

## **Redco Textile Limited**

### **Annual Report 2000**

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#### **Company Information**

##### **Board Of Directors**

Mr. Saif ur Rehman Khan (Chief Executive)  
Mr. Mujeeb ur Rehman Khan  
Mr. Amanullah Khan  
Mr. Atiq Ur Rehman Khan  
Mrs. Taufiq Amanullah Khan  
Mrs. Muneza Saif ur Rehman Khan  
Mrs. Samina Asad Khan

##### **Company Secretary**

Mr. Bilal Ahmed Niazi

##### **Auditors**

Anjum Asim Shahid & Co.  
Chartered Accountants

##### **Bankers**

Prime Commercial Bank Ltd.  
United Bank Limited  
Muslim Commercial Bank Limited  
Bank Al Fallah Ltd

##### **Registered Office**

78-E, Blue Area, Islamabad  
Tel: 2271361-5  
Fax: 2274336

##### **Mills**

3, K.M. on Kallar Syadan Road,  
District Rawalpindi.

#### **Notice of 9th Annual General Meeting**

Notice is hereby given that the 9th Annual General Meeting of Shareholders of Redco Textiles Limited will be held at its Registered Office 78-E Redco Plaza, Blue Area, Islamabad on Thursday 31st day of May, 2001 at 3:00 p.m. to transact the following business:

##### **Ordinary Business:**

1. To confirm the minutes of the Eighth Annual General Meeting
2. To receive, consider and adopt the Annual Audited Financial statements for the year ended 30th Sep. 2000 alongwith Directors and Auditors Reports thereon.
3. To appoint, Auditors of the Company for the financial year ending 30th Sep. 2001 and to fix their remuneration.

The Present Auditors, M/s. Anjum, Asim, Shahid & Co., Chartered Accountants, being eligible offer themselves for reappointment.

4. To consider any other business which may be placed before the meeting with the permission of the Chair.

**By Order of the Board**

**(BILAL AHMED NIAZI)**  
**Company Secretary**

Islamabad 9th May 2001

**Notes:**

1. The Share Transfer Book of the Company will remain closed from 24th May 2001 to 31st May 2001 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote.
3. The proxy to be valid must be in writing and received by the Company at least 48 hours before the time of meeting and must be stamped, signed and witnessed.
4. Members are requested to notify the Company regarding any change in their addresses, if any.

**Directors' Report to the Share Holders**

The Directors of your company takes pleasure in presenting the 9th annual report alongwith the audited financial statements of the company and auditors' report thereon for the year ended 30th Sep. 2000.

The year under review witnessed an overall turnaround in the textile sector mainly due to fall in cotton prices. Your company had also shown better results as compared with the corresponding period of the last year, despite the hardships faced by the company due to closer of its office by Government authorities during the period from 13th Oct 1999 to 31st Mar 2000. As far as the market of gray fabrics is concerned it is still in depression due to financial crises in South Asian Countries. As the financial constraints did not allow us to avail quota due to which we had left with no option except to depend on local market.

The company earned a gross profit of Rs. 42.356 million and an operating profit of Rs. 25.284 million which are 7.6% & 4.54% of the sales respectively. The revenue from sales decreased by 13.23% as compared with the last year with the corresponding decrease of 18.52% in cost of sales. Financial charges at 111.54 million are higher by 12.274 million over last year. The results for the year could have been even better if we were allowed to utilize the cash finance limits by the banks. The earning per share was Rs. (4.24) as of 30th Sep. 2000.

As regards to para '1' of the auditors' report, we inform that the company is not relying on trade creditors for its operations as it has sufficient cash and bank balances to payoff the creditors. The main problem of the company is non-availability of working capital limits due to its disputes with U.B.L. The company is negotiating with the bank and we hope that negotiations will reach a positive conclusion which will result not only in availability of working capital but also reduction in financial burden, enabling the company to continue as a going concern.

As regard to para '2' of Auditors' Report we inform that these companies have restated their business activities in the current year and we are hopeful that the referred amount will be recovered by us during the year and there is no need for any provision thereof.

We are optimistic about the future and as a result of settlement with U.B.L we will be able to buy bulk cotton at competitive rates and of better quality enabling us to achieve better results. Market for yarns and Gray fabrics will be diversified to increase the customer base and reduce dependency on the Far East. Product range will also be increased to cater to the differing needs of the buyers. Fancy and special items like Cavlyr Twills, Bedford Cords and Stretch Fabrics will be developed which are being sold at premium prices.

The auditors M/s Anjum Asim Shahid & Co. Chartered Accountants retired and being eligible, offer themselves for re-appointment.

The pattern of shareholding as on 30th Sep 2000 as annexed.

The relations between the management, staff members and workers remained cordial throughout the year.

The Directors are pleased to place on record their appreciation for the zealous efforts, dedication and valuable services rendered by executives, staff members and workers of the Company.

We also take this opportunity to express our gratitude towards worthy shareholders, our valued customers, bankers and Government functionaries for their co-operation and continued support.

