr. Yahya Saleem	(Chief Executive)
Mr. Khalid Qadeer Qureshi	
Mr. Aftab Ahmad Khan	
Mr. Muhammad Azam	
Mr. Farrukh Ifzal	
Rana Muhammad Mushtaq	
Mr. Firasat Ali	Nominee of NIT

##### Corporate Secretary:

Mr. Farrukh Ifzal

##### Bankers to the Company:

ABN Amro Bank N.V.  
American Express Bank  
Citibank N.A.  
Deutsche Bank  
Faysal bank Ltd.  
Credit Agricole Indosuez  
Habib Bank Ltd.  
Standard Chartered Bank  
Mashreq Bank. Psc  
Societe Generale Bank  
United Bank Ltd.  
Emirates Bank International.

##### Auditors:

Riaz Ahmad & Company  
Chartered Accountants

##### Legal Advisor:

Aurang Zeb Khan

##### Head Office:

4-Happy Homes,  
38-A, Main Gulberg, Lahore.  
Phone: 5761730-39  
Telex: 47823 NISHT PK.  
Fax: (042) 5711340

##### Registered Office:

53-A, Lawrence Road,

Lahore - Pakistan.  
Phone: 6367812-15  
Telex: 47523 NISHT PK.  
Fax: (042) 6367414

**Mills:**

49th Kilometre, Multan Road,  
Bhai Pheru, Tehsil Chunian,  
District Kasur.

**Notice of Annual General Meeting**

NOTICE is hereby given that the 13th Annual General Meeting of the Shareholders of Umer Fabrics Limited will be held at the Head Office of the Company, 4-Happy Homes, 38-A, Main Gulberg, Lahore, on March 31, 2001 (Saturday) at 9.00 a.m. to transact the following business:-

1. To confirm the minutes of last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended September 30, 2000 together with Directors' and Auditors' reports thereon.
3. To approve 40% Cash Dividend (i.e. Rs. 4/- per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending September 30, 2001 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To elect seven Directors of the Company for a period of three years in accordance with the provisions of the Companies Ordinance, 1984. The names of the retiring Directors are as under:

- |   |                                     |
|---|-------------------------------------|
| <b>1. Mr. Yahya Saleem</b>              | <b>2. Mr. Khalid Qadeer Qureshi</b> |
| <b>3. Mr. Aftab Ahmad Khan</b>          | <b>4. Mr. Muhammad Azam</b>         |
| <b>5. Rana Muhammad Mushtaq</b>         | <b>6. Mr. Farrukh Ifzal</b>         |
| <b>7. Mr. Firasat Ali (Nominee NIT)</b> |                                     |

The Board of Directors has fixed the number of elected Directors as seven. All retiring directors are eligible to offer themselves for re-election.

6. To transact any other business with the permission of the Chair.

**BOOKS CLOSURE**

The Share Transfer Books of the Company will remain closed from March 26, 2001 to April 02, 2001 (both days inclusive), for the entitlement of Dividend.

**By Order of the Board**

Lahore:  
March 3, 2001.

**Farrukh Ifzal**  
**Corporate Secretary**

**NOTES:**

- 1) The Cash Dividend will be paid to the shareholders, whose names will appear in the register of members as at the close of business on March 25, 2001.
- 2) All the members should bring their Original National Identity Card for identification purpose.
- 3) Nominations from the members for the Office of Directors must be received at least 14 clear days before the time of the Annual General Meeting at the registered office during working hours.
- 4) The beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and / or their proxies are required to produce their original National Identity Card (NIC) or Passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Company with in the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form along with attested copies of the NIC or the Passport of the beneficial owner and the proxy.
- 5) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting during working hours.
- 6) Members are requested to immediately notify the change of address, if any.

## Director's Report

### Performance During 1999-2000

The period under review, sales of the Company remained fairly constant at about Rs. 1600 million whereas profits witnessed a remarkable increase of 304%, from Rs.59 million to Rs.239 million. The Board of Directors has recommended a cash dividend of 40% and an amount Rs. 140 million has been transferred to general reserves. The Earnings Per Share increased from Rs.2.46 to Rs.9.95.

The improved performance of the textile sector in general can be attributed to a bumper cotton crop last year, coupled with favourable international cotton prices, which touched an all time low since 1993 of Rs. 1200 per maund. The Company successfully leveraged the government policy allowing free trade of cotton, and achieved an average buying price of about Rs. 1500 per maund. Thereafter, the trend reversed, and cotton prices finned up, both internationally and locally, enabling the Company to benefit from the favourable purchase cost. The low cost of raw material was also supported with a diversification of the product line to include both Pakistani and imported cotton. Over the past 5 years, the Company has achieved a compounded return to shareholders (dividend plus capital gain) of 47%. We have maintained an average return on equity of 27% from 1996-2000. The ROE for the current year is 60%, the highest achieved in the last 5 years. However, 2000 cannot be taken as a representative year, and the ROE in future years will be lower. Our target is to maintain a long-term ROE of 25-35%.

The average payout ratio for the Company for the last 5 years is 42%. Except for 1996 when a major portion of the long-term debt was paid off, we have maintained healthy payout ratios.

