

ANNUAL REPORT 2004



SAMIN TEXTILES LIMITED





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# Vision Statement

To establish Company as one of the top of the line modern and dynamic Grey Cloth and Processed Fabric manufacturing industrial unit.

To run the company purely on professional grounds and keep on inducting the latest high-tech equipment in order to meet the challenging requirements of the customers.

# Certifications



ISO-9001:2000



ISO-14001:1996



SA-8000:2001

## Quality, Environment & Social Management System

SAMIN is certified for ISO-9001:2000, ISO-14001:1996 and SA 8000:2001: International standards for Quality, Environmental & Social Management System. SAMIN ensures the true implementation of aforementioned standards by:

- Imparting regular training sessions to increase the awareness level of employees about the standard operating procedures, Quality & Environment standards, Job Descriptions / Work Instructions, health & safety parameters.
- Conducting second party assessment against company's integrated management system of Quality, Environment and Social compliances.
- Continuous monitoring of environmental parameters for effluents and emissions in order to keep compliance with N.E.Q.S.

In order to enhance the comfort among the workforce the company has a system of recording and reporting the injury incidents. Emphases are being made on job hazards analysis to minimize the work related injuries and accidents.



..... and now certified with

## Öko-Tex Standard 100 (Product class II - Products with direct contact to skin).

The fabric produced by SAMIN is tested for harmful substances according to Öko-Tex Standard 100.

The results of the inspection made according to Öko-Tex Standard 100, product class II for products with direct contact to skin, have shown that fabric produced by SAMIN meet the human-ecological requirements of the standard presently established.

The certified articles fulfil the requirements of the existing European legislation regarding the use of azo-dyes.




Getthardstrasse 81  
CH-8031 Zurich

Institute of the International Association for Research  
and Testing in the Field of Textile Ecology

The company

**Samin Textiles Limited**  
SBC Main Gulberg  
PK - Lahore, PAKISTAN

is granted authorization according to Oeko-Tex Standard 100 to use the  
Oeko-Tex mark, based on test report HKWO 041031



**CONFIDENCE  
IN TEXTILES**  
Tested for harmful substances  
according to Oeko-Tex Standard 100  
Test-No HKWO 041031 TESTEX Zurich

for the following articles:

**Woven fabrics made of 100% cotton, grey**

The results of the inspection made according to Oeko-Tex Standard 100, product class II for products with direct contact to skin, have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established.

The certified articles fulfil the requirements of the existing European legislation regarding the use of azo-dyes.

The holder of this certificate, who has issued a conformity declaration according to EN 4554, is obliged to use the Oeko-Tex mark only in conjunction with products that are conform with the scope entries listed.

**This authorization is valid until 15.12.2005.**

Zürich, 09.12.2004

*Serge Rolle*  
Serge Rolle  
Managing Director

*Jean Pierre Haug*  
Dr. Jean Pierre Haug  
Manager Testing Centre





## Notice of Meeting

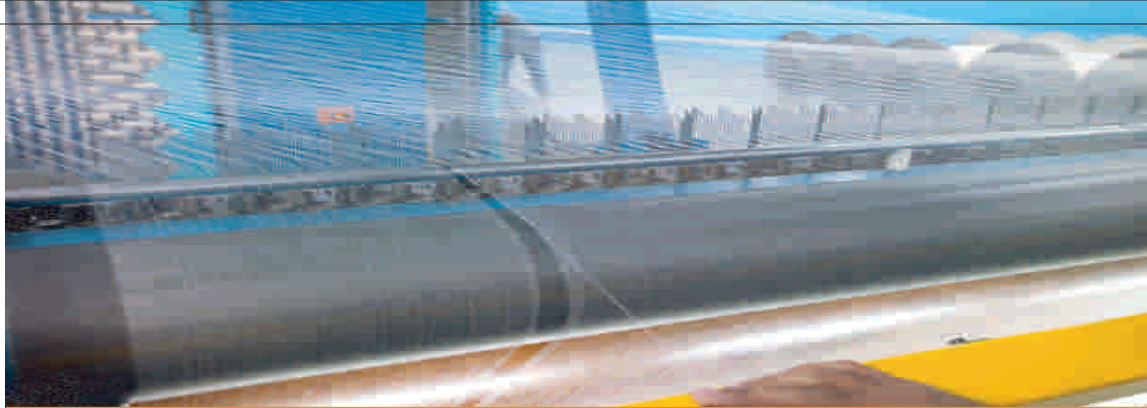
Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Saturday, 29th January, 2005 at 11:00 a.m. at the factory of the Company, 8 K.M. Manga Raiwind Road, District Kasur (subject to permission of SECP), to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on January 31, 2004.
2. To consider, approve and adopt the annual audited accounts of the company for the year ended September 30, 2004 together with the Directors' and Auditors' Report thereon.
3. To appoint auditors for the next year 2004-2005 and fix their remuneration.
4. To transact any other business, which may be placed before the meeting with the permission of the Chair.