**On behalf of the Board**

Place: Islamabad  
Date: May 02, 2001

**Amanullah Khan**  
**Director**

## **Auditors' Report to the Members**

We have audited the annexed balance sheet of Redco Textiles Limited as at September 30, 2000 and the related profit and loss account, cash flow statement and the 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 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 the 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:-

1. The Company has recorded a loss for the year of Rs. 90.376 million leading to accumulated loss of Rs. 1,010.705 million to date. This has eroded the entire equity of the Company by Rs. 797.779 million. The Company's current liabilities, which presently stand at Rs. 1,104.056 million are substantially in excess to the total assets which are at Rs. 910.303 million as at the balance sheet date. During the year, the Company sustained its operations primarily through reliance on creditors' financing and sponsors' loan.

All these factors raise substantial doubt regarding the ability of the Company to continue as going concern. However, these financial statements have been prepared on going concern basis, the validity of which is largely dependent on successful arrangements relating to effective debt restructuring as well as additional working capital requirements from the financial institutions with whom negotiations are underway. Consequently, these financial statements do not include any adjustment that might be necessary to incorporate the effect of arrangements under which going concern basis is held no more applicable.

2. Amounts aggregating to Rs. 2.494 million (1999: Rs. 2.243 million) are receivable from associated undertakings namely Silver Dot (Private) Limited and ABC Network (Private) Limited as appearing in note 15.1 to these financial statements. These associated undertakings have suspended their operations. Further, we have not received balance confirmation certificates from any of these associated undertakings. These factors raise substantial doubt about the recoverability of such receivables.

However, the Company has not accounted for any provision for such doubtful advances. Had the provision been made in these financial statements, the loss for the year would have been higher by the similar amount.

Except for the matters stated above and the extent to which the same would effect the financial statements of the Company, we report that:

a. in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

b. in our opinion:-

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the company's business; and

iii. the business conducted, investments made and the expenditure incurred

during the year were in accordance with the objects of the company:

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2000 and of the loss, its cash flows and changes in equity for the year then ended; and

d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Place: Islamabad  
Date: 9th May 2001

**Anjum Asim Shahid & Co.**  
**Chartered Accountants**

## BALANCE SHEET AS AT SEPTEMBER 30, 2000

<b>CAPITAL &amp; LIABILITIES</b>	<i>Note</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
<b>SHARE CAPITAL</b>			
<b>Authorized</b>			
25,000,000 (1999: 25,000,000) ordinary shares of Rs.10/- each		250,000,000	250,000,000
<b>Issued, subscribed and paid up capital</b>			
21,292,600 (1999: 21,292,600) ordinary shares of Rs. 10/- each fully paid in cash		212,926,000	212,926,000
<b>ACCUMULATED LOSS</b>		(1,010,705,367)	(920,329,831)
		(797,779,367)	(707,403,831)
<b>SURPLUS ON REVALUATION OF FIXED ASSET</b>	3	365,366,230	365,366,230
<b>DEFERRED LIABILITIES</b>		2,136,875	5,756,925
<b>LONG TERM LIABILITIES</b>			
Long term loans - secured	4	83,065,362	133,061,340
Loan from associated undertakings- unsecured	5	24,056,418	65,568,824
Sponsors' Loans - unsecured	6	129,401,026	27,168,387
		236,522,806	225,798,551
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans	7	260,038,162	222,427,112
Short term finances - secured	8	234,580,047	308,915,756
Creditors, accrued and other liabilities	9	603,374,665	494,325,925
Provision for taxation	23	6,063,706	3,954,005
		1,104,056,580	1,029,622,798
<b>CONTINGENCIES AND COMMITMENTS</b>	10	--	--
		910,303,124	919,140,673

The annexed notes form an integral part of these financial statements.

**DIRECTOR**

**DIRECTOR**

### Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two directors of the Company as the Chief Executive of the Company is not available.

<b>PROPERTY &amp; ASSETS</b>	<i>Note</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
<b>OPERATING FIXED ASSETS - Tangible</b>			
	11	710,628,416	741,144,665
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	21,452,349	17,287,541
Stock in trade	13	63,174,103	83,196,587
Trade debts	14	47,396,167	28,512,362

Advances, deposits, prepayments and other receivables	15	29,486,350	43,581,909
Cash and bank balances	16	38,165,739	5,417,609
		-----	-----
		199,674,708	177,996,008
		-----	-----
		910,303,124	919,140,673
		=====	=====

