

## Reliance Weaving Mills Limited

### Annual Report 2000

#### COMPANY'S QUALITY POLICY

\* All of our priorities, actions and products must be recognized as an expression of unique quality.

\* We are dedicated to produce fabrics and yarn of the best export quality to meet the requirements and expectations of our customers.

\* We strive for continuous improvements in day to day quality work, organize the training and necessary feed back on our performance.

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#### COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	Mr. Fawad Ahmed Sheikh	(Chairman)
	Mr. Fazal Ahmed Sheikh	(Chief Executive)
	Mr. Faisal Ahmed Sheikh	
	Mrs. Ambreen Fawad	
	Mrs. Fatima Fazal	
	Mrs. Fadia Kashif	
	Syed Hussain Aga Naqvi	(Nominee NIT)

**COMPANY SECRETARY** Mr. Amanullah

**FINANCIAL CONTROLLER** Mr. Iftikhar Mehmood

**AUDITORS** M/s. M. Yousuf Adil Saleem & Co.,  
Chartered Accountants,  
6-Commercial Plaza,  
Opp. Civil Hospital Abdali Road, Multan.

**SHARE REGISTRARS** M/s. Your Secretary,  
1020, 10th Floor, Uni Plaza,  
I.I. Chundrigar Road, Karachi.

**BANKERS** United Bank Limited  
Allied Bank of Pakistan Ltd.  
Habib Bank Limited.  
Muslim Commercial Bank Limited  
Emirates Bank International Ltd.

**REGISTERED OFFICE** C-I, 1st Floor, Hassan Arcade,  
Multan Cantt. (Punjab) Pakistan  
Telephones : (061) 512031-512032  
Fax: (061) 511677, 584288  
E.mail: fatmagrp@mul.paknet.com.pk  
fatmagrp@brain.net.pk

**MILLS: Weaving Unit** Fazal Pur, Khanewal Road,  
Multan. (Punjab) Pakistan.  
Telephone: 0303-7963399  
Fax: (061) 515154

**Spinning Unit** Mukhtarabad, Chak Beli Khan Road,  
Rawat (Rawalpindi)  
Telephone: (05777) 611579-81  
Fax: (05777) 611092

## COMPANY PROFILE

The Company is limited by shares incorporated in Pakistan on April 07,1990 under the Companies Ordinance, 1984 and quoted at Stock Exchanges in Pakistan. Principal business of the Company is manufacture and sale of yarn and cloth.

### WEAVING UNIT

It is located at Fazalpur, Khanewal Road, Multan and commenced its commercial production on May 01, 1993 with 96 Tsudakoma air jet weaving machines from Japan along with modern auxiliary machinery to produce high quality cloth for export markets. Further expansion saw the installation of an additional 20 Tsudakoma air jet weaving machines from Japan in 1999 coupled with yarn doubling and twisting machines to produce value added fabrics.

In addition to above a Captive Power Plant consisting of 2.5 MW capacity was installed during the year 1999 to supply uninterrupted electricity to reduce production losses.

Now, the expansion project at a cost of about half billion rupees, comprising 108 Tsudakoma air jet weaving machines from Japan along with modern auxiliary machinery to produce high quality cloth for export markets is at advance stage of its implementation. Back process machinery has already been installed at site. The project is scheduled for its commercial production from October, 2001.

### SPINNING UNIT

It is located at Mukhtarabad, Rawat, District Rawalpindi in the province of Punjab and commenced its commercial production on October 01, 1999 with 14,400 spindles and a very good combination of European and Japanese machinery with allied accessories to produce high quality of yarn for in-house consumption (to produce export quality cloth) and export/local markets.

The Company is planning to increase the number of spindles to about 20,000 by the end of year 2001 and also starting production of DUPONT LYCRA yarn shortly, which will assist the Company in producing higher value added products and development of new products.

Today, Reliance Weaving Mills Limited is one of the most modern and technologically advanced greige weaving plant in the world.

## FINANCIAL HIGHLIGHTS

(1993 - 2000)

(Rs. 000)

<b>PARTICULARS</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
<b>FOR THE YEAR</b>								
Net Sales	1,306,888	800,382	723,823	727,163	667,242	448,905	402,426	123,415
Gross Profit	321,601	129,202	144,896	149,347	104,927	47,275	59,808	16,134
Profit/(Loss)	154,176	40,834	66,955	60,684	33,321	(9,826)	7,939	(2,129)
<b>FINANCIAL POSITION</b>								
<b>Current Assets</b>	652,149	526,659	450,702	374,770	234,379	135,480	90,468	71,291
<b>Current Liabilities</b>								
Cur. portion of L.T. Loans	62,439	75,879	26,412	26,411	29,031	26,412	17,325	18,797
Others	615,851	522,828	317,938	317,938	195,574	115,721	61,036	52,082
	678,289	598,707	344,350	344,349	224,605	142,133	78,361	70,879
<b>OPERATING FIXED ASSETS</b>								
Operating Fixed Assets	585,592	338,823	191,622	195,244	210,819	231,175	151,386	272,074
Capital Work in Progress	67,436	295,933	74,043	28,684	3,077	347	109	--
Adv. For Purchase of Assets	--	--	60,000	1,013	493	1,028	1,051	230
	653,028	634,756	325,665	224,941	241,389	323,550	252,546	272,304
<b>LONG TERM LOANS &amp; CAPITAL EXPENDITURE PAYABLE</b>								
	314,104	341,891	115,300	69,978	72,569	94,877	134,099	149,026
<b>SHARE HOLDERS EQUITY</b>								
	313,434	227,884	233,086	169,741	122,751	105,532	115,360	107,421

**PER SHARE (RS.)**

Earning	13.06	3.13	5.78	5.54	3.04	(0.90)	0.72	(0.19)
Break-up value	28.61	20.80	21.28	15.49	11.20	9.63	10.53	9.80
Cash Dividend	52.50%	12.50%	23.50%	10.00%	--	--	--	--
Right Issue	25%	--	--	--	--	--	--	--
Bonus Shares	20%	--	--	--	--	--	--	--