**Lahore:**  
January 07, 2005

### NOTES:

1. The share transfer books of the Company will be closed from January 22, 2005 to January 29, 2005 (Both days inclusive) and no transfer will be accepted during this period.
2. 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 reach the Company's registered office at 50-C, Main Gulberg, Lahore, not less than 48 hours before the time fixed for holding the meeting and must be duly stamped, signed and witnessed.
3. CDC shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Cards/ Passport in original alongwith participants, ID Numbers and their Account Numbers to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. In case of a corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Shareholders are requested to immediately notify the Company of any change in their addresses.



## Brief History of the Company

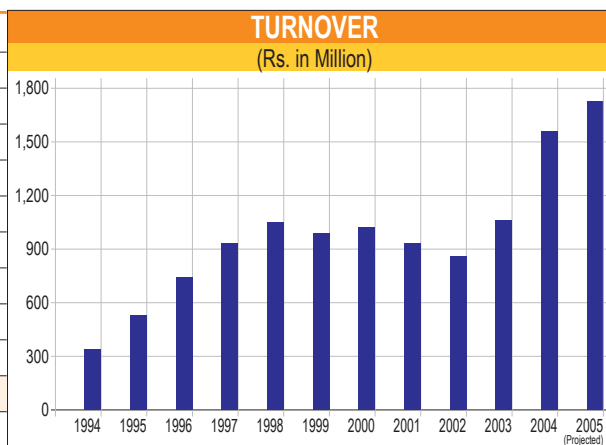
Samin Textiles Limited is a weaving unit with an average annual production capacity of 22.315 million running meters of the best quality greige cloth based on three shifts a day and 360 working days per annum. Machinery and equipment for the project have been imported from Japan, Belgium, Germany & Switzerland. Presently the company has following looms:-

Sr.No.	Make	Width	Quantity
1.	Tsudakoma	75"	100 Looms
2.	Tsudakoma	110"	20 Looms
3.	Picanol Omni Plus	134"	60 Looms
4.	Picanol Omni Plus with Dobbies	134"	6 Looms (Production started in October 04)
<b>Total</b>			<b>186 Looms</b>

The project started commercial production from January 01, 1994 and has been financed by the National Bank of Pakistan (NBP) through World Bank line of credit and N.B.P. term loan. Samin is a public limited Company listed on Karachi and Lahore Stock Exchanges. The combination of machines has been selected very carefully keeping in view the international quality standards for production of finest quality greige cloth.

Sales figures for previous years are as under:-

Year Ending	Turnover Rs. in (Million)
September 30, 1994	344.006
September 30, 1995	515.462
September 30, 1996	728.300
September 30, 1997	923.214
September 30, 1998	1,023.781
September 30, 1999	1,009.887
September 30, 2000	1,012.857
September 30, 2001	919.653
September 30, 2002	876.922
September 30, 2003	1,035.539
September 30, 2004	1,541.142
September 30, 2005 (Projected)	1,700.000



The Board of Directors of the Company comprises of the leading businessmen/professionals of Pakistan.