DIRECTOR

DIRECTOR

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

	<i>Note</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
<b>SALES - Net</b>	17	556,237,113	641,088,109
<b>COST OF SALES</b>	18	513,880,229	630,739,716
		-----	-----
<b>GROSS PROFIT</b>		42,356,884	10,348,393
<b>OPERATING EXPENSES</b>			
Administrative expenses	19	12,084,643	15,141,381
Selling Expenses	20	4,987,583	18,890,299
		-----	-----
		17,072,226	34,031,680
		-----	-----
<b>OPERATING PROFIT/LOSS</b>		25,284,658	(23,683,287)
Financial charges	21	111,540,491	99,265,891
Other income	22	943,998	894,328
		-----	-----
		(110,596,493)	(98,371,563)
		-----	-----
<b>LOSS BEFORE TAXATION</b>		(85,311,835)	(122,054,850)
<b>TAXATION - Current</b>	23	(2,780,268)	(3,251,005)
- Prior		(2,283,433)	--
		-----	-----
		(5,063,701)	(3,251,005)
		-----	-----
<b>LOSS AFTER TAXATION</b>		(90,375,536)	(125,305,855)
<b>ACCUMULATED LOSS BROUGHT FORWARD</b>		(920,329,831)	(795,023,976)
		-----	-----
<b>ACCUMULATED LOSS CARRIED TO BALANCE SHEET</b>		(1,010,705,367)	(920,329,831)
		=====	=====
<b>Earnings per share</b>	26	(4.24)	(5.88)
		=====	=====

The annexed notes form an integral part of these financial statements.

DIRECTOR

DIRECTOR

### Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two directors of the Company as the Chief Executive of the Company is not available.

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

	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(85,311,836)	(122,054,850)
Adjustment for non cash charges and other items		
Depreciation	36,036,912	37,568,480
Provision for bad debts	1,563,807	4,711,755
Provision for doubtful advances to staff	729,839	199,612
Prior year adjustment	--	141,336,895

Financial charges	111,540,491	99,265,891
Provision for staff retirement benefits	1,684,874	3,122,866
	-----	-----
	151,555,923	286,205,499
	-----	-----
Cash flow from operating activities before working capital changes	66,244,087	164,150,649
(Increase) / decrease in current assets		
Stores, spares and loose tools	(4,164,808)	(2,249,079)
Stock in trade	20,022,484	(26,351,821)
Trade debts	(20,447,011)	5,491,965
Advances deposits, prepayments and other receivable	13,478,012	9,811,184
	-----	-----
	8,888,677	(13,297,751)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	80,886	(5,589,601)
	-----	-----
Working capital changes	8,969,563	(18,887,352)
Staff retirement benefits paid	(5,417,818)	(689,671)
Taxes paid	(2,954,000)	--
Financial charges paid	(1,951,176)	(108,667,890)
	-----	-----
	(10,322,994)	(109,357,561)
	-----	-----
<b>Net cash inflow from operating activities</b> (A)	64,890,657	35,905,735
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans - secured	--	(46,463,418)
Loan from associated undertakings - unsecured	(41,512,406)	(39,215,279)
Loan from directors	102,232,639	11,635,367
Short term finance - secured	(87,342,097)	45,441,361
	-----	-----
<b>Net cash (outflow) from financing activities</b> (B)	(26,621,864)	(28,601,969)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(5,520,663)	(5,566,526)
	-----	-----
<b>Net cash (outflow) from investing activities</b> (C)	(5,520,663)	(5,566,526)
<b>Net cash inflow during the year (A+B+C)</b>	32,748,130	1,737,240
<b>Cash and cash equivalents at the beginning of the year</b>	5,417,609	3,680,369
	-----	-----
<b>Cash and cash equivalents at the close of the year</b>	38,165,739	5,417,609
	=====	=====

DIRECTOR

DIRECTOR

**Statement under section 241(2) of the Companies Ordinance, 1984**

These financial statements have been signed by two directors of the Company as the Chief Executive of the Company is not available.

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2000**

<i>Particulars</i>	<i>Paid-up capital</i>	<i>Accumulated loss</i>	<i>Total</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>(Rupees)</i>
Balance as at September 30, 1998	212,926,000	(795,023,976)	(582,097,976)
Loss for the year ended September 30, 1999	--	(125,305,855)	(125,305,855)
	-----	-----	-----
Balance as at September 30, 1999	212,926,000	(920,329,831)	(707,403,831)
Loss for the year ended September 30, 2000	--	(90,375,536)	(90,375,536)
	-----	-----	-----
Balance as at September 30, 2000	212,926,000	(1,010,705,367)	(797,779,367)
	=====	=====	=====

DIRECTOR

DIRECTOR

**Statement under section 241(2) of the Companies Ordinance, 1984**

These financial statements have been signed by two directors of the Company as the Chief Executive of the Company is not available.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATUS AND OPERATIONS

Redco Textiles Limited is a Public Limited Company incorporated under the Companies Ordinance, 1984 in October 1991 and is listed on stock exchanges of Lahore and Karachi in Pakistan. The principal activities of the Company are manufacturing and sale of yarn and gray fabric.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Compliance with International Accounting Standards

These financial statements have been prepared in accordance with the international accounting standard, as are applicable in Pakistan and as per the requirements of the Companies Ordinance, 1984.

#### 2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of free hold land, plant and machinery, building, laboratory equipment, electrical fittings and generators without taking into account diminution in values of Pak Rupee or its current value.

#### 2.3 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the balance sheet date except where forward exchange rate has been booked which are translated at the contracted rates.

