

Elite Textile Mills Limited Annual Reports 2003

Contents

Board of Directors
Notice of Meeting
Directors' Report to the Shareholders
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account...
Cash Flow Statement
Statement of Changes in Equity
Notes to the Account
Pattern of Shareholding

Board Of Directors
Mr. Anjum M. Saleem
Mr. Ahmed Shafi
Mr. Khalid Bashir
Mr. Salman Rafi
Mr. Shams Rafi (Chief Executive)
Mr. Shaukat Shafi
Mr. Gsman Shafi

Auditors
M. Yousuf Adil Saleem & Co.
Chartered Accountants

Bankers
Muslim Commercial Bank Ltd.
National Bank of Pakistan

Legal Advisers
A. K. Brohi & Co.
Ghani Law Associates

Registered Office

A-40, S.I.T.E., Manghopir Road, Karachi.

Mills
A-40, S.I.T.E., Manghopir Road, Karachi.

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of the shareholders of Elite Textile Mills Limited will be held on Wednesday the December 31, 2003 at 10:00 a.m. at B-28, S.I.T.E., Manghopir Road, Karachi, to transact the following business.

1. To receive consider and adopt Audited Accounts of the Company for the year ended September 30, 2003 together with the Directors and Auditor's Reports thereon.
2. To appoint Auditors and fix their remuneration.

NOTES:

1. The Share Transfer Books of the Company will remain closed from December 22, 2003 to December 31, 2003 (both days inclusive).
2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. 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.
3. Shareholders are requested to immediately notify the change in address if any.
On behalf of the Board

Masood A. Sheikh

Company Secretary

Registered Office

A-40, S.I.T.E.
Manghopir Road,
Karachi.

Date : December 08, 2003

Director's Report to the Shareholders

The Directors of your Company feel pleasure in presenting the annual report and audited financial statements for the year ended 30 S 03.

1. Financial Results

Your Company's operations for the year resulted in a post tax Loss of Rupees (3.873) million.

2. Auditors

The present auditors M/s. M.Yousuf Adil Saleem & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

3. Review of financial Affairs and Future Prospects

The result for the year shows a pre-tax loss of Rs.(3.872) million. Break up of it can be read under profit & loss account 2003.

	2003 Rupees
Loss before taxation	-3,872,657
Add: Provision for taxation	-515
	-3,873,172
Waiver by the bank	33,558,254
Accumulated loss brought forward	-201,990,129
Accumulated loss carried forward	-172,305,047

The Auditors have one observation in the Auditors' Report to the Members. This observation is addressed below.

As stated in note 1.2 to these financial statements, the Company has ceased all production activities and has disposed of all plant and machinery and portion of land & buildings. Considering the above, the Auditors observe that the Company is no more a going concern.

4. Pattern of Shareholding

The pattern of shareholding as required by Section 236 of the Companies Ordinance, 1984 is attached to this report.

5. Statement pursuant to clause XIX of Corporate Governance

- a) The financial statements of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement except for the changes as explained note 2.10 to the accounts and accounting estimates are based on reasonable and prudent judgment.
- d) International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and is being consistently reviewed by the internal audit and other procedures and will continue to be reviewed and any weakness in the system will be eliminated.
- f) Since the Company is no more a going concern hence, no vision or mission has been provided.
- g) Attendance at 4 meetings of the Board of Directors held during the year under review were as under:

Name of Director	Meetings attended
Mr. Anjum M. Saleem	-
Mr. Ahmed Shafi	3
Mr. Khalid Basheer	-
Mr. Shaukat Shafi	4
Mr. Shams Rafi	4
Mr. Salman Rafi	4
Mr. (Jsman Shafi	1

- k) No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children.

For and on behalf of the Board.

Shams Rafi

Chief Executive

Date: December 08, 2003
Karachi.**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of ELITE TEXTILE MILLS LIMITED as at September 30, 2003 and the related profit and loss account, statement of changes in equity and cash flow statement 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 statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion :
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the expenditure incurred during the year was 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, statement of changes in equity and cash flow statement together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, except for the effects of the matter regarding claims of Sales Tax Department (Refer Note No.8.1) and adjustments required, if any, on the ultimate outcome of the matter, these respectively give a true and fair view of the state of the company's affairs as at September 30, 2003 and of the loss, changes in equity and its cash flows for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

Without further qualifying our report, we draw attention of the members towards Note 1.2 to these financial statements which indicates that the company has ceased all production activities since September 1997 and disposed off all plant and machinery, portion of land and building and intends to dispose off the remaining assets and have disclosed these as idle assets in note 10 to these financial statements. Therefore, the company is no more considered as a going concern. Consequently, assets are recorded at realizable value and liabilities at amount payable.