**RATIOS**

Current Ratio	51:49	47:53	50:50	48:52	49:51	51:49	46:54	50:50
Debt Equity Ratio	46:54	60:40	38:62	42:58	51:49	53:47	57:43	61:39
Net Profit/(Loss) to Sales	10.95%	4.28%	8.75%	8.35%	4.99%	(2.19%)	1.97%	(1.72%)
Return on Assets	11.81%	3.50%	8.42%	9.93%	7.42%	(2.66%)	2.30%	(0.62%)

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 11th Annual General Meeting of the members of "RELIANCE WEAVING MILLS LIMITED" will be held on Wednesday, March 28, 2001 at 11:00 A.M. at its Registered Office, C-1, First Floor, Hassan Arcade, Multan Cantt. to transact the following business:-

**Ordinary Business:**

- To confirm the minutes of the last Extra Ordinary General Meeting held on 10.11.2000.
- To receive, and adopt the Audited Accounts of the Company for the year ended September 30, 2000 together with Auditors and Directors Reports thereon.
- To consider and approve payment of cash dividend of Rs. 57.514 Million i.e. Rs. 5.25 per share (52.5%) on the existing paid up capital of 10,955,000 ordinary shares of the company. Since company has proposed to issue 2,738,750 Right Shares ranking parri passu with the existing shareholders, thus the dividend of Rs. 57.514 Million shall be paid @ Rs. 4.20 per share to all eligible shareholders including holders of Right Shares, as recommended by the Board of Directors.
- To consider & approve issue of 20% Bonus Shares to all the shareholders including holder of Right Shares as recommended by the Board of Directors.
- To appoint the auditors for the year ending September 30, 2001 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible for appointment, have offered themselves for reappointment.
- To consider any other business with the permission of the Chairman.

**Special Business:**

- To consider and pass the following Special Resolution.

i) Resolved that Authorized Capital of the Company be raised from Rs. 200 Million to Rs. 400 Million divided into 40,000,000 ordinary shares of Rs. 10/- each and existing Clause V of the Memorandum and Clause 3 of the Articles of Association of the Company be substituted as under:-

**ii) Clause V of the Memorandum of Association**

The Capital of the Company is Rs. 400 Million (Rupees Four Hundred Million) divided into 40,000,000/- ordinary shares of Rs. 10/- each. The Company shall have power to increase, reduce or re-organize the capital of the Company and divide shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984.

**iii) Article Clause 3 of the Articles of Association**

The Capital of the Company is Rs. 400 Million (Rupees Four Hundred Million) divided into 40,000,000/- ordinary shares of Rs. 10/- each. The Company shall have power to increase, reduce or re-organize the capital of the Company and divide shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984.

- To consider and pass the following Special Resolutions with or without modification:

i) Resolved to alter/delete Sub Clause 1 of Clause III of the Memorandum of Association of the Company and to substitute with the following Sub Clause 1:-

"To carry on the business of Textile Spinning Mills, Textile Weaving Mills, Textile Finishing & Printing Mills, including Sizing, Bleaching, Dyeing, Mercerizing & Printing, Textile

Manufacturers, Cotton Ginning Factories or Presses for pressing bales and any other similar concern and to erect and install all kinds of Machinery as required for the Comprehensive/Composite Textile Spinning Mills, Textile Weaving Mills, Textile Finishing Mills, including Sizing, Bleaching, Dyeing, Mercerizing & Printing and Ginning Factories and to establish, run, work, maintain and control Textile Spinning Mills, Textile Weaving Mills, Textile Finishing & Printing, Ginning Factories and buy raw material for the said projects and to install & establish Power Generating Plants for supplying Power/Energy to the Industrial Projects of the Company.

ii) Resolved that Clause No. 7, 11 & 12 of the Memorandum of the Company be reviewed, changed/amended to conform with requirement of Companies Ordinance, 1984.

iii) Resolved that the following clauses of the Article of Association of the Company be reviewed changed/amended to conform with the requirement of the Companies Ordinance, 1984.

Clause Nos. 2,4,5,7,8,10,13,14,15,16,17,18,19,20,21,23,24,32,35,36,37,38,41,42,43,44, 49,50,54,55,57,60,61,62,63,66,68,69,71,75,76,77,80,81,84,85,89,90,91,92.

iv) Resolved that Mr. Fazal Ahmed Sheikh, Chief Executive of the Company and/or Mr. Amanullah, Company Secretary of the Company are hereby authorized to comply with the formalities under the Companies Ordinance, 1984.

v) Resolved that in case of any mistake, printing error, omission or any other discrepancy is pointed out by the Deputy Registrar of Companies, Multan or the Securities & Exchange Commission of Pakistan, Government of Pakistan, Islamabad, in the new set of the Memorandum and Article of Association of the Company Mr. Fazal Ahmed Sheikh, Chief Executive of the Company and/or Mr. Amanullah, Company Secretary of the Company are hereby authorized to make necessary corrections and to rectify the defect.

**BY ORDER OF THE BOARD OF DIRECTORS**

Dated: March 1, 2001

Place: Multan.

**AMANULLAH**  
**(Company Secretary)**

**NOTES:**

**BOOK CLOSURE**

The share Transfer Books of the company will remain closed from March 18th 2001 to March 28th 2001 (both days inclusive):

1. The Cash Dividend will be paid to the members, whose names will appear in the register of the member as at the close of business on March 18, 2001. Transfers received in order by our Share Registrars, M/s. Your Secretary, 1020, 10th Floor, Uni Plaza, I.I. Chundrigar Road, Karachi upto March 17th, 2001 maximum by 01 P.M. will be taken in the books.
2. A member eligible to attend and Vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting in the working hours.
3. Any individual beneficial owner of C.D.C. entitled to attend and vote at this meeting must bring his/her Identity and in case of Proxy must enclose an attested copy or his/her National Identity Card (N.I.C) or Passport. Representatives of corporate members should bring the usual documents required for such purposes.
4. Members are requested to notify any changes in their address immediately.
5. Statement of material facts U/S 160 of the Companies Ordinance, 1984 has been annexed to the Notes of Meeting.

**Statement U/S 160 of the Companies Ordinance, 1984.**

The Company is interested to install complete Textile Finishing plant including Bleaching, Dyeing, Mercerizing, Calendering, Folding & Printing Plant in the existing Weaving Unit at Multan to make it a complete composite Unit. For this purposes additional working capital is also required due to addition of Finishing & Printing plants. The existing Authorized capital of Rs. 200 Million is required to be enhanced to Rs. 400 Million.