#### 2.4 Staff Retirement Benefits

The Company operates an unfunded gratuity scheme for its permanent employees. Provision is made annually to cover the obligation under the scheme.

#### 2.4 Taxation

##### Current:

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any, envisaged under the Income Tax Ordinance, 1979.

##### Deferred:

The Company accounts for deferred taxation on all material timing differences using the liability method. However, provision for deferred taxation is not accounted where it can be established with reasonable certainty that the timing differences will not reverse in the foreseeable future.

#### 2.6 Operating Fixed Assets and Depreciation

Operating fixed assets are stated at cost or revalued amounts, as the case may be, less accumulated depreciation.

Depreciation is charged to income applying the reducing balance method at rates given in Note. 11 to the notes to write off the cost of operating fixed assets over their estimated useful lives. Full year depreciation is charged on additions during the year while no depreciation is charged on assets soled/deleted during the year.

Minor repairs, renewals and replacements are charged to income as and when incurred whereas major repairs and renewals are capitalized. Gains and losses on disposal of operating fixed assets are recognized in current year's income.

#### 2.7 Stores and Spares

These are valued at cost calculated on moving average basis except goods in transit which are valued at cost.

#### 2.8 Stock in Trade

Stocks are principally valued at lower of cost or net realisable value. Cost of major components of stocks is calculated as under:

<b>Raw materials</b>	Annual average cost
<b>Work in process</b>	Prime cost and related overheads upto the stage of process
<b>Finished goods</b>	Prime cost plus related production overheads
<b>Waste</b>	Net realizable value

Cost in relation to work in process and finished goods represents annual average manufacturing cost which consist of prime cost and appropriate production over heads. Net realizable value signifies the selling price in the ordinary course of business less expenses incidental to sales.

#### 2.9 Revenue Recognition

Revenue from local sales is recognized on delivery of goods to the customers. Export sales are recognized on shipment basis and the revenue from export rebate is accounted for on accrual basis.

### 3. SURPLUS ON REVALUATION OF FIXED ASSETS

This comprises of revaluation surplus arrived at as a result of revaluation of the fixed assets carried out on September 30, 1996 by an independent valuer, M/s Razzaque Umerani & Co. (registered surveyors and valuation consultants). Out of the revaluation surplus Rs. 297.907 million (1999: Rs. 312.452 million) remained undepreciated which is included in the book values of the assets. The details is as under:

2000

1999

	(Rupees)	(Rupees)
(i) Free hold land	21,738,567	21,738,567
(ii) Building on free hold land	22,232,094	22,232,094
(iii) Plant and machinery	321,395,569	321,395,569
	-----	-----
	365,366,230	365,366,230
	=====	=====

#### 4. LONG TERM LOANS - Secured

Particulars	Currency	Sanctioned Limit Million	2000 (Rupees)	1999 (Rupees)	Interest Rate Per Annum	Repayment Terms (Installments)	First Installments due on
<b>UNITED BANK LIMITED</b>							
Demand finance - I	Pak. Rupee	33.019	30,266,881	30,267,881	16.50%	12 half yearly	May 07, 1995
Demand finance - II	Pak. Rupee	19.314	17,705,304	17,705,304	16.50%	12 half yearly	May 07, 1995
Demand finance - III	Pak. Rupee	11.793	10,999,004	10,999,004	8.00%	15 half yearly	June 17, 1995
Demand finance - IV	Pak. Rupee	145.133	145,132,335	145,132,335	19.00%	12 half yearly	June 30, 1995
Demand finance - V	Pak. Rupee	139.000	139,000,000	139,000,000	20.00%	14 half yearly	June 30, 1998
Suppliers' credit	JY	136.214	--	12,383,928	7.70%	10 half yearly	January 29, 1995
			-----	-----			
			343,103,524	355,488,452			
Less: Transferred to current liabilities							
- Current maturity			(49,994,973)	(66,740,008)			
- Overdue installments			(210,043,189)	(155,687,104)			
			-----	-----			
			(260,038,162)	(222,427,112)			
			-----	-----			
			83,065,362	133,061,340			
			=====	=====			

#### 4.1 The above finances are secured against the followings:

- Hypothecation and floating charge on all the present and future moveable assets of the Company.
- First registered equitable mortgage on present and future fixed assets of the Company.
- Restriction on sale or transfer of 51% sponsors shareholdings.
- Pledge of 51% of the sponsors shares having face value of Rs. 54.296 million (1999: Rs. 54.296) with the undertaking not to sell such shares without prior approval of the .bank.
- Demand promissory note, personal guarantees of the directors and counter guarantee of the associated company.

4.2 United Bank Limited has filed a case against the Company for the recovery of its outstanding debt including accrued interest thereon aggregating Rs. 1,117.085 million (1999: Rs. 1,249.695 million) before the honorable Lahore High Court. The court has decided the case and awarded the decree dated November 23, 1999 in favour of the bank. Against such order, the Company has filed an appeal under section 21 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997. The adjudication is still pending before the court.