Date: December 08, 2003

M. Yousuf Adil Saleem & Co.

Karachi.

Chartered Accountants

Balance Sheet

	Note	2003 Rupees	2002 Rupees
SHARE CAPITAL			
Authorised 2,000,000 Ordinary shares of Rs.10/=each		20,000,000	20,000,000
Issued, subscribed and paid up	3	19,320,000	19,320,000
Accumulated loss		-172,305,047	-201,990,129
		-152,985,047	-182,670,129
SURPLUS ON REVALUATION OF FIXED ASSETS			
	4	119,909,606	119,909,606
CURRENT LIABILITIES			
Short term bank borrowings			

	5	-	24,776,854
Short term loans	6	114,522,174	116,668,437
Creditors, accrued and other liabilities	7	46,625,732	51,501,244
Taxation		981,431	1,410,731
		162,129,337	194,357,266
CONTINGENCIES	8		
		129,053,896	131,596,743

The annexed notes from 1 to 21 form an integral part of these accounts.

	Note	2003 Rupees	2002 Rupees
FIXED ASSET	9	167,541	209,426
IDLE ASSETS	10	128,488,065	128,488,065
LONG TERM DEPOSITS		283,900	968,900
CURRENT ASSETS			
Advance income tax		-	783,871
Other receivables	11	-	1,006,428
Cash and bank balances	12	114,390	140,053
		114,390	1,930,352
		129,053,896	131,596,743

Profit & Loss Account

For the year ended September 30, 2003

	Note	2003 Rupees	2002 Rupees
Storage income		102,929	264,000
Administration expenses	13	-1,656,594	-773,023
		-1,553,665	-509,023
Financial charges	14	-11,106,233	-18,219,247
Loss for the year		-12,659,898	-18,728,270
Provision for doubtful recoveries		.	3,000,000
Balances written back / written off - net		8,787,241	-
		8,787,241	-3,000,000
Loss before taxation		-3,872,657	-21,728,270
Provision for taxation			
Current		-515	-1,320
Prior years'		-	-23,492
		-515	-24,812
Loss after taxation		-3,873,172	-21,753,082
Waiver by the bank	15	33,558,254	-
		29,685,082	-21,753,082
Accumulated loss brought forward		-201,990,129	-180,237,047
Accumulated loss carried forward		-172,305,047	-201,990,129
Earnings per share	16	-2	-11.26

The annexed notes from 1 to 21 form an integral part of these accounts.

Cash Flow Statement

For the year ended September 30, 2003

	2003 Rupees	2002 Rupees
A. CASH FROM OPERATING ACITIVITIES		
Loss before taxation	-3,872,657	-1,728,270
Adjustments for :		
Depreciation	41,885	52,357
Provision for doubtful recoveries	-	3,000,000
Balances write off / written back	-8,787,241	-
Financial charges	11,106,233	18,219,247
Operating loss before working capital changes	-1,511,780	-456,666
Changes in working capital		
(Increase)/decrease in current assets		
Other receivables	-	-475,292
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	-219,592	1,015,274
	-219,592	539,982
Cash generated (used in) / from operations	-1,731,372	83,316
Financial charges - net	11,358	-650
Tax paid	-2,812	-
Net cash (used in) / from operating activities	-1,722,826	82,666
B. CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	-3,262,250
Long term deposits	685,000	-
Net cash from / (used in) investing activities		

	685,000	-3,262,250
C. CASH FROM FINANCING ACTIVITIES		
Short term bank borrowings	.	-2,965
Short term loans - net	1,012,163	3,126,973
Net cash from financing activities	1,012,163	3,124,008
Net decrease in cash and bank balances (A+B+C)	-25,663	-55,576
Cash and bank balances at the beginning of the year	140,053	195,629
Cash and bank balances at the end of the year	114,390	140,053
The annexed notes from 1 to 21 form an integral part of these accounts.		

Statement of Changes in Equity

For the year ended September 30, 2003

	Issued, subscribed and paidup capital Rupees	Accumulated Loss Rupees	Total Rupees
Balance at October 01, 2001	19,320,000	-180,237,047	-160,917,047
Loss for the year	-	-21,753,082	-21,753,082
Balance at September 30, 2002	19,320,000	-201,990,129	-182,670,129
Loss for the year	-	-3,873,172	-3,873,172
Waiver by the bank (Refer Note 15)	-	33,558,254	33,558,254
Balance at September 30, 2003	19,320,000	-172,305,047	-152,985,047
The annexed notes from 1 to 21 form an integral part of these accounts.			