**DIRECTORS' REPORT TO THE MEMBERS**

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

**"IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL"**

**ASSALAM-O-ALLAIKUM !**

The Directors of your Company are pleased to welcome you to the 11th Annual General Meeting of the

Company to consider the Audited Accounts for the year ended September 30, 2000 together with the Directors and Auditors Report thereon.

### OPERATING AND FINANCIAL RESULTS

Alhamdulillah, with the blessings of Almighty Allah, management of your company has been able to achieve excellent operating results. During the year under review your company's total sales are amounting to Rs. 1.307 billion as compared to last year's figure of Rs. 0.800 billion and earned an after tax profit of Rs. 143.064 million as compared to Rs. 34.235 million of the last year. Financial performance of your company for the year under review has been encouraging despite the country's depressed economic conditions. The salient financial features for the year under review are produced below:

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
	<b>(000)</b>	<b>(000)</b>
Sales of Cloth and Yarn		
Export	1,188,486	737,176
Local	118,402	63,206
	-----	-----
	1,306,888	800,382
Gross Profit	321,601	129,202
Profit after tax	143,064	34,235
Unappropriated profit brought forward	18,334	25,536
Profit available for appropriation	161,399	57,772
Appropriations:		
Proposed Cash Dividend 52.50% (1998-99 @ 12.50%)	57,514	13,694
Prior Year Dividend (1997-98 @ 23.50%)	0	25,744
Reserve for Bonus Share 20%	27,388	0
	-----	-----
	84,902	39,438
Un appropriated profit carried forward	76,497	18,334
	=====	=====
Gross profit rate	24.61%	16.14%
Net profit rate	10.95%	4.28%
Current ratio	51:49	47:53
Debt/equity ratio	46:54	60:40
Dividend pays out ratio	52.50%	12.50%
Earnings per share	Rs. 13.06	Rs. 3.13

As per annual report for the year ended September 30, 1999, the directors found a number of positive factors, on which they had constructed optimistic scenario for the near term. The company has been successful in procuring good quality and quantity of cotton at a reasonable price, which has assisted the company in achieving better results.

The other reasons for increase in profit for the year are extended capacity, backup facility of spinning unit, self power generation, improved productivity and quality, and of course, professional management.

Sales tax refund and export rebate claims remain pending for several months due to cumbersome procedures. Blockage of productive funds creat liquidity problems due to which business performance is badly effected.

### PROPOSED ISSUANCE OF RIGHT SHARES

The company has proposed 25% right shares worth Rs. 27.387 million as Ordinary Share of Rs. 10 each at a premium of Rs. 15 per share to meet the cost resulting from expansion of weaving project and to meet the increased working capital requirement. The proposed issue would contribute towards the timely completion of the project and, therefore, will avoid further cost escalation. The revenue will increase considerably due to increased manufacturing capacity, increasing the profit capability and resultanty enhancing the expected returns to the share holders. Furthermore, the issue will also reduce the mark up charges and provide necessary funds for working capital, enabling the company to comply with the prudential regulations of State Bank of Pakistan.

### EXPANSION PLAN

#### WEAVING

The expansion project at a cost of about half billion rupees, comprising 108 air-jet looms with complete back process is at advanced stage of its implementation. Back Process machinery has already been installed at site. The project is scheduled for its commercial production from October 2001.

#### SPINNING

The Company is planning to increase the capacity of its spinning unit of 14,400 spindles to about 20,000 spindles by the end of year 2001 and also starting production of DUPONT LYCRA yarn shortly

which will assist the Company in producing higher value added products and development of new products.

#### **INFORMATION TECHNOLOGY**

Your management is acutely aware that unless policies and procedures are rigorously enforced, reduction in costs, improvements in productivity and heightened customer satisfaction will not be fully realised. Recognising this fact, the Company has requested to various I.T. Companies to review for upgrading all of its management systems and also integrate financial, cost and management accounting, production, marketing and human resource functions. During this up-gradation process over next two years, we shall be progressively moving from a traditional paper based management system to an electronic system. Through an Extranet, customers will be able to access information through an on-line facility. Information such as order status, shipping schedules, quality and inspection records will be available. Our aim is to improve the transfer of information conveniently, quickly and cost effectively to customers working in different time zones.

#### **DIVIDEND AND SHAREHOLDERS**

Cash dividend of Rs. 57,514 million i.e. Rs. 5.25 per share (52.50%) on existing share capital i.e. 10,955,000 ordinary shares or Rs. 4.20 per shares i.e. 42% including subscribers to the Right Issue of 2,738,750 shares, and bonus shares @20% have been recommended by the Board of Directors to be issued to existing shareholders and the subscribers of right shares. We thank our shareholders for their confidence in our enterprise and assure them that we remain committed to do our best to ensure best utilization of their investment in the Company for growth in future. May Allah bless us in our efforts, A'meen!

#### **FUTURE OUTLOOK**

The increase in cotton price for the year 2000-2001 season, mark-up rates by SBP on export refinance and withdrawal of export refinance facility on yarn is not a good sign for textile industry and will lead to increase in overall cost, which shall have adverse impact on the profitability for the year 2001. However, management is trying to achieve better prices for its products and with increased production capacity is striving to minimise operating costs.

The management of your company is fully aware of the tough competition and is making all possible efforts to absorb the effects by adopting innovative sales strategies i.e. break through in the US and European markets and at the same time controlling cost of production and development of the new products. The company is also exploring possibilities of further value addition in existing products.

Since, the Company is already enjoying good reputation among its customers and therefore installation of the new plant and equipment will help the company to achieve the better quality level and thereby getting better price level in international markets. Benefits of the expansion will of course, be reflected in financial results for the coming years.

Textile Vision 2005 will be instrumental in developing long term policies to reposition Pakistan's textile industry in an era when there will be no quota regime.

#### **ISO 9002/14001 CERTIFICATION**

Al-hamdolillah! Your Company reached another landmark with the ISO-9002 certification of its Spinning Unit. The certification of Weaving Unit had already been received last year. Now, all our production areas are ISO-9002 certified. This will provide an extra assurance to the customers with respect to best quality of our products in the market place. We have also started work to acquire ISO-14001 certification which depicts management's commitment to implement the environmental management system in the organisation, which is need of the day.