Given the seasonal and cyclical fluctuations that make the textile industry high risk, the Company has followed a conservative financing strategy. This is reflected in the current ratio of 0.90, and the long-term debt-to-equity ratio of 7:93. The target is to maintain the Company as a cash rich, low leverage, low risk company.

### Future Outlook

In line with the conservative financial strategy, the future plans for the Company will entail Balancing, Modernization and Re-structuring (BMR) of the existing units. This will enable us to maintain our competitiveness in value added and high quality products.

Following this strategy, the old cards and blow room in Umer Fabrics Limited 1 were replaced last year with most modern Trutzschler Blow Room and state of the art DK 803 Trutzschler Cards. This year we have further installed new Trutzschler cards in UFL 1.

In Umer Fabrics Limited 2, the replacement of old machinery with brand new DK 803 Trutzschler cards and Trutzschler blow room was completed last year. This year new Toyoda RY. 4 ring frames and Savio Orion Autoconers were installed.

We thus plan to maintain a stable level of profits by increasing value to customers and modernising the equipment and managerial policies.

The pattern of shareholding as at September 30,

2000 is annexed.

**For and on behalf of the Board****Yahya Saleem  
Chief Executive**

Lahore: March 03,2001

**Financial Highlights***(Rupees in thousands)*

	1996	1997	1998	1999	2000
Capital	240,052	240,052	240,052	240,052	240,052
Reserves	70,941	134,574	145,310	156,417	299,190
<b>Net Worth</b>	<b>310,993</b>	<b>374,626</b>	<b>385,362</b>	<b>396,469</b>	<b>539,242</b>
Long term Liabilities	94,568	54,800	31,299	6,839	43,620
Current Liabilities	362,640	473,029	597,153	1,000,512	475,541
<b>Capital &amp; Liabilities</b>	<b>768,201</b>	<b>902,455</b>	<b>1,013,814</b>	<b>1,403,820</b>	<b>1,058,403</b>
Fixed Capital Expenditure	459,723	420,373	474,606	506,163	501,848
Long term Investments & Deposits	20,754	5,363	126,476	126,777	127,775
Current Assets	287,724	476,719	412,732	770,880	428,780
<b>Total Assets</b>	<b>768,201</b>	<b>902,455</b>	<b>1,013,814</b>	<b>1,403,820</b>	<b>1,058,403</b>
Sales	1,359,869	1,579,859	1,496,418	1,608,595	1,604,284
Gross Profit	251,115	334,041	237,427	229,468	419,634
EBIT	179,363	279,924	184,873	214,883	381,921
Financial & Other charges	108,964	168,300	126,232	144,445	118,227
Taxation	6,571	11,983	11,897	11,321	24,900
<b>Net Profit</b>	<b>63,828</b>	<b>99,641</b>	<b>46,744</b>	<b>59,117</b>	<b>238,794</b>
Gross Margin	18.50%	21.10%	15.90%	14.30%	26.20%
Net Margin	4.70%	6.30%	3.10%	3.70%	14.90%
Current Ratio	0.79	1.01	0.69	0.77	0.90
Leverage (Total Liab./Net Worth)	1.47	1.41	1.63	2.54	0.96
Long Term Debt	23%	13%	8%	2%	7%
Equity	77%	87%	92%	98%	93%

**Auditors' Report to the Members**

We have audited the annexed balance sheet of **Umer Fabrics Limited** as at 30 September 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test bas, is, 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 except for the changes as stated in note 2.12 with which we concur;

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

Lahore: March 03, 2001.

**Riaz Ahmad & Company**  
**Chartered Accountants**

## Balance Sheet as at September 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
30,000,000 ordinary shares of Rupees 10 each		300,000	300,000
		=====	=====
<b>Issued, subscribed and paid up share capital</b>	3	240,052	240,052
<b>Revenue reserves</b>	4	299,190	156,417
		-----	-----
		539,242	396,469
<b>NON-CURRENT LIABILITIES</b>			
Custom debentures	5	--	437
Long term loans	6	36,667	--
Employees' retirement gratuity		6,953	6,402
		-----	-----
		43,620	6,839
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	7	73,770	23,026
Short term finances	8	209,659	800,289
Creditors, accrued and other liabilities	9	79,191	105,244
Provision for taxation		16,900	23,943
Proposed dividend		96,021	48,010
		-----	-----
		475,541	1,000,512
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	--	--
		-----	-----
		1,058,403	1,403,820
		=====	=====

The annexed notes form an integral part of these accounts.

