

# **Usman Textile Mills Limited**

## **Annual Report 2000**

### **CONTENTS**

Company Information  
Notice of Meeting  
Directors' Report  
Pattern of Shareholding  
Auditors' Report  
Balance Sheet  
Profit & Loss Account  
Cash Flow Statement  
Statement of Changes in Equity  
Notes to the Accounts

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Mr. Mohammed Kasim	Chairman
Mr. Mohammed Hussain	Chief Executive
Mr. Mohammed Ebrahim	Director
Mr. Khurram Kasim	Director
Mr. Ahmed Ebrahim	Director
Mr. Abdul Ghani Abdul Sattar	Director
Mr. S. Qamar Ali Zaidi	Director

#### **AUDITORS**

Hyder Bhimji & Co.

#### **BANKERS**

Muslim Commercial Bank Limited  
Habib Bank AG Zurich

#### **REGISTERED OFFICE & MILLS**

A/1 S.I.T.E., Manghopir Road, Karachi.

### **NOTICE OF MEETING**

NOTICE is hereby given that the 53rd Annual General Meeting of the Company will be held at its Registered Office A/1, Sindh Industrial Trading Estate (S.I.T.E.) Manghopir Road, Karachi on Thursday the 15th March, 2001 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the company held on 24th March 2000.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th September 20~00 and the Directors' and the Auditors' Report thereon.
3. To approve and declare a cash dividend as the recommended by the directors.
4. To appoint auditors for the year 2000-2001 and fix their remuneration. Theretiring Auditors Messrs Hyder Bhimji & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Q.A. WADUD**

Karachi, February 10, 2001

Secretary

**Notes:**

The share transfer Books of the Company will remain closed from 14th March, 2001 to 27th March 2001 (both days inclusive).

A member unable to attend the meeting and exercise personally his/her right to vote may appoint another member as proxy to attend and vote on his/her behalf.

The instrument of proxy and the power of attorney or other authority, under which it is signed, or a notarially certified copy of such power of attorney in order to be valid must be deposited at the Registered Office of the Company not later than 48 hours before the meeting and must be duly stamped and witnessed.

Members are requested to immediately notify any change in their address immediately.

**DIRECTORS' REPORT TO THE SHAREHOLDERS****For the year ended September 30, 2000.**

The Directors of your Company are pleased to present their 53rd Annual Report and Audited Accounts of the Company for the year ended September 30, 2000.

**The Year Under Review**

During the period under review, by the grace of Allah, the Company has earned pretax profit of Rs. 1,023,777 compared to pretax loss of Rs. 8,444,657 last year. Had it not been for the loss on sale of old yarn stocks, the profit would have been much higher. The production activities remained suspended due to unfavourable conditions.

The Company was able to sell most of its plant and machinery and has paid off all bank loans, lease installments and Directors' loans and now there is no burden of financial charges on the Company. However, there is a liability of a Associated Undertaking still to be paid.

**Financial Results and Appropriations**

The financial highlights and the proposed appropriations for the year under review as compared to the previous year are as under:

	<i>1999-2000</i>	<i>1998-99</i>
Operating profit / (loss)	(7,880,723)	(8,755,946)
Profit / (Loss) before taxation	1,023,777	(8,444,657)
Profit / (Loss) after taxation	922,894	(10,254,983)
Proposed dividend @ 5% (1999: Nil)	898,893	0
Brought forward profit (loss)	(5,252,983)	502,000
Transferred from Revenue Reserve	0	4,500,000
Accumulated loss carried forward	(4,330,089)	(5,252,983)

**Going Concern**

The Company has closed its production activities in toto and has principally decided to dispose off the undertakings of the Company. It is also stated that the sale proceeds of the assets have been utilised, to pay off the liabilities, and surplus will be invested in order to generate revenue. Besides, the income will also continue accruing from the rentals of Company warehouses, as usual. Hence, the Company will continue to be a going concern.

**Dividend**

The Board of Directors has proposed final cash dividend @ 5%, however, due to low profitability and cash flow crunch, the sponsor directors, their family members and an associated Company has decided to forego their part of the dividends.

**Future Prospects**

The Company is facing difficulties in selling the remaining fixed assets due to poor demand and out dated technology and has suffered losses on sale of fixed assets.

The business environment and investment opportunities are still very grim and unfavourable and therefore, there are no immediate investment plans. The warehousing business continues to generate revenue and the Company expects to earn reasonable profits next year.