#### **INDUCTION IN TO CENTRAL DEPOSITORY SYSTEM**

Central Depository Company of Pakistan Limited (C.D.C.) declared shares of the Company "eligible security" with effect from December 23, 1998. Shares of the Company have been inducted into Central Depository System with effect from 17.02.2001.

#### **AUDITORS**

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

#### **PATTERN OF SHARE HOLDINGS**

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

#### **EMPLOYEES RELATIONS AND MANAGEMENT DEVELOPMENT**

Your company places great importance on the employees and considers them members of FATIMA GROUP Family. We continue to invest in the professional development and improved skills of our human resources, since we believe that by investing in our people, we invest in our future. Company's Human Resource Policy, has always been based on the underlying values of fairness, merit, equal opportunity and social responsibility. Continuous efforts are made to enhance the skills of employees, by way of on job training as well as outside courses, seminars and workshops, performance appraisal, health and safety and industrial relations. Complying with our human resource policies, we do not employ any child labour.

Recognising the importance of HRM, your company is considering to take number of measures to develop its employees to meet the challenges of today's competitive corporate world. The employees and management have jointly made dedicated efforts to keep up with high standards of productivity and their relations by Allah's grace, continued to remain in total harmony. Your company is fortunate in having highly motivated, skilled and committed colleagues. The Board places on record its deep appreciation to all of them for their hard work and dedication to achieve these results despite adverse business conditions.

#### **A NOTE OF GRATITUDE TO CUSTOMERS AND BANKERS**

The focal point of our business strategies is the customer satisfaction. We believe in developing long term business relations with our customers at all levels, based on Company's policy on business principles. We work in close co-ordination with our valued customers to remain aware of their changing needs and to move ahead of their demand. We are thankful for their continued support and confidence in products of "Reliance". The directors also wish to place on record their appreciation for the patronage and confidence placed in the company by the financial institutions and commercial banks.

#### **ON BEHALF OF THE BOARD**

Dated: January 31, 2001  
Place: Multan.

**FAZAL AHMED SHEIKH**  
(Chief Executive)

#### **AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of RELIANCE WEAVING MILLS LIMITED as at September 30, 2000 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 statements in conformity with the approved accounting standards and the requirements of 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 mis statement. 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 the 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 and profit and loss account together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and except for the effects of contents of note 2.2, these 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 profit, changes in equity and its cash flows for the year then ended; and

d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Place: Multan  
Date: January 31, 2001

**M. YOUSUF ADIL SALEEM & CO.,**  
(Chartered Accountants)

#### **BALANCE SHEET AS AT SEPTEMBER 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised capital</b>			
20,000,000 (1999: 11,000,000) Ordinary shares of Rs. 10/- each.		200,000,000	110,000,000
Issued, subscribed and paid up capital			
10,955,000 Ordinary shares of Rs. 10/- each fully paid in cash		109,550,000	109,550,000
Reserve for Bonus Shares		27,387,500	--
General Reserve		100,000,000	100,000,000
Unappropriated profit		76,496,986	18,333,800
		313,434,486	227,883,800
<b>LONG TERM LOANS</b>	4	314,103,910	313,835,852
<b>DEFERRED LIABILITIES</b>			
Capital expenditure payable	5	--	28,055,000
<b>CURRENT LIABILITIES</b>			
Short term bank borrowings	6	397,588,859	416,653,852
Current portion of long term liabilities	7	62,438,535	75,878,957
Creditors, accrued and other liabilities	8	147,648,360	79,647,663
Provision for taxation		11,111,902	665,860
Dividends	9	59,501,735	25,860,339
		678,289,391	598,706,671
<b>CONTINGENCIES AND COMMITMENTS</b>	10	--	--
		1,305,827,787	1,168,481,323

The annexed notes from 1 to 34 form an integral part of these accounts.

Sd/-  
**FAZAL AHMED SHEIKH**  
(Chief Executive)

<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	11	585,592,036	338,823,223
Capital work-in-progress	12	67,435,944	295,932,598
		653,027,980	634,755,821
<b>LONG TERM DEPOSITS AND DEFERRED COST</b>	13	650,550	7,066,078
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	19,641,030	15,465,167
Stock-in-trade	15	142,680,978	203,561,308
Trade debtors	16	320,084,928	205,261,800
Loans and advances	17	38,241,279	9,254,724
Deposits and prepayments	18	7,565,883	6,580,704
Other receivables	19	12,738,742	19,459,241
Cash and bank balances	20	111,196,417	67,076,480
		652,149,257	526,659,424
		1,305,827,787	1,168,481,323

Sd/-  
**FAWAD AHMED SHEIKH**  
(Director)

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

*2000*                      *1999*



	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>SALES</b>	21	1,306,887,918	800,382,364
<b>COST OF GOODS SOLD</b>	22	985,287,197	671,179,986
<b>GROSS PROFIT</b>		321,600,721	129,202,378
<b>OPERATING EXPENSES</b>	23	61,665,201	34,592,187
<b>OPERATING PROFIT</b>		259,935,520	94,610,191
<b>OTHER INCOME</b>	24	25,373	33,156
		259,960,893	94,643,347
<b>OTHER CHARGES</b>			
Financial	25	91,007,268	49,573,286
Workers' profit participation fund		8,132,759	2,173,971
Amortization of deferred cost		6,644,528	2,062,400
		105,784,555	53,809,657
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		154,176,338	40,833,690
Taxation	26	11,111,902	6,598,250
<b>PROFIT FOR THE YEAR AFTER TAXATION</b>		143,064,436	34,235,440
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		18,333,800	23,536,360
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		161,398,236	57,771,800
<b>APPROPRIATION:</b>			
Prior year dividend (1997-98) @ 23%		--	25,744,250
Proposed dividend @ 52.5% (1998-99 @ 12.5%)	30	57,513,750	13,693,750
Reserve for bonus shares		27,387,500	--
		84,901,250	39,438,000
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		76,496,986	18,333,800
Earnings per share	27	13.06	3.13

The annexed notes from 1 to 34 form an integral part of these accounts.