**Chief Executive**

## ASSETS

### NON-CURRENT ASSETS

#### Tangible fixed assets

Operating fixed assets	11	501,848	506,056
Capital work-in-progress		--	107
		-----	-----
		501,848	506,163
<b>Equity investments</b>	12	126,195	126,195
<b>Long term security deposits</b>		1,580	582
		-----	-----
		629,623	632,940
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	13	20,962	25,900
Stock-in-trade	14	153,799	253,025
Short term investment	15	54,330	--
Trade debts	16	81,622	119,536
Advances, deposits, prepayments and other receivables	17	91,638	293,125
Cash and bank balances	18	26,429	79,294
		-----	-----
		428,780	770,880
		-----	-----
		1,058,403	1,403,820
		=====	=====

**Director**

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
<b>SALES</b>	19	1,604,284	1,608,595
<b>COST OF GOODS SOLD</b>	20	1,184,650	1,379,127
		-----	-----
<b>GROSS PROFIT</b>		419,634	229,468
<b>ADMINISTRATIVE, SELLING AND GENERAL EXPENSES</b>	21	62,806	56,287
		-----	-----
<b>OPERATING PROFIT</b>		356,828	173,181
<b>OTHER INCOME</b>	22	25,093	41,702
		-----	-----
		381,921	214,883
<b>FINANCIAL AND OTHER CHARGES</b>	23	118,227	144,445
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		263,694	70,438
<b>PROVISION FOR TAXATION</b>	24	24,900	11,321
		-----	-----
<b>PROFIT AFTER TAXATION</b>		238,794	59,117
<b>PROFIT BROUGHT FORWARD</b>		306	1,199
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		239,100	60,316
<b>APPROPRIATIONS</b>			
Proposed dividend Rupees 4 (1999: Rupees 2) per share		96.02	48,010
Transfer to general reserve		140,000	12,000
		-----	-----
		236,021	60,010
		-----	-----
<b>UNAPPROPRIATED PROFIT</b>		3,079	306
		=====	=====
<b>EARNINGS PER SHARE - BASIC</b>	28	9.95	2.46
		=====	=====

The annexed notes form an integral part of these accounts.

**Chief Executive**

**Director**

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

*2000*                      *1999*

(Rupees in thousand)

**CASH FLOWS FROM OPERATING ACTIVITIES**

<b>Profit before taxation</b>	263,694	70,438
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	52,168	43,954
Provision for obsolete stores	450	--
Employees' retirement gratuity	2,144	1,718
Gain on disposal of fixed assets	(4,348)	(7,058)
Dividend income	(7,269)	(4,893)
Financial charges	103,884	140,717

**CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL**

410,723 244,876

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

Stores, spare parts and loose tools	4,488	(4,988)
Stock-in-trade	99,225	(176,952)
Short term investments	(54,330)	--
Trade debts	37,915	117,865
Advances, deposits, prepayments and other receivables	187,709	(166,170)

**Increase/(decrease) in current liabilities**

Short term finances	(590,630)	356,402
Creditors, accrued and other liabilities	(211,715)	27,775

**EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES**

(336,338) 153,932

**CASH FLOWS FROM OPERATING ACTIVITIES**

74,385 398,808

Financial charges paid	(111,187)	(140,906)
Income tax paid	(18,165)	(64,964)
Employees' retirement gratuity paid	(1,593)	(3,152)

**NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES**

(56,560) 189,786

**CASH FLOWS FROM INVESTING ACTIVITIES**

Fixed assets acquired	(63,228)	(104,889)
Sale proceeds of fixed assets	19,723	36,436
Long term security deposits	(998)	(301)
Dividend income received	7,269	4,893

**NET CASH USED IN INVESTING ACTIVITIES**

(37,234) (63,861)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Custom debentures	(438)	(438)
Long term loans paid	(22,588)	(26,077)
Long term loans acquired	110,000	--
Dividend paid	(46,045)	(34,165)

**NET CASH IN FLOWS/(USED IN) FROM FINANCING ACTIVITIES**

40,929 (60,680)

**NET(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS**

(52,865) 65,245

**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**

79,294 14,049

**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

26,429 79,294

The annexed notes form an integral parts of these accounts.

Chief Executive

Director

**Statement of Changes in Equity for the year ended September 30, 2000**

(Rupees in thousand)

	<i>Share capital</i>	<i>General reserve</i>	<i>Unappropriated profit</i>	<i>Total</i>
Balance as at 01 October 1998	240,052	144,111	1,199	385,362
Net profit for the year	--	--	59,117	59,117
Proposed dividend	--	--	(48,010)	(48,010)
Transfer to general reserves	--	12,000	(12,000)	--
Balance as at 30 September 1999	240,052	156,111	306	396,469
Net profit for the year	--	--	238,794	238,794
Proposed dividend	--	--	(96,021)	(96,021)
Transfer to general reserves	--	140,000	(140,000)	--
Balance as at 30 September 2000	240,052	296,111	3,079	539,242

The annexed notes form an integral part of these accounts.

**Chief Executive**

**Director**

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

### 1. THE COMPANY AND ITS ACTIVITIES

Umer Fabrics Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 listed on Lahore and Karachi Stock Exchanges of Pakistan. The company is principally engaged in the manufacturing and trading of cotton yarn.

#### 1.1 Compliance with International Accounting Standards

These financial statements comply with International Accounting Standards as applicable in Pakistan in all material aspects.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies is given below:

#### 2.1 Overall valuation policy

The accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences in previous years as referred to in note 2.4.

#### 2.2 Employees' retirement benefits

The company operates unfunded gratuity scheme covering permanent employees serving at mills site, payable on cessation of employment. The provision is being made annually in the accounts according to the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The company also operates provident fund scheme for head office employees. Equal monthly contribution is made by the employer and the employees to the fund.