#### Pattern of Shareholding

Pattern of Shareholding in prescribed form is included in this report.

#### Appointment of Auditors

The Auditors Messrs Hyder Bhimji & Co. Chartered Accountants retire and offer themselves for reappointment.

Karachi:  
February 10, 2001

**For and on behalf of  
the Board of Directors**

**M. Hussain Hasham  
Chief Executive**

### PATTERN OF SHAREHOLDING

<i>No. of Shareholders</i>	<i>Size of Holding</i>		<i>Total Shares</i>	
928	1	TO	100	25,549
325	101	TO	500	87,107
137	501	TO	1000	101,481
102	1001	TO	5000	198,723
11	5001	TO	10000	71,990
6	10001	TO	15000	79,631
1	15001	TO	20000	18,900
1	20001	TO	25000	22,200
0	25001	TO	30000	0
6	30001	TO	35000	202,894
0	35001	TO	40000	0
1	40001	TO	45000	43,969
2	45001	TO	50000	96,228
4	50001	TO	100000	288,971
1	100001	TO	105000	102,500
0	105001	TO	150000	0
0	1050001	TO	200000	0
0	200001	TO	250000	0
0	250001	TO	300000	0
1	300001	TO	350000	336,215
1	350001	TO	400000	390,708
0	400001	TO	450000	0
1	450001	TO	500000	482,442
0	500001	TO	550000	0
1	550001	TO	600000	551,269
1	600001	TO	650000	625,511
-----			-----	
1530				3,726,288
=====			=====	

#### Categories of Shareholding

<i>Categories of Shareholding</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage %</i>
1. Individual	1494	3,511,947	94.25
2. Insurance Companies	3	68,881	1.85
3. Joint Stock Companies	14	128,613	3.45
4. Financial Institutions	8	8,064	0.22
5. Charitable Institutions	6	1,165	0.03
6. Others	5	7,618	0.20
-----			-----

Total	1530	3,726,288	100.00
	=====	=====	=====

## AUDITORS' REPORT TO THE MEMBERS

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

a) The annexed accounts have been prepared on a going concern basis despite the fact that the production/operation has been ceased and the undertaking of the Company is being disposed off. Thus the appropriateness of the going concern is dependent on the certain factors stated in Note 1 in the financial statement. Consequently no adjustment has been incorporated in these accounts recording gain or loss realization of assets of the Company and classification of liabilities.

b) As disclosed in Note 10, the Company has not charged depreciation on building on lease hold land, plant & machinery, electric & gas installation, tools & equipment, silver cans, furniture & fixture, amounting to Rs. 6,272,916 which is inconsistent with the International Accounting Standards had the company charged depreciation on these asset, the operating loss would have increased by the same amount.

c) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

d) 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 and the expenditure incurred during the year were in accordance with the objects of the company.

e) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, except for non compliance with IAS 4 for depreciation, give the information required by the Companies Ordinance, 1984, in the manner so required and except for the effects of reservation stated in paras (a) and (b) above give a true and fair view of the state of the company's affairs as at September 30th, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

d) In our opinion, no zakat was deductible at source under Zakat and Ushr Ordinance, 1980.

Karachi: February 10, 2001

**Hyder Bhimji & Company**  
Chartered Accountants

**BALANCE SHEET FOR THE YEAR ENDED SEPTEMBER 30, 2000**

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(RUPEES)</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital	3	50,000,000	50,000,000
Issued subscribed and paid up	4	37,262,880	37,262,880
Capital reserve	5	12,420,960	12,420,960
Accumulated losses		(5,228,982)	(5,252,983)
		-----	-----
		44,454,858	44,430,857
<b>Long Term Loan</b>	6	30,000,000	35,000,000
<b>Deferred Liability</b>		392,441	384,509
<b>Current Liabilities</b>			
Current portion of:			
Liabilities against assets subject to finance lease		--	1,141,192
Long Term Loan	6	10,000,000	5,000,000
Short term running finance (secured)	7	--	25,518,865
Creditors, accrued and other liabilities	8	6,228,491	23,256,939
Proposed dividend		898,893	--
		-----	-----
		17,127,384	54,916,996
Contingencies and commitments	9		
		-----	-----
		91,974,683	134,732,362
		=====	=====

Note: The annexed notes forms an integral part of these accounts.