Mr. Sarmad Amin	<i>Chairman/Chief Executive</i>	Mr. Aamir Fayyaz Sheikh	<i>Director</i>
Mr. Asad Fayyaz Sheikh	<i>Director</i>	Mr. Daniyal B. Ali	<i>Director</i>
Mr. Safder Hussain Tariq	<i>Director</i>	Mr. Nadeem Saeed	<i>Director</i>
Mr. Asad Ahmad Jan	<i>Director</i>		

## Directors' Report to the Members



On behalf of the board of directors the undersigned takes pleasure to present the 15th Annual Report for the year ended September 30, 2004 along with Auditors' Report thereon.

### OPERATING & FINANCIAL RESULTS

During the year under review the company's total sales rose to Rs. 1.541 billion as compared to Rs. 1.035 billion and incurred a net loss of Rs. 54.924 million as compared to net profit of Rs. 3.076 million to its corresponding previous year.

The increase in sales by Rs. 505.703 million (48.83%) is due to the optimal utilization of its production facilities including 60 Picanol Omni Plus looms.

In spite of the unfavorable condition in the international market your company has managed to capture retain the European and USA markets for which we had to invest heavily in the purchase of quota. The increase in cotton prices in the international markets decline in prices of grey fabric along with heavy investment in quota has resulted in the loss to the company.

A table showing significant financial figures of the year under review along with comparison with previous five years is given hereunder:-

	(Rupees in Million)					
	2004	2003	2002	2001	2000	1999
Sales	1,541.243	1,035.539	876.922	919.653	1,012.856	1,009.886
Profit/(Loss) for the year after taxation	(54.924)	3.076	(10.424)	(15.444)	32.146	41.496
Transfer to general reserve/ Accumulated profit	70.000	-	-	-	-	70.000
Accumulated profit carried to balance sheet	23.159	8.084	5.007	15.432	30.876	15.434
Gross Profit Ratio	7.67%	12.35%	11.54%	10.66%	13.23%	15.28%
Net Profit Ratio	(3.56%)	0.29%	(1.188%)	(1.68%)	3.17%	4.11%
Break-up value per share	11.73	15.84	15.62	16.393	17.548	16.061
Current Ratio	0.94:1	0.99:1	1.18:1	1.16:1	1.18:1	1.19:1
Debt/Equity Ratio	53:47	49:51	13:87	22:78	28:72	35:65
Dividend pay out	-Nil-	-Nil-	-Nil-	-Nil-	12.50%	12.50%
Earnings per share	(4.11)	0.23	(0.78)	(1.16)	2.41	3.11
Fixed assets	573.824	589.909	192.579	201.903	219.055	239.515
Long term liabilities	195.964	250.587	21.654	40.721	68.867	95.855
Retained earnings/reserves	23.159	78.084	75.007	85.432	100.876	85.435

We now have a strong customer base in Europe and USA and with the liberalization of globalization and abolition of textile quota from January 01, 2005 the management expects to make a turnaround from January, 2005 onwards.

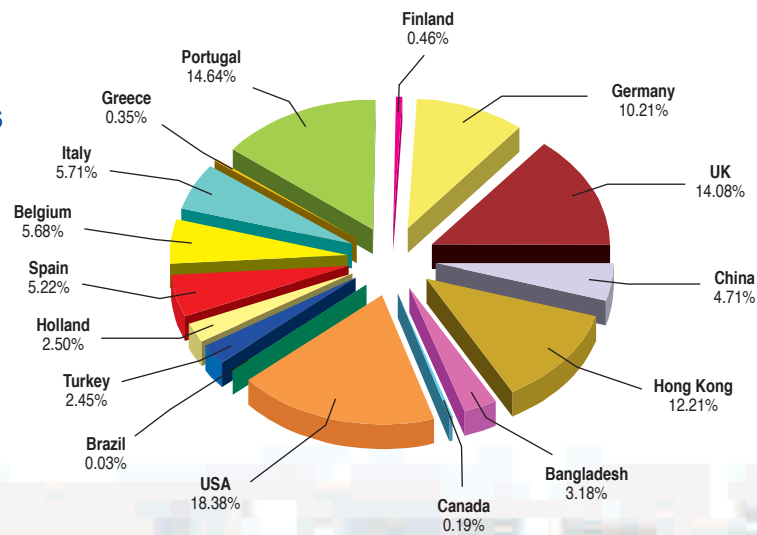


## SPONSORS' LOAN / SHARE DEPOSIT MONEY

			(Rupees in Million)					
			2004	2003	2002	2001	2000	1999
i)	Share deposit money	=	-	-	22.000	22.000	22.000	22.000
ii)	Sponsors' loan	=	105.272	97.912	70.912	15.912	16.818	17.018
Total			105.272	97.912	99.912	37.912	38.818	39.018