#### 2.3 Taxation

The company falls in the ambit of presumptive tax regime under section 80CC of the Income Tax Ordinance, 1979. Provision for income tax is made in the accounts accordingly. However, provision for tax on other income is based on taxable income at current rates after considering the rebates and tax credits available, if any.

#### 2.4 Foreign currency

Foreign currency transactions are recorded at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currency are translated into Pak rupee at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in current year's income.

#### 2.5 Tangible fixed assets and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the erection/construction period and other directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on the reducing balance method at the rates given in note 11. The full annual rate of depreciation is applied to the cost of additions except for major additions or extensions to production facilities. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and replacements are capitalized. Gain or loss on disposal of operating fixed assets is included in



current year's income.

## 2.6 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over the useful life of the assets on reducing balance method. Depreciation of leased assets is charged to current year's income.

## 2.7 Equity investments

Long term investments are stated at cost and provision for diminution in the value is made if considered permanent. Short term investments are stated at the lower of cost and market value determined on aggregate portfolio basis.

## 2.8 Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value.

## 2.9 Stock-in-trade

Stocks of raw material, work-in-process and finished goods are valued at the lower of average cost and net realizable value except waste which is valued at contract prices.

Average cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

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

## 2.10 Trade debts

Known bad debts are written off and provision is made against debts considered doubtful.

## 2.11 Borrowing costs

Interest, mark up and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets required out of the proceeds of such long term liabilities, if it takes considerable period for erection/construction. All other interests, mark-up and other charges are charged to income.

## 2.12 Revenue recognition

Revenue from sales is recognized on despatch of goods to customers. Dividend income on equity investments is recognized as and when right to receive dividend is established. In previous year it was recognized on receipt basis. This change has been made to recognize it on accrual basis. The return on short term placement of funds with banks and financial institutions is accounted for on a time proportion basis at the rates of profit applicable thereon.

**2000**                      **1999**  
**(Rupees in thousand)**

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

14,127,750 ordinary shares of Rupees 10 each fully paid up in cash	141,277	141,277
9,877,455 ordinary shares of Rupees 10 each issued as fully paid to the shareholders of Raza Textile Mills Limited in accordance with the scheme of arrangement allowed by the Lahore High Court, Lahore.	98,775	98,775
	-----	-----
	240,052	240,052
	=====	=====

3.1 11,863,538 (1999: 11,863,538) ordinary shares of the company are held by the associated undertakings.

## 4. REVENUE RESERVES

### General reserve

Opening balance	156,111	144,111
Transfer from profit and loss account	140,000	12,000
	-----	-----
	296,111	156,111
Unappropriated profit	3,079	306
	-----	-----
	299,190	156,417
	=====	=====

## 5. CUSTOM DEBENTURES

Balance as on 30 September (Note 5.1)	437	875
Current portion (Note 7)	437	438
	-----	-----
	--	437
	=====	=====

5.1 Custom debentures were issued in favour of Collector of Customs to cover the deferred element of custom duty on import of plant and machinery. The outstanding debentures have been fully redeemed on 05 November 2000 at surcharge of 14% per annum.

#### 6. LONG TERM LOANS

Pakistan Industrial Credit & Investment Corporation	--	22,588
Citibank (Note6.1)	110,000	--
	-----	-----
	110,000	22,588
Current portion (Note 7)	73,333	22,588
	-----	-----
	36,667	--
	=====	=====

6.1 This loan is secured against a first pari passu charge by way of equitable mortgage on all immovable properties, hypothecation on movable fixed assets and a demand promisory note. It carries markup at the rate of 2.25 percent above the treasury bill rate with a floor of 14.75 percent per annum and repayable in 3 equal semi-annual installments commencing from 24 February 2001.

#### 7. CURRENT PORTION OF LONG TERM LIABILITIES

Custom debentures (Note 5)	437	438
Long term loans (Note 6)		
Pakistan Industrial Credit and Investment Corporation	--	22,588
Citibank	73,333	--
	-----	-----
	73,333	22,588
	-----	-----
	73,770	23,026
	=====	=====

#### 8. SHORT TERM FINANCES

Cash finances (Note 8.1 and 8.2)	115,659	112,129
Preshipment finances (Note 8.1 and 8.3)	94,000	688,160
	-----	-----
	209,659	800,289
	=====	=====

8.1 These finances form part of total credit facilities amounting to Rupees 1,135 million (1999: Rupees 1,630.65 million) available from commercial banks under mark-up arrangements.

8.2 Cash finances carry mark-up at the rates ranging from 23.97 to 44.44 paisas per Rupee thousand per day. These are secured against first pari passu charge on present and future current assets of the company and personal guarantees.

8.3 Preshipment finances carry mark-up at the rates ranging from 21.92 to 39.73 paisas per Rupee thousand per day. These are secured against lien on export bills, first pari passu charge on current assets of the company and personal guarantees.