	2000 (Rupees)	1999 (Rupees)
<b>5. LOAN FROM ASSOCIATED UNDERTAKINGS -Unsecured</b>		
Redco Pakistan Limited	--	36,981,994
Redco Group WLL	24,056,418	28,586,830
	-----	-----
	24,056,418	65,568,824
	=====	=====

These represent interest free loan the from associated undertakings on long term basis.

#### 6. SPONSORS' LOANS - Unsecured

Saif-ur-Rehman (Chief Executive)	98,511,162	13,644,154
Mujeeb-ur-Rehman (Director)	30,889,864	13,524,233
	-----	-----
	129,401,026	27,168,387
	=====	=====

These represent interest free loans obtained from the sponsors which have been utilized for the import of machinery as well as for meeting certain working capital requirements

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

Demand finances: - Current maturity	49,994,973	54,356,080
- Overdue installments	210,043,189	155,687,104
	-----	-----



		260,038,162	210,043,184
Supplier's Credit: - Current maturity		--	12,383,928
		-----	-----
		260,038,162	222,427,112
		=====	=====

**8. SHORT TERM FINANCES - Secured**

Demand finance - FORCE PAD	(Note: 8.1)	167,108,942	241,444,651
Cash finance	(Note: 8.2)	67,471,105	67,471,105
		-----	-----
		234,580,047	308,915,756
		=====	=====

8.1 This represents overdue installments of supplier's credits paid by the bank to the suppliers. It carries mark up at the rate of 16.80% per annum and is repayable on demand.

8.2 The cash finance facility has a sanctioned limit of Rs. 125 million which carries markup at varying rates. The markup charged during the year was ranged between 16.80% to 18.25% per annum.

The facilities are secured by way of:

- Hypothecation of cotton bales, cotton yarn, finished goods, stores and spares.
- Pledge of cotton bales/cotton yarn, and fabric.
- Lien on LCs/Firm's contracts.
- Equitable mortgage of fixed assets of the mills.
- Registered equitable mortgage on all present and future fixed / floating assets of the Company.
- Personal guarantees of all the Directors.
- Guarantee of Redco Group WLL to make up the short fall in the value of the security.
- Pledge of the entire sponsors share in marketable lot along with blank transfer deeds duly signed and verified.
- Lien on export documents.

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

Creditors	34,631,366	31,872,038
Accrued liabilities	10,022,068	9,163,096
Mark up on long term loans - secured	323,345,798	259,175,324
Mark up on short term finances - secured	194,047,248	149,318,162
L/C and L/G commission	14,926,776	14,858,482
Excise duty payable	7,082,424	7,082,424
Security deposit	65,000	65,000
Advances from customers	13,960,826	16,848,044
Tax deducted at source	865,300	606,213
Sales tax payable	3,054,990	2,927,994
Others	1,372,869	2,409,148
	-----	-----
	603,374,665	494,325,925
	=====	=====

**10. CONTINGENCIES AND COMMITMENTS**

10.1 United Bank Limited Lahore has issued guarantee on behalf of the Company, to the Collector of Customs Karachi, aggregating Rs 3.082 million (1999: Rs. 3.082 million), against duty and sales tax.

10.2 United Bank Limited has issued guarantees to State Bank of Pakistan on behalf of the Company, amounting to Rs. 11.34 million (1999: Rs. 11.34 million) against exchange risk coverage fee.

**11. OPERATING FIXED ASSETS - Tangible**

PARTICULARS	COST OR REVALUATION				DEPRECIATION		W.D.V.	
	As at	Additions	As at	Rate of	As at	For the year	As at	As at
	Oct. 01,		Sept. 30	depreciation	Oct. 01,		Sept. 30	Sept. 30
	1999	2000		1999	2000	2000	2000	2000
	(Rupees)	(Rupees)	(Rupees)		(Rupees)	(Rupees)	(Rupees)	(Rupees)
Freehold land	42,416,315	--	42,416,315	--	--	--	--	42,416,315
Building on freehold land	107,314,110	--	107,314,110	5%	14,597,501	4,635,830	19,233,331	88,080,779
Plant & machinery	673,400,525	3,419,603	676,820,128	5%	95,957,663	29,043,123	125,000,786	551,819,342
Generator	11,403,530	--	11,403,530	5%	1,626,430	488,855	2,115,285	9,288,245
Tools and equipment	2,406,771	--	2,406,771	5%	273,003	106,688	379,691	2,027,080
Tools (Weaving)	1,568,280	69,704	1,637,984	33%	522,708	371,721	894,429	743,555
Vehicles	2,885,998	1,740,200	4,626,198	20%	1,236,162	678,007	1,914,169	2,712,029
Furniture & fixtures	1,622,352	2,890	1,625,242	5%	190,187	71,753	261,940	1,363,302