Karachi: February 10,2001

**PROPERTY AND ASSETS**

Operating fixed assets	10	62,290,725	105,709,595
Long Term Investments	11	7,328	27,000
Long Term Deposits	12	2,904,430	3,668,930
<b>Current Assets</b>			
Stores, spares and loose tools	13	5,526,117	5,526,117
Stock in trade	14	--	11,630,226
Trade debts	15	495,321	407,351
Advances, prepayments and other receivables	16	19,881,033	7,562,376
Cash and bank balances	17	869,729	200,767
		-----	-----
		26,772,200	25,326,837
		-----	-----
		91,974,683	134,732,362
		=====	=====

**M. Kasim Hasham**  
Chairman

**M. Hussain Hasham**  
Chief Executive

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

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(RUPEES)</i>	
<b>SALES</b>	(18)	8,033,347	35,811,512

Cost of sales	(19)	(11,630,226)	(38,898,633)
<b>GROSS PROFIT/(LOSS)</b>		(3,596,879)	(3,087,121)
Administrative expenses	(20)	4,283,844	5,358,983
Selling expenses	(21)	--	309,842
		4,283,844	5,668,825
<b>OPERATING PROFIT/(LOSS)</b>		(7,880,723)	(8,755,946)
Financial Charges	(22)	(3,184,828)	(11,413,028)
Other Income	(23)	12,143,211	11,724,317
Workers' Profit Participation Fund		(53,883)	--
		8,904,500	311,289
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>		1,023,777	(8,444,657)
Taxation	(24)	(100,883)	(1,810,326)
<b>NET PROFIT/(LOSS) AFTER TAXATION</b>		922,894	(10,254,983)
<b>APPROPRIATION:</b>			
Proposed final dividend @ 5.00%	(25)	(898,893)	--
		24,001	(10,254,983)
Accumulated profit/(loss) brought forward		(5,252,983)	502,000
		(5,228,982)	(9,752,983)
Transfer from Revenue Reserves		--	4,500,000
Accumulated Loss carried to balance sheet		(5,228,982)	(5,252,983)
Earning per share	(28)	0.25	(2.75)

Note: The annexed notes forms an integral part of these accounts.

**M. Kasim Hasham**  
Chairman

**M. Hussain Hasham**  
Chief Executive

Karachi: February 10, 2001

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

	2000	1999
	(RUPEES)	
<b>Cash flow from Operating Activities</b>		
Net profit / (loss) before taxation	1,023,777	(8,444,657)
Adjustment for:		
Depreciation	179,287	244,637
Financial charges	3,184,828	11,413,028
(Profit) / Loss on sale of fixed assets	(242,498)	(61,737)
Provisions for gratuity	7,932	156,964
	3,129,549	11,438,964
Profit before working capital changes	4,153,326	2,994,307
<b>Effects on cash flow due to working capital changes</b>		
(Increase)/Decrease in Current Assets		
Store, spares & loose tools	--	1,325,543
Stock-in-trade	11,630,226	37,299,814

Trade debts	(87,970)	(8,592,253)
Advances, deposits & prepayments	(10,326,976)	6,288,224
	(1,215,280)	(50,854,748)
Increase/(Decrease) in Current Liabilities		
Creditors, accrued & other liabilities	(15,263,631)	7,050,418
Short Term Running Finance	(25,518,965)	(47,948,599)
	(40,782,496)	(40,898,081)
Cash Generated from Operations	(35,413,890)	12,950,974
Financial charges paid	(4,949,645)	(12,049,080)
Sale proceeds on sale of fixed assets	43,472,050	152,497
Income Tax paid	(2,080,500)	308,026
Net cash from operating activities	1,025,982	1,362,417
<b>Cash flow from investing activities</b>		
Long Term Investment	19,672	--
Long term deposits & deferred cost	764,500	4,503,600
Net cash from/(used in) investing activities	784,172	4,503,600
<b>Cash flow from financial activities</b>		
Repayment of lease liabilities	(1,141,192)	(11,325,653)
Receipt/(Payment) of long term loan	--	5,000,000
	(1,141,192)	(6,325,653)
Net increase/(decrease) in cash & cash equivalents	668,962	(459,636)
Cash & cash equivalents at the beginning of the year	200,767	660,403
Cash & cash equivalents at the end of the year	869,729	200,767