#### 9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	27,898	54,705
Income tax deducted at source	148	1,597
Interest on long term loans-Secured	4,146	791
Mark-up on secured short term finances		
Cash finances	5,211	4,899
Preshipment finances	1,156	12,069
Postshipment finances	131	140
	-----	-----
	6,498	17,108
Surcharge on custom debentures-Secured	55	110
Due to associated undertakings	2,193	189
Unclaimed dividend	5,287	3,322
Excise duty payable	6,363	7,826
Workers' profit participation fund (Note 9.1)	14,996	4,984
Accrued liabilities	11,607	14,612
	-----	-----
	79,191	105,244
	=====	=====

**9.1 WORKERS' PROFIT PARTICIPATION FUND**

Balance as on 01 October	4,984	4,188
Interest provided during the year	272	265
	-----	-----
	5,256	4,453
Payments made during the year		
To workers	2,864	2,472
To Government	1,289	7251
	-----	-----
	4,153	3,197
Unclaimed balances	1,103	1,256
Share of company's profit for the year	13,893	3,728
	-----	-----
	14,996	4,984
	=====	=====

9.2 The company retains workers' profit participation fund for its business operations till the date of payment to workers. Interest is paid at the prescribed rate under the Act on funds utilized by the company till the date of payment to workers.

**10. CONTINGENCIES AND COMMITMENTS**

**Contingencies** Nil Nil

**Commitments**

Letters of credit for capital expenditure are Rupees 9.63 million (1999: Rs 39.42 million) and other than capital expenditure are Rupees 48.80 million (1999: Rupees NIL).

**11. OPERATING FIXED ASSETS**

(RUPEES IN THOUSAND)

DESCRIPTION	COST		ACCUMULATED DEPRECIATION		BOOK VALUE		DEPRECIATION		
	As at 01 October 1999	Additions/ (Deletions)	As at 30 September 2000	As at 01 October 1999	Adjustments	As at 30 September 2000	AS AT 30 SEPTEMBER 2000	Charge for the year	Rate %
Freehold land	20,978	(11,811)	9,167	--	--	--	9,167	--	--
Building on freehold land	143,987	6,506	150,493	81,677	--	88,286	62,207	6,609	10
Plant and machinery	714,127	51,801 (6,551)	759,377	322,618	4,441	359,316	400,961	41,139	10
Furniture, fixtures and office equipment	30,865	501 (304)	31,062	14,887	8	16,427	14,635	1,626	10
Electric installations	15,518	780	16,298	9,684	--	10,345	5,953	661	10
Transport and vehicles	12,082	2,973 (2,591)	12,464	4,443	1,355	4,963	7,501	1,875	20
Computers	2,544	774	3,318	736	--	994	2,324	258	10
2000	940,101	63,335 (21,257)	982,179	434,045	5,882	480,331	501,848	52,168	
1999	826,862	182,373 (69,134)	940,101	429,847	39,756	434,045	506,056	43,954	
	=====	=====	=====	=====	=====	=====	=====	=====	

2000 1999  
(Rupees in thousand)

**11.1 Depreciation charge for the year has been allocated as follows:**

Cost of goods sold	50,419	42,045
Administrative, selling and general expenses	1,749	1,909
	-----	-----
	52,168	43,954
	=====	=====

11.2 Detail of operating fixed assets disposed off during the year is as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
-------------	------	-----------------------------	---------------	------------------	---------------------	--------------------------

**VEHICLES**

TOYOTA HILUX LOADER	739	497	242	460	Negotiation	MR. GUL RAHIM KHAN, LAHORE.
MOTOR CYCLE HONDA CD-70	64	30	34	33	Negotiation	MR. M MUSHTAQ COMPANY'S EMPLOYEE
MITSUBISHI VAN	635	310	325	345	Negotiation	MR. TARIQ SHARIF, LAHORE
SUZUKI BOLAN	328	194	134	223	Negotiation	MR. MAHMOOD AHMED, LAHORE.
SUZUKI SWIFT	418	84	334	413	Negotiation	MISS. SHUGUFTA TANVEER, LAHORE.
SUZUKI KHYBER	407	240	167	255	Negotiation	MISS. SHUGUFTA TANVEER, LAHORE.

**OFFICE EQUIPMENT**

AIR CONDITIONER	23	2	21	24	Negotiation	MR. BADAR SAMEE COMPANY'S EMPLOYEE
AIR CONDITIONER	54	6	48	54	Negotiation	NISHAT (CHUNIAN) LIMITED
REFRIGERATOR	22	2	20	23	Negotiation	NISHAT (CHUNIAN) LIMITED
PANASONIC TELEPHONE EXCH	131	69	62	13	Negotiation	M. R. ENTERPRISES
MISC FURNITURE & FIXTURE	72	7	65	47	Negotiation	NISHAT (CHUNIAN) LIMITED

**FREEHOLD LAND**

11,811	--	11,811	16,213	Negotiation	NISHAT (CHUNIAN) LIMITED
--------	----	--------	--------	-------------	--------------------------

**PLANT AND MACHINERY**

2 GRAPH CARDS	1,884	1,297	587	400	Negotiation	CRESCENT SUGAR MILLS & DISTILLERY LIMITED
4 GRAPH CARDS	3,768	2,593	1,175	520	Negotiation	AKRAM INDUSTRIES LIMITED
BLOW ROOM ACCESSORIES	900	550	350	700	Negotiation	AKRAM INDUSTRIES LIMITED