Sd/-  
FAZAL AHMED SHEIKH  
(Chief Executive)

Sd/-  
FAWAD AHMED SHEIKH  
(Director)

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

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	154,176,338	40,833,690
Depreciation	64,029,363	32,679,234
Provision for gratuity	--	(1,289,970)
Amortization of deferred cost	6,644,528	2,062,400
Financial charges	91,007,268	91,297,464
<b>Operating profit before working capital changes</b>	315,857,497	165,582,818
<b>Changes in working capital</b>		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(4,175,863)	(7,257,195)
Stock in trade	60,880,330	(133,428,034)
Trade debtors	(114,823,128)	21,081,130
Loans and advances	(28,986,555)	(3,138,971)
Deposits and prepayments	(985,179)	2,635,968
Other receivables	6,720,499	(5,180,440)
Increase/(Decrease) in current liabilities		

Creditors, accrued and other liabilities	65,847,157	27,082,289
	(15,522,740)	(98,205,253)
Cash generated from operations	300,334,757	67,377,565
Financial charges paid	(88,853,730)	(79,935,113)
Gratuity paid	--	(136,401)
Taxes paid	(665,860)	(8,476,787)
<b>Net cash from/(used in) operating activities</b>	<b>210,815,168</b>	<b>(21,170,736)</b>
<b>B) CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(82,301,520)	(342,495,804)
Long term deposits	(229,000)	9,448,058
<b>Net cash used in investing activities</b>	<b>(82,530,520)</b>	<b>(333,047,746)</b>
<b>C) CASH FROM FINANCING ACTIVITIES</b>		
Repayment of redeemable capital	(500,000)	(500,000)
Repayment of long term loans	(75,403,202)	(28,827,846)
Proceeds from long term loans	34,675,838	306,111,840
Increase/(Decrease) in short term bank borrowings	(19,064,993)	42,612,694
Payment of dividend	(23,872,354)	(14,508,211)
<b>Net cash used in financing activities</b>	<b>(84,164,711)</b>	<b>304,888,477</b>
Net Increase/(decrease) in cash and bank balances (A+B+C)	44,119,937	(49,330,005)
Cash and bank balances at the beginning of the year	67,076,480	116,406,485
<b>Cash and bank balances at the end of the year</b>	<b>111,196,417</b>	<b>67,076,480</b>

Sd/-  
FAZAL AHMED SHEIKH  
(Chief Executive)

Sd/-  
FAWAD AHMED SHEIKH  
(Director)

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Share Capital	Reserve for Bonus shares	General Reserve	Un-appropriated Profit	Total
Balance as at October 01, 1998	109,550,000	--	100,000,000	23,536,360	233,086,360
Profit for the year after taxation	--	--	--	34,235,440	34,235,440
Prior year's dividend	--	--	--	(25,744,250)	(25,744,250)
Proposed dividend	--	--	--	(13,693,750)	(13,693,750)
Balance as at September 30, 1999	109,550,000	--	100,000,000	18,333,800	227,883,800
Balance as at October 01, 1999	109,550,000	--	100,000,000	18,333,800	227,883,800
Profit for the year after taxation	--	--	--	143,064,436	143,064,436
Reserve for Bonus Shares	--	27,387,500	--	(27,387,500)	--
Proposed dividend	--	--	--	(57,513,750)	(57,513,750)
Balance as at September 30, 2000	109,550,000	27,387,500	100,000,000	76,496,986	313,434,486

Sd/-  
FAZAL AHMED SHEIKH  
(Chief Executive)

Sd/-  
FAWAD AHMED SHEIKH  
(Director)

#### NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED SEPTEMBER 30, 2000

### 1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated in Pakistan on April 07, 1990 under the Companies Ordinance, 1984 and quoted at stock exchanges in Pakistan. Principal business of the Company is manufacture and sale of yarn and cloth. The weaving unit is located at Khanewal Road, Multan and spinning unit is located at Rawat, District Rawalpindi in the province of Punjab. The spinning unit commenced its commercial production from October, 1999.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under "historical cost convention, modified by capitalization of certain exchange differences referred in Note 2.4, and in accordance with International Accounting Standards as applicable in Pakistan.

#### 2.2 Staff retirement benefits

The Company operates an Unfunded Gratuity Scheme covering all its employees and gratuity expense is being accounted for on payment basis. Had the gratuity expense been accounted for on accrual basis, the profit for the year would have been decreased by Rs. 1,485,883 (1999: Rs. 652,577) and accumulated profit would have been decreased by Rs. 3,564,831 (1999: Rs. 2,078,948). Further the Company's liabilities are understated as at September 30, 2000.

#### 2.3 Taxation

##### Current

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

##### Deferred

The Company accounts for deferred taxation on material timing differences using the liability method.

#### 2.4 Operating assets

Operating assets, except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note.

Exchange fluctuation in respect of foreign currency loans obtained for acquisition of operating assets are incorporated in the cost of the relevant assets.

Depreciation on additions during the year is charged to income on the basis of whole year, however depreciation for proportionate period of use is charged on major project cost capitalized during the year. 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 assets are included in current income.

#### 2.5 Capital work in progress

All cost/expenditure connected with specific assets are collected under this head. These are transferred to specific assets when assets are available for use.

#### 2.6 Deferred Costs

These are amortised over a maximum period of five years from the year of deferment.

#### 2.7 Stores, spares and loose tools

These are valued at moving average cost.

#### 2.8 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	Weighted average cost
Work in process	Manufacturing cost
Finished goods	Manufacturing cost
Waste	Net realisable value

#### 2.9 Trade debtors

Known bad debts are written off and specific provisions are made for debts considered doubtful.

**2.10 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date, except those covered under forward exchange contract and exchange risk cover scheme which are converted at the cover rate. Foreign currency translation are translated into Pak Rupees at the rates of exchange ruling at the date of transaction except those covered by forward contracts which are converted at contracted rates. Exchange differences except as referred in note 2.4 are included in current income.

**2.11 Revenue recognition**

Revenue is recognized on dispatch of goods to customers.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>3. REDEEMABLE CAPITAL</b>		
Under mark-up arrangements		
Non convertible - secured		
From a Banking Company		
L.M.M. Finance		
Opening balance	500,000	1,000,000
Redeemed during the year	(500,000)	(500,000)
	-----	-----
	--	500,000
Redeemable within one year shown under current liabilities	-----	-----
	--	(500,000)
	-----	-----
	=====	=====
Marked up price	5,715,564	5,715,564
Rebate on timely payments	456,586	456,586
Number of half yearly equal installments	14	14
Date of first installment	Jan. 01, 1994	Jan. 01, 1994

The finance is secured against first equitable mortgage on fixed assets of the Company ranking Pari Passu with the charge created in respect of long term loans (Refer Note 4) and deferred capital expenditure payable (Refer Note 5). It is further secured by hypothecation of machinery, floating charge on book debts and personal guarantees of directors of the Company.