## STATEMENT OF CHANGES IN EQUITY

<i>Description</i>	<i>Share Capital</i>	<i>Capital/General Reserves</i>	<i>Unappropriated profit/ (Accumulated Loss)</i>	<i>Total</i>
Balance at September 30, 1998	37,262,880	16,920,960	502,000	54,685,840
Transferred to profit & loss acco	--	(4,500,000)	4,500,000	--
Net Loss for the year	--	--	(10,254,983)	(10,254,983)
Balance at September 30, 1999	37,262,880	12,420,960	(5,252,983)	44,430,857
Net profit for the year	--	--	922,894	922,894
Final Dividend for the year	--	--	(898,893)	(898,893)
Balance at September 30, 2000	37,262,880	12,420,960	(5,228,982)	44,454,858

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2000

### 1. THE COMPANY AND ITS OPERATIONS

Usman Textile Mills Limited is a public limited company incorporated on 10th March 1947 and quoted on Karachi Stock Exchange in Pakistan. The Company is engaged in sales and manufacture of cotton yarn and cotton fabrics.

The Company has already closed its spinning and weaving units due to adverse business conditions and in order to reduce further losses to the company it has been principally decided to sell off the undertaking of the Company at the earliest available opportunity. In this regard the Company has also passed a special resolution to dispose off the undertaking of the Company.

The financial statements do not incorporate the loss or gain which may arise from the disposal of various asset in view of non-availability of the market realisable value. It is however expected that the Company will be able to earn substantial gain on the disposal of the entire fixed assets.

The proceeds on disposal of assets will be utilised in making repayment of all the liabilities of the Company and the balance of funds will be utilised in order to generate income. However, till the time the fixed assets are disposed, the company has been able to earn storage income which resulted in not only meeting the entire expenses of the company but also to earn income. In view of this the accounts have been prepared on a going concern basis.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 ACCOUNTING CONVENTION**

These accounts have been prepared under the historical cost convention.

### **2.2 STAFF RETIREMENT BENEFITS**

The Company operates an unfunded defined benefit gratuity scheme for its employee's to which annual provision is made to cover the obligation. As the Company has ceased its activities, only 18 employees of the Company are presently eligible for the Scheme and the quantum of which is insignificant for which the management did not consider actuarial valuation under IAS-19

### **2.3 TAXATION**

#### **CURRENT**

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

#### **DEFERRED**

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

### **2.4 FIXED CAPITAL EXPENDITURE**

Operating fixed Assets are stated at cost less accumulated depreciation, except for land and capital work in progress, which are stated at cost

Depreciation on operating Fixed assets is charged to profit and loss account on reducing balance method at the rates specified in the fixed assets note whereby the cost of an assets will be written off over its estimated useful life.

On plant and machinery addition, the depreciation is charged from the date of their installation and on other assets from the date of their purchase.

Maintenance and repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any are retired. Gains and losses on disposal of assets are included in income currently.

### **2.5 INVESTMENTS**

These are stated at average cost.

### **2.6 STORES, SPARES AND LOOSE TOOLS**

Stores, spares and loose tools are valued on the basis of average cost method.

### **2.7 STOCK IN TRADE**

Finished goods are stated at the lower of cost and estimated net realisable value. Raw materials are valued at average cost. Cost of work-in-process includes direct cost of materials and overheads. Net realisable value signifies the estimated selling price in ordinary course of business less cost necessary to be incurred in order to make the sale.

### **2.8 TRADE DEBTS**



Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery, if any.

## 2.9 REVENUE RECOGNITION

Sales are recognised when goods are delivered to customers. Income on deposits is recorded on accrual basis. Income on investment is recorded when right to receive is established.

	<b>2000</b>	<b>1999</b>
	<b>(RUPEES)</b>	
<b>3. AUTHORISED CAPITAL</b>		
5,000,000 Ordinary shares of Rs.10/- each.	50,000,000	50,000,000
	=====	=====
<b>4. ISSUED, SUBSCRIBED AND PAID UP</b>		
Ordinary shares of Rs.10/-each		
3,234,469 fully paid in cash.	32,344,690	32,344,690
491,819 Ordinary shares of Rs 10/-each		
Issued as fully paid bonus shares	4,918,190	4,918,190
	-----	-----
	37,262,880	37,262,880
	=====	=====
<b>5. CAPITAL RESERVES</b>		
Premium on issue of Right Shares	12,420,960	12,420,960
	=====	=====
<b>6. LONG TERM LOAN (UNSECURED)</b>		
From Associated Undertaking:		
Pakistan Molasses Company	40,000,000	40,000,000
Current portion shown under		
Current Liabilities	10,000,000	5,000,000
	-----	-----
	30,000,000	35,000,000
	=====	=====
<p>This has been rescheduled and is repayable in 16 equal half yearly installments commencing from October 1999. The loan carries interest @ 10% per annum. However in view of the adverse business condition of the Company the associated undertaking has acceded to the request made in October 1997 by the Company for not charging interest on the above loan.</p>		
<b>7. SHORT TERM RUNNING FINANCE (SECURED)</b>		
Muslim Commercial Bank Limited	8.1	-- 7,289,092
Bank A1 Habib	8.2	-- 18,229,773
		-----
		-- 25,518,865
		=====