Office equipment	1,207,682	132,874	1,340,556	5%	147,103	59,673	206,776	1,133,780
Laboratory equipment	11,180,395		11,180,395	5%	1,438,948	487,072	1,926,020	9,254,375
Electrical fittings	910,032	35,579	945,611	5%	104,472	42,057	146,529	799,082
Tubewell	1,017,648	119,813	1,137,461	5%	94,796	52,133	146,929	990,532
	=====	=====	=====		=====	=====	=====	=====
2000	857,333,638	5,520,663	862,854,301		1,161,881,973	36,036,912	152,225,885	710,628,416
	=====	=====	=====		=====	=====	=====	=====
1999	851,712,692	5,620,946	857,333,638		78,620,493	37,568,480	116,188,973	741,144,665
	=====	=====	=====		=====	=====	=====	=====

**2000**                      **1999**  
**(Rupees)**                      **(Rupees)**

**11.1 The depreciation for the year has been allocated as under:-**

Cost of sales	(Note: 18)	35,358,905	37,156,021
Administrative expenses	(Note: 19)	678,007	412,459
		-----	-----
		36,036,912	37,568,480
		=====	=====

**12. STORES, SPARES AND LOOSE TOOLS**

Stores	9,607,447	9,574,396
Spares	11,796,672	7,669,512
Loose tools	48,230	43,633
	-----	-----
	21,452,349	17,287,541
	=====	=====

**13. STOCK IN TRADE**

Raw materials	11,218,381	15,573,958
Work-in-process	15,107,113	16,219,273
Finished goods	36,848,609	51,403,356
	-----	-----
	63,174,103	83,196,587
	=====	=====

**14. TRADE DEBTS**

Export sales - (secured)	--	5,700,879
Local sales - (unsecured, considered good)	47,396,167	22,811,483
Local sales - (unsecured, considered doubtful)	9,274,961	7,711,755
	-----	-----
	56,671,128	36,224,117
Less: Provision for doubtful debts	(9,274,961)	(7,711,755)
	-----	-----
	47,396,167	28,512,362
	=====	=====

**15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advances (Unsecured, considered good)

- to suppliers	9,439,182	16,596,538
- to staff	2,839,902	3,170,594
Less: Provision for doubtful staff advances	(817,159)	(199,612)
	-----	-----
	2,022,743	2,970,982
	-----	-----
	11,461,925	19,567,520

Deposits	3,666,200	3,701,000
Prepayments	1,019,144	701,767
Due from associated undertakings	(Note: 15.1 )	2,243,137
Advance income tax	(Note: 15.2)	10,953,749
Export rebate receivable	1,001,947	3,580,055
Letters of credit	1,696,751	1,996,879
Others	818,606	837,802
	-----	-----
	29,486,350	43,581,909
	=====	=====

**15.1 Due from associated undertakings**

Silver Dot (Pvt.) Limited	1,379,287	2,243,137
Redco Pakistan Limited	1,389,605	--
ABC Network (Pvt.) Limited	1,115,185	--
	-----	-----

	3,884,077	2,243,137
	=====	=====

The maximum aggregate balances at the end of any month during the year with associated undertakings were Rs. 4.884 million (1999: Rs. 2.24 million)

**15.2 Advance income tax**

Opening balance	10,953,749	9,649,065
Add: Tax deducted during the year	1,241,736	3,297,323
	-----	-----
	12,195,485	12,946,388
Less: Tax adjusted against the wealth tax of Chief Executive	(3,303,785)	1,992,639
Tax relating to export sales	(2,954,000)	--
	-----	-----
	(6,257,785)	1,992,639
	-----	-----
	5,937,700	10,953,749
	=====	=====

**16. CASH AND BANK BALANCES**

Cash in hand	476,302	703,399
Cash at bank:		
Local currency accounts:		
Current Accounts	34,975,118	967,007
Saving accounts	2,644,994	3,683,759
Deposit Accounts	15,000	15,000
	-----	-----
	37,635,112	4,665,766
Foreign currency accounts	54,325	48,444
	-----	-----
	37,689,437	4,714,210
	-----	-----
	38,165,739	5,417,609
	=====	=====

**17. SALES - Net**

Yarn		
- Local	105,754,935	97,360,541
- Export	2,040,952	60,294,423
	-----	-----
	107,795,887	157,654,964
	=====	=====
Cloth		
- Local	430,273,932	254,201,256
- Export	10,794,897	223,512,594
	-----	-----
	441,068,829	477,713,850
Waste sale	11,069,578	11,166,850
Export rebate	183,513	3,665,215
	-----	-----
	560,117,807	650,200,879
Less: Commission	(3,880,694)	(9,112,770)
	-----	-----
	556,237,113	641,088,109
	=====	=====

**18. COST OF SALES**

Raw materials consumed	(Note: 18.1)	304,425,484	445,351,583
Packing materials consumed		3,396,032	5,236,346
Stores and spares consumed		37,322,988	38,874,696
Fuel and power		70,607,332	73,019,152
Stores and spares consumed		41,381,112	40,493,280
Repairs and maintenance		3,126,720	8,725,125
Depreciation		35,358,905	37,156,021
Other expenses	(Note: 11.1)	2,594,749	4,204,786
		-----	-----
Cost of manufacturing		498,213,322	653,060,989
Adjustment of work-in-process:			
- Opening		16,219,273	16,460,536
- Closing		(15,107,113)	(16,219,273)