**4. LONG TERM LOANS - Secured**

	<i>Foreign Currency</i>		<i>Term Finances</i>		<i>Demand Finances</i>			<i>2000</i>	<i>1999</i>
	<i>IBRD Loan</i>	<i>Financial Institution</i>	<i>Banking Company</i>	<i>Financial Institution</i>	<i>Banking Company</i>	<i>Banking Company</i>	<i>Banking Company</i>	<i>Rupees Total</i>	<i>Rupees Total</i>
Opening balance	33,650,012	30,000,000	14,584,000	35,611,840	--	223,000,000	13,629,486	350,475,338	73,191,344
Obtained during the year	--	--	--	--	34,675,838	--	28,055,000	62,730,838	302,660,000
Deferred financial charges	--	--	--	--	--	--	--	--	3,451,840
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	--	--	--	--	34,675,838	--	28,055,000	62,730,838	306,111,840
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Paid during the period	33,650,012 (16,825,016)	30,000,000 (1,929,287)	14,584,000 (5,832,000)	35,611,840 (2,990,590)	34,675,838 --	223,000,000 --	41,684,486 (9,086,838)	413,206,176 (36,663,731)	379,303,184 (28,827,486)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	16,824,996	28,070,713	8,752,000	32,621,250	34,675,838	223,000,000	32,597,648	376,542,445	350,475,338
Payable within one year shown under current liabilities	-----	-----	-----	-----	-----	-----	-----	-----	-----
	(16,824,996)	(4,505,616)	(5,832,000)	(3,487,650)	--	(16,725,000)	(15,063,273)	(62,438,535)	(36,639,486)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	--	23,565,097	2,920,000	29,133,660	34,675,838	206,275,000	17,534,375	314,103,910	313,835,852
	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>Sub Note:</b>	4.1	4.2	4.3	4.4	4.5	4.6	4.7	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----

4.1 Principal amount of the loan (US\$ 5.893 million) is converted into Pak Rupees at the rate ruling on the date of opening of letter of credit.

The loan is secured by first equitable mortgage on present and future fixed assets of the Company ranking pari passu with the charge created in respect of redeemable capital (Refer Note 3), other long term loans and deferred capital expenditure payable (Refer note 5). It is further secured by hypothecation of all present and future plant, equipment and machinery, first floating charge on all other assets and demand promissory note.

It is subject to interest at the rate of 15% per annum payable half yearly on the loan amount outstanding in Pak Rupees. In case of default in payment of any installment of principal and / or interest on due date, additional interest at the rate of 5% per annum will be payable on amount of default. The loan is repayable in 16 equal half yearly installments commenced from November 15, 1993.

4.2 It is secured against first charge on the assets of the company and personal guarantee of the main sponsors.

It is subject to mark up @ 18% per annum payable half yearly. It is repayable in 10 equal half yearly installments commenced from June 29, 2000.

4.3 The finance is secured against pari passu charge for Rs. 25 (M) over fixed assets of the company created in respect of other long term loans. It is further secured by the personal guarantees of directors of the company.

It is subject to mark-up @ 16% per annum or 3% above the highest average Treasury Bill rate calculated for the previous quarters, whichever is higher, applicable for the subsequent quarter and payable on quarterly basis. It is repayable in 6 half yearly installments commenced from April 12, 1999.

4.4 The finance is secured against first equitable mortgage on the entire properties of the company ranking pari passu with charge created in respect of redeemable capital (refer note 3) and other long term loans. It is further secured by floating charge on book debts of the company, personal guarantee of the directors and corporate guarantee of the sister concerns.

It is subject to mark-up @ 19% per annum while there is no mark-up on deferred financial charges. It is repayable in 14 equal half yearly installments commenced from October 31,1999.

4.5 The finance is secured against first equitable mortgage on fixed assets of the company (weaving unit-2) ranking pari passu with the charge created in respect of redeemable capital (refer note 3), other long term loans. It is further secured by hypothecation of machinery, floating charge on book debts and personal guarantees of directors of the company.

It is subjected to mark up @ 16% per annum.

4.6 The company is liable to pay only mark-up @ 14% per annum on principal amount during grace period of 2 years commenced from December 01, 1998. Thereafter the total amount of principal and mark-up spread over 40 equal quarterly installments shall be paid according to the repayment schedule agreed with the bank commencing from March 01, 2001.

The finance is secured against equitable mortgage by way of first charge on fixed assets of the spinning unit of the company situated at Rawat, Rawalpindi. It is further secured by hypothecation of machinery and personal guarantees of directors of the company.

4.7 It is secured against first equitable mortgage on present and future fixed assets of the company ranking pari passu with the charge created in respect of redeemable capital (Refer note 3) and other long term loans.

It is subject, to mark up @ 52 paisa per Rs. 1000 per day. It is repayable in 10 equal half yearly installments commenced from June 30, 1995.

The amount transferred in this finance during the year is secured against the additional first charge over fixed assets of the Company (Weaving unit-1) created in respect of long term loans. It is further secured by personal guarantee of the directors of the Company.

It is subject to mark-up @ 18% p.a or 3% over and above the highest average Treasury Bills rate which is higher and payable on quarterly basis. It is payable in 8 quarterly installments commencing from March 08, 2001.

<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
-------------	------------------------	------------------------

**5. CAPITAL EXPENDITURE PAYABLE - Secured**

L/C # 047-01-49-0052-031		66,794,471	66,794,471
Less:			
Paid during the year		38,739,471	--
Transfer to Demand Finance	5.2	28,055,000	--
		-----	-----
		66,794,471	--
Transfer to current maturity shown under current liabilities		--	(38,739,471)
		-----	-----
		--	28,055,000
		=====	=====

This represents amount of foreign bills payable against import of machinery.

5.1 The repayment is guaranteed by a bank guarantee. The guarantee is counter secured against first equitable mortgage on present and future fixed assets of the Company ranking pari passu with the charge created in respect of redeemable capital (Refer Note 3) and long term loans (Refer Note 4). It has been paid subsequent to balance sheet date.