8.1 The arrangements is secured by way of hypothecation/pledge of finished goods, lien on letter of credits and personal guarantee of directors. The total arrangement available amounts to Rs Nil (1999: Rs 8.00 million)

8.2 The arrangements is secured by way of hypothecation of finished goods, lien on letter of credits, personal guarantee of directors. The total arrangement available amounts to Rs Nil (1998: Rs 20.00 million)

Markup on above facilities ranged from 43 to 51 paisa per 1000/- rupees per day

## 8. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Creditors For Goods	308,995	3,405,634
Accrued expenses	73,202	187,588
Due to Associated Undertaking & Director 9.1	3,360,769	13,534,810
Markup on Short term running finance	--	1,764,817

Accrued liabilities	1,172,790	1,265,896
Workers' Profit Participation Fund 9.2	247,800	165,741
Workers' Welfare Fund	6,188	6,188
Unclaimed dividend	1,058,747	2,926,265
	-----	-----
	6,228,491	23,256,939
	=====	=====

8.1 This represents short term borrowing from the directors of the company and from associated company. The loan from Director carries markup @ 14.00% per annum. The associated company has acceded to the request made in October 1997 by the Company for not charging interest on the above loan.

## 8.2 WORKERS' PROFIT PARTICIPATION FUND

At the beginning of the year	165,741	141,659
Allocation for the year	53,883	--
Markup charge	28,176	24,082
	-----	-----
	247,800	165,741
Paid during the year	--	--
	-----	-----
Balance as at September 30	247,800	165,741
	=====	=====

## 9. CONTINGENTS

9.1 There is a contingent liability of Rs 7,347,042 in respect of Excise Duty payable under the Production Capacity Rules for the capacity period. Against this, the Company has submitted counter claim to the Central Board of Revenue amounting to Rs 5,132,555 for the accounting year 1967-68 to 1970-71 and for October 1971.

9.2 The Company has deposited Rs 800,000 with the Central Excise Department and for the balance disputed amount of Rs 6,547,042 the Company has submitted a bank guarantee against which the directors have submitted their personnel saving certificates with the bank. The matter is still pending finalization by the Central Board of Revenue. The Company has not acknowledged the same as liability as the Company is confident that this liability will not crystallise.

9.2 The company has preferred an appeal before the higher authorities in respect of the demand of Rs. 200,000 imposed by the Central Board of Revenue.

9.3 There is a contingent liability in respect of supplementary bill raised by KESC. Initially, the Electric Inspector decided the matter in favour of the Company clearing all the liability. However, the Secretary, Ministry of Power and Irrigation, Government of Sindh, in appeal by KESC gave a decision and created the demand of Rs 855,500 against the Company for which the Company filed the suit for relief in the Honorable High Court of Sindh where the matter is still pending. In the meantime, the matter was settled with KESC according to which Rs 427,750 has been paid out of Rs 855,500. The balance is pending subject to receiving of Clearance Certificate and adjustment of security deposits of Rs 632,584

9.4 There is a demand of Rs 28,764,453 in respect of order passed by The Collector (Appeal), Central Excise and Sales Tax, Karachi being the Sales Tax alongwith additional tax and penalty for the period from July 1996 to June 1998.

The Company has filed an appeal before The Custom, Excise and Sales Tax Appellate Tribunal, Karachi Region against this order. The matter is still pending before the Appellate Tribunal for decision.