**2000                      1999**  
**(Rupees in thousand)**

**12. EQUITY INVESTMENTS****Quoted****Muslim Commercial Bank Limited - Bank**

3,383,160 (1999: 2,796,000) fully paid ordinary shares of Rupees 10 each

	120,945	120,945
--	---------	---------

**Unquoted****Security General Insurance Company Limited - Insurance**

525,000 (1999: 525,000) fully paid ordinary

shares of Rupees 10 each

Equity held 10.5%

(Chief Executive-Syed Jawad Gilani)

Break-up value was Rupees 12.17 per share as per

audited accounts of 31 December 1999

	5,250	5,250
	-----	-----
	126,195	126,195
	=====	=====

12.1 Market value of the quoted investments as on 30 September 2000 was Rupees 100.649 million (1999: Rupees 61.931 million).

**13. STORES, SPARE PARTS AND LOOSE TOOLS**

Stores	8,404	6,618
Spare parts	12,939	19,137
Loose tools	69	145
	-----	-----
	21,412	25,900
Less: Provision for obsolete stores	450	--
	-----	-----
	20,962	25,900
	=====	=====

**14. STOCK-IN-TRADE**

Raw material	122,596	209,967
Work-in-process	10,178	23,693
Finished goods	15,207	13,109
Waste stock	5,818	6,256
	-----	-----
	153,799	253,025
	=====	=====

**15. SHORT TERM INVESTMENTS****QUOTED****Associated Undertakings**

**Nishat Mills Limited-Textile**

585,000 fully paid ordinary shares of Rupees 10 each	19,677	--
---	--------	----

**Others****Muslim Commercial Bank limited - Bank**

1,381,820 fully paid ordinary shares of Rupees 10 each	29,578	--
---	--------	----

**Nishat (Chunian) Limited-Textile**

364,000 fully paid ordinary shares of Rupees 10 each	5,075	--
	-----	-----
	54,330	--
	=====	=====

15.1 Market value of the quoted investments as on 30 September 2000 was Rupees 67.649 million.

**16. TRADE DEBTS-CONSIDERED GOOD**

Unsecured against local sales (Note 16.1)	3,246	926
Secured against export sales (Letters of credit)	78,376	118,610
	-----	-----
	81,622	119,536
	=====	=====

16.1 Trade debts include Rs 1.453 million (1999: Rupees Nil) due from Nishat Mills Limited - Associated undertaking.

**17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES****Advances-Considered good**

To company's employees	350	350
To goods suppliers/contractors	1,319	3,721
Letters of credit	5,990	156,373
Income tax	68,676	82,454

<b>Sales tax refundable</b>	13,284	37,247
-----------------------------	--------	--------

<b>Margin against bank guarantees</b>	649	649
---------------------------------------	-----	-----

<b>Prepayments</b>	86	--
--------------------	----	----

<b>Due from D. G. Khan Cement Company Ltd. - Associated undertaking</b>		4,965
---	--	-------

<b>Other receivables - Considered Good</b>		
--	--	--

Claims receivable against imported cotton	--	5,630
---	----	-------

Profit on bank deposits	--	946
-------------------------	----	-----

Insurance and other claims receivable	1,284	790
---------------------------------------	-------	-----

	-----	-----
	91,638	293,125
	=====	=====

**18. CASH AND BANK BALANCES**

<b>Cash in hand</b>	87	135
---------------------	----	-----

**Cash with banks on**

Current accounts	26,342	42,701
------------------	--------	--------

Deposit accounts	--	36,458
------------------	----	--------

	-----	-----
	26,342	79,159

	-----	-----
	26,429	79,294
	=====	=====

**19. SALES****Own products**

<b>Yarn</b>		
-------------	--	--

Ex port	1,279,411	1,031,127
---------	-----------	-----------

Local	222,065	458,276
-------	---------	---------

	-----	-----
	1,501,476	1,489,403

**Waste**

Export	60,811	61,032
--------	--------	--------

Local	16,756	31,523
-------	--------	--------

	-----	-----
--	-------	-------

	77,567	92,555
<b>Purchased goods</b>		
Export	26,490	14,158
Local	33,908	26,580
	-----	-----
	60,398	40,738
	-----	-----
	1,639,441	1,622,696
<b>Commission to selling agents</b>	35,157	14,101
	-----	-----
	1,604,284	1,608,595
	=====	=====

**20. COST OF GOODS SOLD**

Raw material consumed (Note 20.1)	812,045	1,046,991
Salaries, wages and other benefits	58,029	62,217
Employees gratuity	2,144	1,659
Fuel and power	115,204	110,722
Packing material	25,752	21,080
Stores, spare parts and loose tools	33,297	33,900
Insurance	3,467	2,114
Other factory overheads	14,254	12,292
Depreciation	50,419	42,045
	-----	-----
	1,114,611	1,333,020

**Work-in-process**

Opening inventory	23,693	32,438
Closing inventory	10,178	23,693
	-----	-----
	13,515	8,745