Notes to the Accounts

For the year ended September 30, 2003

1. Status And Activities

1.1 The Company is limited by shares incorporated in Pakistan on August 21, 1951 and quoted on the Karachi and Islamabad stock exchanges. The stock exchanges have transfer the Company into default counter. The principal business of the Company was manufacture and sale of yarn. The Mills is located at Sindh Industrial Trading testate, Karachi.

1.2 A special resolution had been passed in the general meeting of members on July 10, 1997 authorizing the Board of Directors to dispose of the whole of the undertaking comprising of land, building, plant & machinery and other fixed and current assets of the Company.

The Company has ceased all production activities since September 01, 1997 and disposed off all plant & machinery and portion of land and building and intend to dispose off the remaining land and building, accordingly these accounts have not been prepared on a going concern basis. Therefore, assets are recorded at realizable value and liabilities at amounts payable.

2. Significant Accounting Policies

2.1 Accounting convention / Basis of preparation

Assets are recorded at realisable value and liabilities at amounts payable.

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives taken precedence.

2.3 Taxation

Provision for taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available, if any.

2.4 Operating fixed assets

Operating assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in fixed assets note. Depreciation on additions for the year is charged on the basis of whole year while no depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. Gains and losses on disposal of fixed assets are included in current income.

2.5 Idle assets

These are stated at fair value.

2.6 Amount payables

Amounts payable are carried at cost which in the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.7 Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that assets is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

2.8 Financial liabilities

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation.

3. Issued, Subscribed And Paid Up Capital

2002	2003		2003	2002
No. of shares			Rupees	Rupees
920,000	920,000	Ordinary shares of Rs.10/= each fully paid in cash	9,200,000	9,200,000
1,012,000	1,012,000	Ordinary shares of Rs.10/= each issued as fully paid bonus shares	10,120,000	10,120,000
1,932,000	1,932,000		19,320,000	19,320,000

4. Surplus on Revaluation of Fixed Assets

	Date of Revaluation			
Surplus on revaluation	September 30, 1995	45,417,000	45,417,000	
Surplus on revaluation	September 30, 2002	74,492,606	74,492,606	
		119,909,606	119,909,606	

Revaluation of land had been carried out as on September 30, 1995 by M/s Iqbal. A. Nanjee & Co., Surveyors and valuation Consultants on the basis of replacement value. Revaluation of lease hold land and building on lease hold land has again been carried out as on September 30, 2002 by M/s. Anjum Adil & Associates, Surveyors and Valuers, on the basis of depreciated replacement value. Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

5. Short Term Bank Borrowings

Secured - under markup arrangements		
Cash finance (Refer Note 15)	-	24,776,854

The borrowings were secured against equitable mortgage of fixed assets of the Company and charge on book debts and current assets of the Company. A settlement has been reached with the bank in respect of this liability under an agreement dated October 21, 2003 and accordingly the bank has agreed to release the charges on the assets within 10 days from the date of agreement.

6. Short Term Loans

Unsecured		
Associated undertakings	114,522,174	116,668,437

These include Rs. 113,156,713/- (2002 - Rs.1 13,259,642/-) subject to interest ranging from 6.5% to 8.5% per annum and Rs.1,365,461/- (2002 - Rs.3,408,795/-) interest free.

7. Creditors, Accrued and Other Liabilities

	2003	2002
	Rupees	Rupees
Creditors		2,033,676
Accrued charges	117,849	8,454,305
Markup/interest accrued on secured short term borrowings (7.1)	-	5,497,971
Markup/interest accrued on unsecured short term loans	46,478,818	35,361,227
Central excise duty on bank borrowing		

	-	125,000
Unclaimed dividend	29,065	29,065
	46,625,732	51,501,244

7.1 Cider a settlement agreement with bank the markup has been waived by the bank (Refer Note No.15).

8. Contingencies

- 8.1 The Sales Tax Department has levied sales tax, additional tax and penalties on account of disposal of fixed assets (Rs.69,662,885/-) and on various other matters (Rs.1,167,058/-) in respect of prior years. The matter is now pending with the High Court of Sindh and the management is hopeful of decision in our favour. 70,829,943
- 8.2 Markup on cash finance for the year 2000-2001 and 2001-2002 had not been provided as the Company has filed a suit in the High Court of Sindh for recovery of markup on markup of Rs.97,182,799/- from the Bank being the amount charged by them in previous years. During the year settlement has been reached with the bank. (Refer Note No.15) 12,939,441
- 8.3 Claim from a supplier not acknowledged as the company has already paid the same debt to the broker. There is no indication whether the case is still pending in the Court as no communication is received since long. 1,400,000
- 8.4 Guarantees issued to Sui Southern Gas Company by the bank and e 630,000