However to take full benefit of the amnesty under SRO 1349(1)99 and 1377(1)99 the company has deposited under protest a sum of Rs 10,901,336 being the principal amount in full and 25% of additional tax and penalties to avoid increase of additional tax @ 5% per month. Legal opinion is given by the Company Legal Adviser that there are good chances that this liability will not crystalize, in which eventuality the amount deposited will be refunded back as provided in the above two SRO's

**10. OPERATING FIXED ASSETS**

	<i>Cost 01-10-99</i>	<i>Addition/ (Deletion)</i>	<i>Transfers</i>	<i>Cost 30-09-2000</i>	<i>Accumulated Depreciation</i>	<i>W.D.V. 30-09-2000</i>	<i>Depreciation for the year</i>	<i>Rate</i>
Lease Hold Land	98,715	--	--	98,715	--	98,715	--	--
Building On Lease								
Hold Land	30,124,520	--	--	30,124,520	17,405,303	12,719,217	--	10
Plant and Machinery	84,188,438	(32,025,502)	8,500,000	60,662,936	26,031,763	34,631,173	--	10
Electric and Gas								
Installation	17,825,635	--	322,000	18,147,635	8,368,889	9,778,746	--	10
Tools & equipment	10,707,129	(6,389,446)	--	4,317,683	1,646,165	2,671,518	--	10
Service Cans	1,904,400	--	--	1,904,400	976,663	927,737	--	10
Furniture & fixtures	1,509,356	--	--	1,509,356	987,885	521,471	--	10
Motor vehicle	2,696,783	(510,750)	--	2,186,033	1,648,885	537,148	134,287	20
Generators	32,060,554	(31,182,999)	(322,000)	555,555	150,555	405,000	45,000	10
	181,115,530	(70,108,697)	8,500,000	119,506,833	57,216,108	62,290,725	179,287	

**102. Assets subject to Finance Lease**

Plant & machinery	8,500,000	--	(8,500,000)	--	--	--	--	10
	8,500,000	--	(8,500,000)	--	--	--	--	
2000 Rupees	189,615,530	(70,108,697)	--	119,506,833	57,216,108	62,290,725	179,287	
1999 Rupees	189,986,430	(370,900)	36,932,140	189,615,530	83,905,930	105,709,595	244,637	

Depreciation charge for the year has been allocated as follows

	<i>2000</i>	<i>1999</i>
Administration & General	179,287	244,637
	179,287	244,637

Note: The production activities are stopped due to heavy production losses. Therefore depreciation on related assets is not charged during the year. Had the company charges depreciation on these assets the operating loss would have increased by Rs 6,272,916

**10.3 Disposal of Fixed Assets (by Negotiation)**

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sales Proceeds</i>	<i>Gain/ (Loss)</i>	<i>Sold to</i>
<b>Plant &amp; Machinery</b>						
Carding Machin	26,504,843	13,095,944	13,408,899	13,380,000	(28,899)	M. Siddiq Corp Karachi
Winding machin	150.56	98,054	52,505	325,000	272,495	A.J. Corporation Karachi
Blow Room	5,370,100	2,347,723	3,022,377	2,700,000	(322,377)	Globe Textile Mills Ltd. Karachi
	32,025,502	15,541,721	16,483,781	16,405,000	(78,781)	
<b>Tools &amp; Equipment</b>						
Lab Equipment	129,793	59,539	70,254	100,000	29,746	Globe Textile Mills Ltd. Karachi

Fibograph	2,858,269	519,848	2,338,421	1,900,000	(438,421) Olympia Spinning Mills Ltd. Karachi
Uster Tester	3,401,384	1,406,848	1,994,536	2,462,500	467,964 Crescent Ujala Limited Faisalabad
	6,389,446	1,986,235	4,403,211	4,462,500	59,289
<b>Generators</b>					
Gas Generators	29,362,521	8,744,095	20,618,426	20,834,550	216,124 Friendship Textile Mills Ltd Karachi
Diesel Generator	1,820,478	193,426	1,627,052	1,568,000	(59,052) Ch M. Aslam Karachi
	31,182,999	8,937,521	22,245,478	2,240,255,000	157,072
Motor Vehicle	510,750	403,637	107,113	202,000	94,887 Anus Motors Karachi
<b>Total</b>	<b>70,108,697</b>	<b>26,869,114</b>	<b>43,239,583</b>	<b>43,472,050</b>	<b>232,467</b>

**2000                      1999**  
**(RUPEES)**

#### 11. LONG TERM INVESTMENTS

11.1 In Joint Stock Company- Quoted  
Pakistan Insurance Corporation Ltd.  
242 Ordinary Shares of Rs 100 each

4,328                      24,000

11.2 National Defence Saving Certificates  
(Deposited with Central Excise  
& Customs).

3,000                      3,000

7,328                      27,000

The aggregate market value of the above quoted investment as at September 30, 2000 was Rs. 121,000 (1999: Rs.483,249/-)