**Cost of goods manufactured**

	1,128,126	1,341,765
--	-----------	-----------

**Cost of goods purchased for resale**

Export	31,260	16,316
Local	26,924	26,580
	-----	-----
	58,184	42,896

**Finished goods**

Opening inventory	19,365	13,831
Closing inventory	21,025	19,365
	-----	-----
	(1,660)	(5,534)
	-----	-----
	1,184,650	1,379,127
	=====	=====

**20.1 RAW MATERIAL CONSUMED**

Opening stock	209,967	29,804
Purchase during the year	724,674	1,227,154
	-----	-----
	934,641	1,256,958
Closing stock	122,596	209,967
	-----	-----
	812,045	1,046,991
	=====	=====

**21. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES**

Salaries, wages and other benefits	5,330	5,410
Provident fund contributions	111	82
Clearing and forwarding	43,005	34,657
Legal and professional	430	372
Insurance	759	828
Travelling and conveyance	3,607	3,742
Vehicles' running	482	733
Entertainment	217	126
Fee, subscription and taxes	475	630
Audit fee	140	130
Advertisement	229	129
Postage, telephone and telegrams	3,892	4,133
Electricity and sui gas	517	459
Printing and stationery	545	466
Miscellaneous	1,318	2,481
Depreciation	1,749	1,909

	62,806	56,287
	=====	=====

**22. OTHER INCOME**

Dividend (Note 22.1)	7,269	4,893
Sale of scrap	2,019	1,826
Mark-up on advances to associated undertakings	5,399	52
Mark-up on advances	3,075	21,307
Gain on disposal of fixed assets	4,348	7,058
Excise Duty Refund	--	994
Profit on bank deposits	1,377	4,978
Processing income	1,606	594
	-----	-----
	25,093	41,702
	=====	=====

22.1 Dividend income include Rs 1.024 million received from Nishat Mills Limited- Associated Undertaking.

**23. FINANCIAL AND OTHER CHARGES****Financial**

Surcharge on custom debentures	67	129
Interest on long term loans	11,433	4,661
Exchange risk fee on suppliers' credits	--	219
Mark up on advances from associated undertaking	--	481
Interest on workers' profit participation fund	272	265

**Mark-up on short term finances**

Cash/other short term finances	39,247	48,815
Preshipment finances	45,994	67,080
Postshipment finances	504	12,980

**Bank charges and commission**

	85,745	128,875
	6,367	6,087
	-----	-----
	103,884	140,717

**Others**

Provision for obsolete/slow moving stores & spares	450	--
Workers' profit participation fund	3,728	3,728
	-----	-----
	118,227	144,445
	=====	=====

**24. PROVISION FOR TAXATION**

Current year	16,900	9,019
Prior years	8,000	2,302
	-----	-----
	24,900	11,321
	=====	=====

**25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The company purchased from and sold to associated undertakings materials and goods in the aggregate sum of Rupees 6.448 million (1999: Rupees 0.43 million) and Rupees 36.703 million (1999: Rupees 39.05 million) respectively. These purchases/sales were made at market prices. Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 132.424 million (1999: Rs 38.75 million). Mark up is paid/charged on balance due to/from associated undertaking at the rate of paisas 42.46 per Rupee 1,000 per day.

**26. NUMBER OF EMPLOYEES**

Number of employees at year-end	1,316	1,277
---------------------------------	-------	-------

**27. REMUNERATION OF DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the accounts for remuneration, including all benefits to directors and executives of the company are as follows:

	2000	1999
	<i>(Rupees in thousand)</i>	
<b>EXECUTIVES</b>		
Remuneration	2,922	2,999
House rent	1,315	1,350
Utilities	146	150
Leave encashment	130	90

Bonus	310	153
	-----	-----
	4,823	4,742
	=====	=====
Number of persons	18	17

27.1 No remuneration or meeting fee was paid to directors and chief executive during the period under reference.

## 28. EARNINGS PER SHARE

	<b>2000</b>	<b>1999</b>
Net profit for the year (Rupees in thousands)	238,794	59,117
Number of ordinary shares	24,005,205	24,005,205
Earnings per share (Rupees)- Basic	9.95	2.46

## 29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 29.1 FINANCIAL ASSETS AND LIABILITIES

(RUPEES IN THOUSAND)

	FINANCIAL INSTRUMENTS	2000			
		INTEREST/MARK-UP BEARING		NON-INTEREST/MARK-UP BEARING	
		Within one year	One year to five years	Within one year	One year to five years
<b>FINANCIAL ASSETS</b>					
Long term investments	126,195	--	--	--	126,195
Advances to employees	202	--	--	202	--
Long term security deposits	1,580	--	--	--	1,580
Trade debts	81,621	--	--	81,621	--
Other receivables	1,284	--	--	1,284	--
Cash and bank balances	26,429	--	--	26,429	--
	-----	-----	-----	-----	-----
	237,311	--	--	109,536	127,775
	=====	=====	=====	=====	=====
<b>FINANCIAL LIABILITIES</b>					
Custom debentures	437	437	--	--	--
Long term loans	110,000	73,333	36,667	--	--
Employees' gratuity	6,953	--	--	--	6,953
Finances under mark-up arrange	209,659	209,659	--	--	--
Creditors, accrued and other liabilit	79,191	17,189	--	62,002	--
Letters of credit	58,430	--	--	58,430	--
	-----	-----	-----	-----	-----
	464,670	300,618	36,667	120,432	6,953
	=====	=====	=====	=====	=====