5.2 Fresh demand finance of Rs. 28.055 million was sanctioned during the year for payment of D/A bill on maturity in December 1999 for remittance to supplier and is repayable in 8 equal quarterly installments commencing after 1 year from the date of disbursement. Rate of mark-up is 3% over the above STFB with a floor of 18%. It is secured by additional first charge on fixed assets of the company and personal guarantees of the directors.

**6. SHORT TERM BANK BORROWINGS**

Commercial Banks -Secured - under mark-up	Note arrangements	Note Sanctioned Limited Rs. (M)		
Export refinance	6.1	558 (1999: 718)	389,300,000	415,444,000
Cash finance	6.2	10 (1999: 10)	4,416,967	600,000
Bank overdraft	6.3		3,871,892	609,852
			-----	-----
			397,588,859	416,653,852
			=====	=====

6.1 These are secured against lien on export documents and out of total limit, Rs. 3.099 million are secured against bank deposit (Refer note 20.1). These are further secured by pledge of exportable stock and charge on current assets of the company. Mark up rate on export refinance from SBP line ranges from 8% to 10% and on finances provided by bank's own sources ranges from 11% to 17.5%.

6.2 It is secured against pledge of stock of cotton yarn and grey cloth. Mark-up rate is 13% per annum and calculated on daily product basis payable at the end of each quarter.

6.3 This is arisen temporarily due to issuance of cheques in excess of the balance available in bank account.

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

Redeemable capital (Note 3)		--	500,000
Long term loans (Note 4)		62,438,535	36,639,486
Deferred capital expenditure (Note 5)		--	38,739,471
		-----	-----
		62,438,535	75,878,957
		=====	=====

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

Creditors		36,758,394	28,074,231
Foreign bills payable		--	2,637,941
Advance from customers		1,075,620	2,708,752
Accrued charges		46,386,968	13,347,087
Mark-up/interest on secured			
Long term loans		9,296,115	11,411,677
Shod term bank borrowings		9,235,900	4,966,797
Income tax		6,932,135	1,286,318
Zakat payable		--	436,185
Workers' profit participation fund	8.1	8,318,935	2,645,721
Due to associated undertaking	8.2	29,460,167	12,113,639
Other liabilities		184,126	19,315

	147,648,360	79,647,663
--	-------------	------------

**8.1 Workers' Profit Participation Fund**

Opening balance	2,645,721	3,794,794
Interest on fund utilized on company's business	196,080	471,750
	2,841,801	4,266,544
Payment to workers on behalf of the fund	2,655,625	3,794,794
	186,176	471,750
Allocation for the year	8,132,759	2,173,971
	8,318,935	2,645,721

8.2 It represent mark-up free temporary advance from associated undertakings.

**9. DIVIDEND**

Proposed	57,513,750	13,693,750
Unclaimed	1,647,592	882,383
Payable	340,393	11,284,206
	59,501,735	25,860,339

**10. CONTINGENCIES AND COMMITMENTS****Contingencies**

Bank guarantees issued on behalf of the Company	8,800,000	8,885,675
---	-----------	-----------

**Commitments****Letters of credit**

For capital expenditure	294,135,726	6,323,044
Others	5,037,720	--
	299,173,446	6,323,044

**11. OPERATING FIXED ASSETS**

Particulars	COST			Rate %	DEPRECIATION			Written down value at September 30, 2000
	As at October 01, 1999	Addition/ (Deletion)	As at September 30, 2000		As at October 01, 1999	For the year	As at September 30, 2000	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	
Freehold land	14,067,925	1,045,380	15,113,305	--	--	--	--	15,113,305
Building on freehold land	36,644,702	13,562,587	50,207,289	10	13,659,191	3,654,810	17,314,001	32,893,288
Plant and machinery	419,043,714	292,944,222	712,037,936	10	138,390,112	57,364,782	192,754,893	516,283,043
Electric installations	17,565,124	77,430	17,642,554	10	5,893,544	1,174,901	7,068,445	10,574,109
Factory equipment	2,013,615	1,211,678	3,225,293	10	505,560	271,974	777,534	2,447,759
Office equipments	1,645,535	141,123	1,786,658	10	321,562	146,510	468,072	1,318,586
Electric appliances	1,358,672	348,060	1,706,732	10	382,219	132,451	514,670	1,192,062
Furniture and fixtures	1,355,755	251,402	1,607,157	10	338,868	126,829	465,696	1,141,461
Vehicles	7,918,238	1,166,292	9,084,530	20	3,299,001	1,157,106	4,456,107	4,628,423
	501,613,280	310,798,174	812,411,454		162,790,057	64,029,363	226,819,418	585,592,036
2000	501,613,280	310,798,174	812,411,454		162,790,057	64,029,363	226,819,418	585,592,036
1999	321,732,451	179,880,829	501,613,280		130,110,823	32,679,234	162,790,057	338,823,223

Note  
2000  
Rupees  
1999  
Rupees

**11.1 Depreciation for the year has been allocated as under:**

Cost of goods manufactured	23	62,466,467	30,466,754
Administrative expenses	23	1,562,896	1,120,824
Trial run operation		--	1,091,656