The sponsors of the company have further injected an amount of Rs. 7.360 million as interest free loan to the company. This gesture of providing interest free financing to the company has helped us in acquiring the required quota, which has helped the company in diverting its major exports to European and USA markets.

## Exports to Different Countries





## MARKETING STRATEGY AND FUTURE PROSPECTS

As you are aware that during the past three years we have shifted our export market base from 80% East and 20% Europe to 20% East and 80% Europe & USA. This strategy was under implementation keeping in view the quota free scenario effective from January 01, 2005.

To accomplish this purpose of shifting our major marketing exposure to Europe and USA we had to invest heavily in purchase of additional quota to capture new clients and at the same time the amortization cost of quota in the accounts was charged at an accelerated pace.

The aforementioned factors are one of the reasons of incurring losses during the year under review. However, this was a pre-calculated strategic loss picked up by the company in order to explore new clients and at the same time to retain the existing ones.

The management expects that above narrated strategy has far reaching positive impact for keeping our presence in Europe and USA from whom we can get premium prices of our products which will definitely bring good results in coming years.



## INVESTMENTS

Presently the company has the following investments:-

				(Rupees in Million)
S.No.	Name of the Company	No. of Shares	Average Cost	Total Amount
1.	Kohinoor Weaving Mills Limited	604,091	Rs. 35.69	Rs. 21,560,000
2.	Security General Insurance Co. Limited	2,215,946	Rs. 6.77	Rs. 15,000,000
	Total			Rs. 36,560,000

The Company has received the 604.091 shares of Kohinoor Weaving Mills Limited (KWML) @ 3.569 swap ratio after the merger of Kohinoor Genertek Limited into Kohinoor Weaving Mills Limited.

The Board of Directors of KWML have announced the following for the year 2004:-

- Cash Dividend @ 10%
- Bonus Shares @ 10 %

KWML has a very good history of Dividend pay and your company expects to have a regular Dividend from this investment.

The yield on Security General Insurance Company Limited has been satisfactory.



## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board of Directors of Samin Textiles and its management are fully conversant with their responsibilities as formulated in Code of Corporate Governance as incorporated in the listing regulations of stock exchanges issued by the SECP. The prescribed practices are effectively under implementation in the company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The statements as required by the Code of Corporate Governance are given below:

### 1. PRESENTATION OF FINANCIAL STATEMENT

The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

### 2. BOOKS OF ACCOUNTS

The company has maintained proper books of accounts as required by the companies ordinance 1984.

### 3. ACCOUNTING POLICIES

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

### 4. INTERNATIONAL ACCOUNTING STANDARDS (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

### 5. ACCOUNTING YEAR

The accounting year has been changed from October 01 ~ September 30 to July 01 ~ June 30 with effect from October 01, 2004.

### 6. AUDIT COMMITTEE

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee with the following directors as its members:

Mr. Asad Fayyaz Sheikh	<i>Chairman</i>
Mr. Daniyal B. Ali	<i>Member</i>
Mr. Asad Ahmad Jan	<i>Member</i>
Miss Saila Saddique	<i>Secretary</i>



#### **7. SAFETY AND ENVIRONMENT**

The company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly policies.

#### **8. GOING CONCERN**

There is no significant doubt upon the company's ability to continue as a going concern.

#### **9. INTERNAL CONTROL SYSTEM**

The system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.

#### **10. TRADING COMPANY'S SHARES**

Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transaction of company's shares during the year.