### 29.2 FINANCIAL ASSETS AND LIABILITIES

(RUPEES IN THOUSAND)

	FINANCIAL INSTRUMENTS	1999			
		INTEREST/MARK-UP BEARING		NON-INTEREST/MARK-UP BEARING	
		Within one year	One year to five years	Within one year	One year to five years
<b>FINANCIAL ASSETS</b>					
Long term investments	126,195	--	--	--	126,195
Advances to employees	136	--	--	136	--
Long term security deposits	582	--	--	--	582
Trade debts	124,501	4,695	--	119,536	--
Other receivables	7,366	--	--	7,366	--
Cash and bank balances	79,294	36,458	--	42,836	--
	-----	-----	-----	-----	-----
	338,074	41,423	--	169,874	126,777
	=====	=====	=====	=====	=====
<b>FINANCIAL LIABILITIES</b>					
Custom debentures	875	438	437	--	--



Long term loans	22,588	22,588	--	--	--
Employees' gratuity	6,402	--	--	--	6,402
Finances trader mark-up arrange	800,289	800,289	--	--	--
Creditors, accrued and other liabilit	105,244	5,173	--	100,071	--
Letters of credit	39,420	--	--	39,420	--
	-----	-----	-----	-----	-----
	974,818	828,488	437	139,491	6,402
	=====	=====	=====	=====	=====

### 29.3 EFFECTIVE INTEREST/MARK-UP RATES

The company's exposure to interest/mark-up effective rates on its financial assets and financial liabilities are summarised as follows:

	<i>2000</i>	<i>1999</i>
	<i>Percentage</i>	<i>Percentage</i>
<b>Financial assets</b>		
Cash with bank on deposit accounts	--	16
Due from associated undertakings	15.5	15.5
<b>Financial liabilities</b>		
Custom debentures	14	14
Long term loans	14.75	14
Short term finances	8 to 16.5	8 to 16.5
Due to associated undertakings	15.5	15.5

### 29.4 CREDIT RISK

The company believes that it is not exposed to major concentration of credit risk. Further, the company controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis.

### 29.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements except long term equity investment which is stated at cost.

### 29.6 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company has obtained forward cover to manage foreign currency risk.

### 30. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>2000</i>	<i>1999</i>
Total number of spindles installed	39,840	39,840
Rated capacity converted into 20/s count (Kgs.)	13,633,494	13,247,312
Actual production converted into 20/s count (Kgs.)	13,433,187	13,050,406
Number of shifts worked per day	3	3
Total number of shifts worked during the year	1,096	1,093

### 30.1 REASON FOR LOW PRODUCTION

The under-utilization Of available capacity is due to normal stoppage and maintenance.

### 31. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Chief Executive

Director

### FORM-34

#### The Companies Ordinance, 1984

#### Pattern of Holding of shares Held by the Members

As at September 30, 2000

<i>SHARE</i>	<i>SHARE HOLDING</i>	<i>TOTAL</i>	
<i>HOLDERS</i>	<i>FROM</i>	<i>TO</i>	<i>SHARE HELD</i>
875	1	100	41,196
1387	101	500	311,154
386	501	1,000	297,840
444	1,001	5,000	1,018,402
83	5,001	10,000	586,492
24	10,001	15,000	306,939
19	15,001	20,000	332,707
12	20,001	25,000	275,558
5	25,001	30,000	133,914
4	30,001	35,000	136,932

4	35,001	40,000	153,830
10	40,001	45,000	421,895
5	45,001	50,000	240,732
2	50,001	55,000	105,665
4	55,001	60,000	238,483
2	60,001	65,000	122,500
1	70,001	75,000	73,842
1	75,001	80,000	79,400
1	85,001	90,000	90,000
1	90,001	95,000	92,500
1	95,001	100,000	100,000
1	100,001	105,000	104,500
1	105,001	110,000	107,537
1	130,001	135,000	134,510
1	150,001	155,000	150,120
1	170,001	175,000	171,267
1	290,001	295,000	294,050
1	340,001	345,000	341,026
2	415,001	420,000	830,668
1	515,001	520,000	518,914
1	780,001	785,000	783,450
1	3,545,001	3,550,000	3,545,644
1	5,385,001	5,390,000	5,386,758
1	6,475,001	6,480,000	6,476,780

-----  
3,285  
=====-----  
24,005,205  
=====**CATEGORIES OF  
SHAREHOLDERS****NUMBER OF  
SHARE  
HOLDERS**      **SHARES  
HELD**      **PERCENTAGE**

Individuals	3,183	5,476,862	22.82
Investment Companies	8	3,971,515	16.54
Insurance Companies	4	694,056	2.90
Joint Stock Companies	47	9,312,468	38.79
Financial Institutions	24	4,421,622	18.42
Modaraba Companies	8	96,722	0.40
Foreign Companies	8	23,663	0.10
Co-operative Societies	2	7,707	0.03
Others	1	590	0.00
Total	3,285	24,005,205	100.00