#### 12. LONG TERM DEPOSITS

Excise duty on Cotton yarn capacity  
Other Deposits

2,160,009                      2,160,009

744,421                      1,508,921

2,904,430                      3,668,930

#### 13. STORES, SPARES AND LOOSE TOOLS

Spares  
Loose tools  
Packing Material  
Stationery material

4,974,688                      4,974,688

4,392                      4,392

479,633                      479,633

67,404                      67,404

5,526,117                      5,526,117

#### 14. STOCK IN TRADE

Finished Goods

--                      11,630,226

--                      11,630,226

**15. TRADE DEBTS  
(UNSECURED)**

Considered Good	495,321	407,351
Considered Doubtful	495,669	495,669
	-----	-----
	990,990	903,020
Provision for doubtful debts	495,669	495,669
	-----	-----
	495,321	407,351
	=====	=====

**16. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES****ADVANCES:**

To staff	630,000	651,693
----------	---------	---------

**PREPAYMENTS:**

Excise Duty & Sales Tax	13,107,583	2,950,777
Other Receivables	467,498	265,604
Income Tax refundable	5,675,952	3,694,302
	-----	-----
	19,881,033	7,562,376
	=====	=====

**17. CASH AND BANK BALANCES**

In hand	4,103	2,460
With banks		
In Current Accounts	865,626	198,307
	-----	-----
	869,729	200,767
	=====	=====

**18. SALES****SALE OF YARN:**

Local	6,751,190	21,796,695
Export	--	1,844,482
	-----	-----
	6,751,190	23,641,177
	=====	=====

**SALE OF FABRICS:**

Local	1,509,947	8,294,001
Export	--	6,022,255
	-----	-----
	1,509,947	14,316,256
	-----	-----
	8,261,137	37,957,433
	=====	=====

**LESS:**

Commission	209,872	499,469
Sales tax (relating to previous years)	17,918	1,646,452
	-----	-----
	227,790	2,145,921
	-----	-----
	8,033,347	35,811,512
	=====	=====

**19. COST OF SALES**

Dyeing and Processing expenses	--	1,864,423
Export rebate	--	(265,604)
	-----	-----
COST OF GOODS MANUFACTURED	--	1,598,819
Finished Goods Opening	11,630,226	48,930,040
Closing	--	(11,630,226)

	11,630,226	38,898,633
	=====	=====

**20. ADMINISTRATIVE EXPENSES**

Salaries and Amenities	2,098,010	2,482,913
Director's Remuneration	0	44,000
Communication	62,587	134,395
Taxes, Fees and Subscription	134,836	599,726
Legal and Professional Charges	432,125	352,000
Printing and Stationery	58,310	62,425
Repairs and Maintenance	33,000	71,102
Auditors' Remuneration (22.1)	45,000	45,000
Vehicle Maintenance	106,535	152,150
Travelling and Conveyance	35,461	74,338
Entertainment	9,293	14,618
Others	30,342	27,679
Insurance	266,946	336,752
Water, Power and Fuel	757,552	641,283
Advertisement and Publicity	34,560	75,965
Depreciation	179,287	244,637
	-----	-----
	4,283,844	5,358,983
	=====	=====

**20.1 AUDITOR'S REMUNERATION**

Audit fee	40,000	40,000
Out of Pocket Expenses	5,000	5,000
	-----	-----
	45,000	45,000
	=====	=====

**21. SELLING EXPENSES**

Export Expenses	--	160,027
Export Freight	--	149,815
	-----	-----
	--	309,842
	=====	=====

**22. FINANCIAL EXPENSES**

Mark up on short term running finance	2,060,801	8,753,839
Mark up on short term loan from directors	889,328	149,041
Markup to suppliers	--	182,345
Mark-up on Finance Lease	23,633	890,803
SBP Penalty on Export Refinance Loan	--	1,198,243
Markup on WPPF	28,176	24,082
Bank charges and Commission	182,890	214,675
	-----	-----
	3,184,828	11,413,028
	=====	=====

**23. OTHER INCOME**

Dividend income	13,420	13,420
Storage revenue	11,263,248	11,649,160
Profit on sales of fixed Assets	232,467	61,737
Other income	242,498	--
Capital Gain on sale of shares	391,578	--
	-----	-----
	12,143,211	11,724,317
	=====	=====