#### **11. OUTSTANDING STATUTORY DUES**

Detail of outstanding statutory dues is given in note No. 10 to the Accounts.

#### **12. DIVIDEND**

Because of inadequate profits as explained earlier dividend is not announced in the year under review.

#### **13. QUALITY CONTROL**

To ensure implementation of the Management System, Internal Quality Audits, Surveillance audits and Management review meetings are conducted regularly.

#### **14. COMMUNICATION**

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and freely ask questions about the company operations at the Annual General Meeting.

## 15. BOARD MEETINGS

During the year under review, five meeting of Board of Directors were held and the attendance of Directors was as under:-

Mr. Sarmad Amin	05 Nos.	Mr. Aamir Fayyaz Sheikh	03 Nos.
Mr. Asad Fayyaz Sheikh	05 Nos.	Mr. Daniyal B. Ali.	05 Nos.
Mr. Safder Hussain Tariq	05 Nos.	Mr. Munir Ahmad	03 Nos.
Mr. Saghir Azar	02 Nos.	Mr. Nadeem Saeed	03 Nos.
Mr. Asad Ahmad Jan	02 Nos.		

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations.)

## 16. AUDITORS

The Auditors of the Company shall be appointed in the forthcoming AGM for the next year 2004-05 and fix their remuneration.

## 17. STAFF RETIREMENT BENEFITS

The Company is operating a provident fund scheme for its employees, which is kept in a separate PLS bank account. The balance of Provident Fund Account as at September 30, 2004 was Rs. 51,164,316/-.

## ACKNOWLEDGEMENT

We also take opportunity to record our thanks to our bankers for their valued support and a note of appreciation for the devotion and hard work of all the employees of the company.

Lahore:  
December 30, 2004



## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SAMIN TEXTILES LIMITED** to comply with the Listing Regulations of the Stock Exchanges in Pakistan where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2004.

Lahore  
December 30, 2004

**M. YOUSUF ADIL SALEEM & CO.**  
*Chartered Accountants*



## Company Information

### Board of Directors

Mr. Sarmad Amin  
*Chairman/Chief Executive*  
 Mr. Aamir Fayyaz Sheikh  
 Mr. Asad Fayyaz Sheikh  
 Mr. Daniyal B. Ali  
 Mr. Safder Hussain Tariq  
 Mr. Nadeem Saeed  
 Mr. Asad Ahmad Jan

### Chief Financial Officer

Mr. Safder Hussain Tariq

### Company Secretary

Mr. Safder Hussain Tariq

### Chief Internal Auditor

Mr. Bunyad Hussain Shah

### Auditors

M. Yousaf Adil Saleem & Co.  
 Chartered Accountants

### Legal Advisors

Imtiaz Siddiqui & Associates

### Bankers

National Bank of Pakistan  
 Askari Commercial Bank Limited  
 Bank Alfalah Limited  
 PICIC Commercial Bank Limited  
 Habib Bank Limited  
 Saudi Pak Commercial Bank Limited  
 Muslim Commercial Bank Limited  
 Union Bank Limited  
 Pak-Kuwait Investment Co. Ltd.

### Audit Committee

Mr. Asad Fayyaz Sheikh *Chairman*  
 Mr. Daniyal B. Ali *Member*  
 Mr. Asad Ahmad Jan *Member*  
 Miss Saila Siddique *Secretary*

### Share Registrars

Corplink (Pvt) Limited  
 Wings Arcade,  
 1-K, Commercial Model Town,  
 Lahore.  
 Tel: 042-5839182  
 Fax: 042-5869037

### Registered/Head Office

50-C, Main Gulberg, Lahore.  
 Tel: 042-5753761  
 Fax: 042-5753688  
 Website: [www.samintextile.com](http://www.samintextile.com)  
 E-Mail: [samin@samintextile.com](mailto:samin@samintextile.com)

### Mills

8th Kilometer,  
 Manga-Raiwind Road,  
 District Kasur.  
 Tel: 0303-7356453  
 04591-392595-97  
 Fax: 04591-392592



ISO 14001 EMS APPROVED





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[www.samintextile.com](http://www.samintextile.com)