	1,112,160	241,263
Cost of goods manufactured	499,325,482	653,302,252
Adjustment of finished goods:		
- Opening	51,403,356	288,408,201
- Closing	(36,848,609)	(51,403,356)
	14,554,747	(22,562,536)
Cost of sales	513,880,229	630,739,716

**18.1 Raw materials consumed**

Opening stock	15,573,958	11,543,410
Add: Purchases during the year	297,372,805	446,584,462
	312,946,763	458,127,872
Less: Closing stock	(11,218,381)	(15,573,958)
	301,728,382	442,553,914
Add: Freight, loading, unloading and mixing charges	2,697,102	2,797,669
	304,425,484	445,351,583

**19. ADMINISTRATIVE EXPENSES**

Directors' remuneration	600,000	600,000
Salaries, wages and benefits	4,089,567	5,427,512
Traveling and conveyance	875,463	1,812,213
Entertainment	200,750	309,786
Communication	1,503,676	1,056,370
Printing and stationery	161,718	325,367
Repair and maintenance	198,402	493,475
Vehicle running and maintenance	837,779	842,749
Fees and subscription	288,664	540,216
Legal and professional	889,054	1,833,219
Auditors' remuneration (Note: 19.1)	65,000	65,000
Depreciation (Note: 11.1)	678,007	412,459
Others	966,724	1,223,403
Provision for doubtful staff advances (Note: 15)	729,839	199,612
	12,084,643	15,141,381

**19.1 Auditors' Remuneration**

Audit fee	45,000	45,000
Taxation services	15,000	15,000
Out of pocket expenses	5,000	5,000
	65,000	65,000

**20. SELLING EXPENSES**

Salaries, wages and benefits	1,077,220	1,270,863
Local taxes, carriage and freight	647,994	4,667,901
Export expenses	471,995	5,058,308
Sales promotion	19,330	418,356
Postage, telephone and telegraph	666,117	1,621,328
Printing and stationery	26,690	50,880
Traveling and conveyance	196,339	564,597
Provision for bad debts	1,563,807	4,711,755
Other selling expenses	318,091	526,311
	4,987,583	18,890,299

**21. FINANCIAL CHARGES**

Markup on:		
- Long term loans	64,170,474	64,170,474
- Supplier's credit	621,460	3,531,211
- Demand finance - Forced pad	33,147,146	8,486,375
- Short term finances	11,581,739	15,550,086

Commission on L/Cs & L/Gs	68,294	3,300,129
Bank charges	1,834,266	3,192,362
Exchange loss	117,112	1,031,504
Excise duty	--	3,750
	-----	-----
	111,540,491	99,265,891
	=====	=====

**22. OTHER INCOME**

Interest on bank accounts	366,123	894,328
Miscellaneous income	577,875	--
	-----	-----
	943,998	894,328
	=====	=====

**23. TAXATION****Current**

Provision for current taxation has been accounted for in accordance with section 80D of Income Tax Ordinance, 1979.

**Deferred**

Tax effect of major timing differences (credit) as at September 30, 2000 worked out approximately Rs. 29.480 million (1999: Rs. 25.042 million). Provision for deferred taxation has not been accounted for in these financial statements as no deferred tax liability is likely to crystallize in the foreseeable future due to accumulated tax losses.

**24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The Company's aggregate transactions with the associated companies are as follows:

Purchases	230,321	1,415,258
Expenses	4,677,520	9,694,746
Advances	3,101,402	250,000
Provision of services and other receipts	--	10,729,487

**25. REMUNERATION OF DIRECTOR AND EXECUTIVES**

Particulars	2000 (Rupees)			1999 (Rupees)		
	Director	Executives	Total	Director	Executives	Total
Managerial remuneration	402,000	2,758,342	3,160,342	402,000	2,387,000	2,789,000
House rent	198,000	873,194	1,071,194	198,000	819,000	1,017,000
Utilities	--	743,464	743,464	--	356,000	356,000
	-----	-----	-----	-----	-----	-----
Total	600,000	4,375,000	4,975,000	600,000	3,562,000	4,162,000
	=====	=====	=====	=====	=====	=====
No. of persons	1	22	23	1	18	19
	=====	=====	=====	=====	=====	=====

The eight executive have also been provided the facility of Company's maintained cars.