9. Fixed Asset

Particulars	Cost at October 01, 2002	Cost at September 30, 2003	Accumulated depreciation at October 01, 2002	Depreciation for the year	Accumulated depreciation at September 30, 2003	Writtendown value at September 30, 2003	Dep. Rate %
Vehicles	871,500	871,500	662,074	41,885	703,959	167,541	20
Rupee's	871,500	871,500	662,074	41,885	703,959	167,541	
2002 Rupees	871,500	871,500	609,717	52,357	662,074	209,426	

10. Idle Assets - Held For Sale

Particulars	Valuation at October 01, 2003	Addition	Revaluation	Adjustment	Valuation at September 30, 2003
Leasehold land	85,663,000	-	-	-	85,663,000
Building on leasehold land	42,825,065	-	-	-	42,825,065
Rupees	128,488,065	-	-	-	128,488,065
2002 Rupees	57,983,463	3,262,250	74,492,606	-7,250,254	128,488,065

10.1 Had there been no revaluation the related figure of leasehold land and building on lease hold land at September 30, 2003 would have been as follows:

	Cost Rupees	Accumulated Depreciation Rupees	Written down Value Rupees
Lease hold land	-	-	-
Building on lease hold land	15,828,713	7,250,254	8,578,459
	15,828,713	7,250,254	8,578,459

	2003 Rupees	2002 Rupees
11. Other Receivables		
Income tax refundable	-	572,101
Sale tax refundable	1,412,463	1,412,463
Export rebate	372,072	372,072
Other	1,215,465	1,649,792
	3,000,000	4,006,428
Provision for doubtful recoveries	-3,000,000	-3,000,000
	-	1,006,428
12. Cash And Bank Balances		
Cash in hand	-	13,224
Cash with banks		
In current accounts	114,390	121,829
In time deposit account	-	5,000
	114,390	140,053
13. Administration Expenses		
Directors meeting fee	-	4,500
Conveyance	750	1,915
Printing and stationery		

	32,382	30,974
Fees, subscription and periodicals	-	3,400
Legal and professional	1,259,325	324,525
Rent, rates and taxes	179,032	243,982
Advertisement	68,220	17,300
Audit fee	75,000	75,000
Depreciation	41,885	52,357
Other	-	19,070
	1,656,594	773,023
14. Financial Charges		
Markup/interest on loan from associated undertakings - net	11,105,514	18,218,597
Bank charges, commission and other	719	650
	11,106,233	18,219,247

15. Waiver By The Bank

In a suit filed by the Company against the bank in the High Court of Sindh, the Company had claimed Rs.97,182,791/- from the bank being the markup on markup charged in previous years. Bank had also filed a recovery suit against the Company in the Banking Court.

As per the terms of the Compromise Agreement dated October 21, 2003, the bank has agreed to pay a net refund of Rs.3,158,426/- in settlement of all accounts of Elite Textile Mills Limited maintained by the bank and will release and discharge all securities and documents held by the bank and both bank and Company will withdraw the suits filed against each other.

16. Earnings Per Share

There is no dilutive effect on the basic earnings per share of the Company which is based on:-

		2003	2002
		Rupees	Rupees
Profit / (Loss) after taxation	Rs.	-3,873,172	-21,753,082
Weighted average number of Ordinary shares		1,932,000	1,932,000
Earnings / (Loss) per share	Rs.	-2	-11.26
17. Aggregate Transactions with Associated Undertakings			
Interest charged		11,117,591	18,218,597
Storage income		102,929	264,000

18. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at September 30, 2003 the net fair value of all financial instruments has been based on the valuation methodology outlined below:

Long term deposits

Long term deposit do not carry any rate of return. The fair value of these has been taken at book value as it is not considered materiality different and not readily exchangeable.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / markup rate risk is as under :

	Effective interest rate	Interest Maturity UptO one year	bearing Maturity after one year	Sub Total	Non-interest Bearing Maturity upto one year	Total Rupees
ASSETS						
Long term deposits	-	-	-	-	283,900	283,900
Cash and bank balances	-	-	-	-	114,390	114,390
	-	-	-	-	398,290	398,290
LIABILITIES						
Short term loans	8.50%	113,156,713	-	113,156,713	1,365,461	114,522,174
Creditors, accrued and other liabilities		-	-	-	46,625,732	46,625,732
		113,156,713	-	113,156,713	47,991,193	161,147,906

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform. The Company has no significant exposure of credit risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes.

19. Number of Employees

There were no person in the employment of the Company. The affairs of the Company is managed through the staff of an associated company.

20. Date of Authorization For Issue

These financial statements were authorized for issue on December 08, 2003 by the Board of Directors of the Company.

21. General

Figures have been rounded off nearest to Rupee.