**24. TAXATION**

Current	100,883	237,455
Prior period	--	1,572,871
	-----	-----

	100,883	1,810,326
	=====	=====

**25. DIVIDEND**

5% final dividend on issued capital	1,863,144	--
Less: Dividend foregone by the directors, associates and their family members.	964,251	--
	-----	-----
	898,893	--
	=====	=====

**26. PLANT CAPACITY AND PRODUCTION**

Rotors installed	1,080	1,080
Rotors operated during the year	NIL	NIL
Installed capacity after conversion into 10 count.	3,018,000 Kgs.	3,018,000 Kgs.
Actual production after conversion into 10 count.	NIL	NIL
No. of shifts worked per day.	NIL	NIL
Looms installed.	24	24
Looms operated during the year	NIL	NIL
Installed capacity based on 60 picks.	3,090,000 Sq. Mtr.	3,090,000 Sq. Mtr.
Actual production based on 60 picks.	NIL	NIL
No. of shifts worked per day.	NIL	NIL

**REASON FOR NO PRODUCTION**

The reason for no production is due to closure of Spinning Department wef June 27, 1998 and Weaving Department wef August 13, 1998. The closure of mill was necessary to reduce heavy financial losses.

**27. DEFERRED TAXATION**

The deferred tax liability on account of material timing difference is Rs 1,821,070 which has not accounted for as the same is not likely to reverse in the foreseeable future

**28. EARNING PER SHARE**

Profit/(Loss) after taxation (Rs)	922,894	(10,254,983)
No of ordinary shares issued and subscribed at the end of the year	3,726,288	3,726,288
	-----	-----
Earning per share	0.25	(2.75)
	=====	=====

The aggregate amount charged in the accounts of the year for remuneration, including all benefits to Directors and Executives of the Company are as follows:

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executive</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>Rs</i>	<i>Rs</i>	<i>Rs</i>	<i>Rs</i>	<i>Rs</i>	<i>Rs</i>
Number of persons	1	1	0	2	1	1
Managerial remuneration and allowances	--	--	--	44,000	300,000	30,000
Rent, utilities						
Leave passage						
Medical expenses						
Other expenses	--	2,000	--	151,371	--	--
	-----	-----	-----	-----	-----	-----
Rupees	--	2,000	--	195,371	300,000	300,000
	=====	=====	=====	=====	=====	=====

**30. FINANCIAL ASSETS & LIABILITIES**

Particulars	Interest/Markup Bearing			Non-Interest/Markup Bearing			Total Rs 1999 A & B
	Less than one year	More than one year	A	Less than one year	More than one year	B	
<b>Financial Assets</b>							
Investment	--	3,000	3,000	--	4,328	4,328	7,328
Long term deposits	--	--	--	--	2,904,430	2,904,430	2,904,430
Loan & advances	--	--	--	--	19,881,033	19,881,033	19,881,033
Cash & bank balances	--	--	--	--	869,729	869,729	869,729
	-----	-----	-----	-----	-----	-----	-----
<b>Financial Liabilities</b>							
Long term finance	--	40,000,000	40,000,000	--	--	--	40,000,000
Short term finance, creditors, accrued & other liabilities	--	3,360,769	3,360,769	--	2,867,722	2,867,722	6,228,491
	=====	=====	=====	=====	=====	=====	=====

Effective interest rate for the monetary financial assets and liabilities are mentioned in the respective note to the account.

\*Interest bearing but waived by the creditors for the time being.

#### FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Company issues financial instruments to finance its operation in addition to the financial instruments, trade debts and trade creditors arise directly from the company's operation

The Company finance its operation primarily by a mixture of issued share capital long term & short term loans. The Company borrows funds usually at fixed rates of interest/markup.

##### a. Interest rate risk management

Since the company borrows funds usually at fixed interest/markup rates, the risk arising is minimal.

##### b. Foreign exchange risk management

Foreign exchange risk arises where financial instruments contains receivables & payables in foreign currency. All these transaction are covered through forward foreign exchange cover.

##### c. Concentration of credit risk

The Company considers that it is not expose to major concentration of credit risk. The company, however, is exposed to credit related losses in the event of non-performance by counter parties to financial instruments but does not expect any counter parties to fail to meet the obligation.

##### d. Fair Value of Financial Management

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

#### 31. NUMBER OF EMPLOYEES

As on 30th September

18

27