<b>2000</b>	<b>1999</b>
<b>(Rupees)</b>	<b>(Rupees)</b>

**26. EARNING PER SHARE**

Net loss for the year	(90,375,535)	(125,305,855)
	=====	=====
Average ordinary shares during the year (number of shares)	21,292,600	21,292,600
	=====	=====
<b>Earnings per share</b>	(4.24)	(5.88)
	=====	=====

**27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

Particulars	Less than one year			More than one year			2000 Total Amount (Rupees)
	Interest bearing (Rupees)	Non-interest bearing (Rupees)	Sub-total (Rupees)	Interest bearing (Rupees)	Non-interest bearing (Rupees)	Sub-total (Rupees)	
<b>Financial Assets</b>							
Trade debts	--	--	--	--	47,396,167	47,396,167	47,396,167
Advances, deposits, prepayments and other receivables	--	--	--	--	23,548,650	23,548,650	23,548,650
Cash and bank balances	--	--	--	2,659,994	35,029,443	37,689,437	37,689,437

	--	--	--	2,659,994	105,974,260	108,634,254	108,634,254
Interest rate	--	--	--	12.50%	--	12.50%	--
<b>Financial Liabilities</b>							
Long term loans	343,103,524	--	343,103,524	--	--	--	343,103,524
Loan from associated companies	--	24,056,418	24,056,418	--	--	--	24,056,418
Loan from sponsors	--	129,401,026	129,401,026	--	--	--	129,401,026
Short term finances	--	--	--	234,580,047	--	234,580,047	234,580,047
Creditors, accrued and other liabilities	--	--	--	599,454,375	--	599,454,375	599,454,375
	343,103,524	153,457,444	496,560,968	834,034,422	--	834,034,422	1,330,595,390
Interest rate	7% to 20%	--	7% to 20%	16.80%	--	16.80%	--
Gap	(343,103,524)	(153,457,444)	(496,560,968)	(831,374,428)	105,974,260	(725,400,168)	(1,221,961,136)

**FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts of the financial assets and financial liabilities reflected in the financial statements approximate their fair values.

**Credit Risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party failed completely to perform as contracted. Financial assets of Rs. 69.555 million (1999: Rs. 69.436 million) are exposed to major credit risk.

**2000**                      **1999**

**28. PLANT CAPACITY AND PRODUCTION****Spinning**

No. of spindles installed	14,400	14,400
No. of shifts worked	3	3
Installed capacity at 20's counts based on 1080 shifts - lbs.	10,291,050	10,291,050
Actual production of yarn - lbs.	7,960,383	8,799,900
Actual production converted into 20's count - lbs.	8,686,353	8,593,470
No. of shifts worked	1,073	1,089
Capacity utilized	85%	93%

It is difficult to determine precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist per inch and quality of raw materials used, etc.

**2000**                      **1999**

**Weaving**

No. of looms installed	72	72
No. of shifts per day	3	3
Installed capacity at 60 picks - meters	9,585,857	9,585,857
Actual production of cloth - meters	9,013,785	9,129,084
Actual production of cloth converted at 60 picks at 100% efficiency -	8,787,869	9,089,132
No. of shifts worked	978	975

**Reasons of short fall**

The main reasons of shortfall are frequent breakdowns of power supply, mechanical repairs and unfavourable market conditions.

**29. NUMBER OF EMPLOYEES**

Number of employees at the year end	757	763
-------------------------------------	-----	-----

**30. GENERAL**

Figures have been rounded off to the nearest rupee.

Previous year's figures have been rearranged where necessary for the comparison.

**DIRECTOR**

**DIRECTOR**

**Pattern of Share Holdings  
as at September 30, 2000**

<i>No. of Share Holders</i>	<i>Share Holding From To</i>	<i>Total shares held</i>
---------------------------------	----------------------------------	------------------------------

101	101	500	464,000
501	501	1,000	18,000
9	1,001	5,000	33,400
3	5,001	10,000	27,500
1	10,001	15,000	14,700
1	15,001	20,000	20,000
1	20,001	25,000	25,000
5	45,001	50,000	244,500
1	75,001	80,000	78,300
3	95,001	100,000	296,600
1	120,001	125,000	122,800
2	145,001	150,000	294,800
2	175,001	180,000	353,800
1	240,001	245,000	240,600
1	290,001	295,000	294,700
1	440,001	445,000	442,300
1	485,001	490,000	488,200
2	490,001	495,000	982,600
1	530,001	535,000	530,800
1	880,001	885,000	884,600
2	980,001	985,000	1,965,000
1	1,470,001	1,475,000	1,473,800
1	1,595,001	1,600,000	1,596,800
1	1,960,001	1,965,000	1,965,000
1	2,210,001	2,215,000	2,211,500
1	6,220,001	6,225,000	6,223,300

-----	<b>992</b>	<b>Total</b>	<b>21,292,600</b>
=====			=====

**Categories of Share Holders**

	<i>Numbers</i>	<i>Share Held</i>	<i>Percentage</i>
1 Individuals	970	12,370,200	58.1
2 Investment Companies	5	2,161,600	10.15
3 Insurance Companies	1	1,965,000	9.23
4 Joint stock Companies	2	393,000	1.84
5 Financial Institutions	4	2,702,000	12.69
6 Others	10	1,700,800	7.99
<b>Total</b>	<b>992</b>	<b>21,292,600</b>	<b>100</b>
	=====	=====	=====