	64,029,363	32,679,234
	=====	=====
<b>12. CAPITAL WORK IN PROGRESS</b>		
Civil work	28,827,622	12,737,049
Machinery	36,231,420	283,195,549
Unallocated expenditure	2,376,902	--
	-----	-----
	67,435,944	295,932,598
	=====	=====
<b>13. LONG TERM DEPOSITS AND DEFERRED COST</b>		
Long term deposits	650,550	646,550
Deferred cost (quota)	10,536,999	10,311,999
Amortization		
Opening balance	3,892,471	1,830,071
During the year	6,644,528	2,062,400
	-----	-----
	10,536,999	3,892,471
	-----	-----
	650,550	7,066,078
	=====	=====
<b>14. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	18,764,672	12,929,893
Spares	869,442	2,517,476
Loose tools	6,916	17,798
	-----	-----
	19,641,030	15,465,167
	=====	=====
<b>15. STOCK IN TRADE</b>		
Raw material	48,191,797	110,971,290
Work in process	9,233,968	10,375,795
Finished goods	83,913,544	81,110,008
Waste	1,341,669	1,104,215
	-----	-----
	142,680,978	203,561,308
	=====	=====
<b>16. TRADE DEBTORS</b>		
Foreign - Secured against foreign bills	290,437,736	185,695,597
Local - unsecured - considered good	29,647,192	19,566,203
	-----	-----
	320,084,928	205,261,800
	=====	=====
<b>17. LOANS AND ADVANCES</b>		
<b>Considered Good</b>		
Due from employees	949,271	1,021,014
Advances		
Suppliers	14,695,449	4,938,539
Expenses	75,141	32,537
Income Tax	21,856,760	3,262,634
Others	664,658	--
	-----	-----
	38,241,279	9,254,724
	=====	=====
<b>18. DEPOSITS AND PREPAYMENTS</b>		
Shod term security deposits	2,344,090	1,605,100
Prepayments		
Insurance	233,527	172,980
Letters of credit, fee, margin and expenses	4,988,266	3,397,786
Quota Deposit	--	1,404,838
	-----	-----
	7,565,883	6,580,704
	=====	=====
<b>19. OTHER RECEIVABLES</b>		
Export rebate	5,980,933	6,935,318
Mark-up refundable	--	134,907
Profit receivable	--	358,107
Sales tax	4,554,867	7,429,806



Due from associated undertaking	19.1	--	1,459,420
K.M.C. octroi refundable		840,200	837,310
Claims receivable		489,773	1,728,165
Others		922,969	576,208
Less: Provision for doubtful receivables		(50,000)	--
		-----	-----
Considered good		12,738,742	19,459,241
		=====	=====

19.1 The maximum balance at the end of any month during the year was Rs. 2,622,239 (1999: Rs. 5,790,000)

## 20. CASH AND BANK BALANCES

Cash in hand		134,193	38,662
Cash at banks			
<b>In current accounts</b>			
Local currency		1,959,346	21,883,553
Foreign currency	20.1	3,098,725	2,912,000
		-----	-----
		5,058,071	24,795,553
<b>In escrow account</b>			
Local currency		106,004,153	--
<b>In deposit account</b>			
Local currency		--	409,392
Foreign currency	20.1	--	41,832,873
		-----	-----
		--	42,242,265
		-----	-----
		111,196,417	67,076,480
		=====	=====

20.1 Deposit of Rs. 3,098,725/- (1999 - Rs.37,596,000/-) is under lien against short term bank borrowings (Refer Note 6).

## 21. SALES

Export		1,215,532,338	742,492,442
Local		104,816,835	58,676,033
		-----	-----
		1,320,349,173	801,168,475
Waste -Local		13,585,493	4,530,196
		-----	-----
		1,333,934,666	805,698,671
Rebate		12,834,262	12,571,674
		-----	-----
		1,346,768,928	818,270,345
Commission and claims		(39,881,010)	(17,887,981)
		-----	-----
		1,306,887,918	800,382,364
		=====	=====

## 22. COST OF GOODS SOLD

Cost of goods manufactured	22.2	983,254,683	683,203,184
Cloth consumed		5,073,504	9,911,905
		-----	-----
		988,328,187	693,115,089
<b>Finished goods</b>			
Opening stock	22.1	82,214,223	43,921,658
Closing stock		(85,255,213)	(65,856,761)
		-----	-----
		(3,040,990)	(21,935,103)
		-----	-----
		985,287,197	671,179,986
		=====	=====

22.1 It includes stock of Rs. 16,357,462 transferred from trial run operations.

### 22.2 Cost of goods manufactured

Raw material consumed	22.2.1	729,607,059	564,341,252
Stores and spares		41,679,370	30,665,039
Packing material		10,580,615	1,748,427
Salaries, wages and benefits	22.2.2	41,285,660	17,064,056
Fuel, and power		82,569,626	37,011,451
Insurance		4,202,796	1,000,806
Repairs and maintenance		4,312,443	773,572

Depreciation	11.1	62,466,467	30,466,754
Others		5,408,821	1,326,569
		-----	-----
		982,112,856	684,397,926
<b>Work in process</b>			
Opening	22.2.3	10,375,795	5,326,400
Closing		(9,233,968)	(6,521,142)
		-----	-----
		1,141,827	(1,194,742)
		-----	-----
		983,254,683	683,203,184
		=====	=====

**22.2.1 Raw material consumed**

Opening stock	22.2.1.1	110,971,290	20,885,216
Purchases including expenses		666,827,566	568,122,502
		-----	-----
		777,798,856	589,007,718
Closing stock		(48,191,797)	(24,666,466)
		-----	-----
		729,607,059	564,341,252
		=====	=====

22.2.1.1 It includes stock of Rs. 86,304,824 transferred from trial run operations.

22.2.2 It include staff retirement benefits of Rs. 204,066 (1999: Rs. 155,184)

22.2.3 It includes stock of Rs. 3,854,653 transferred from trial run operations.

**23. OPERATING EXPENSES****Administrative**

Directors' remuneration		300,000	300,000
Staff Salaries and benefits		4,125,076	3,313,797
Telephone and postage		2,961,147	2,587,807
Vehicle running and maintenance		608,324	407,026
Travelling and conveyance		5,239,146	3,603,854
Printing and stationery		424,945	415,356
Entertainment		174,019	179,374
Fee, subscription and periodicals		580,534	616,728
Advertisement		55,251	134,161
Audit fee		125,000	100,000
Repair and maintenance		1,235,016	510,627
Legal and professional		139	71,000
Rent, rates and taxes		185,627	153,564
Depreciation	11.2	1,562,896	1,120,824
Others		1,512,312	623,395
		-----	-----
		19,089,432	14,137,512

**Selling**

Ocean freight & shipping		17,452,091	13,201,737
Local freight and octroi		6,219,646	2,616,390
Bank charges		6,060,286	4,380,799
Marketing		12,456,000	--
Others		387,746	255,749
		-----	-----
		42,575,769	20,454,675
		-----	-----
		61,665,201	34,592,187
		=====	=====

**24. OTHER INCOME**

Interest on deposits		25,373	33,156
		-----	-----
		25,373	33,156
		=====	=====

**25. FINANCIAL CHARGES**

Interest/mark, up on			
Redeemable capital		23,530	60,330
Long term loans		53,472,917	16,736,271
Short term bank borrowings		34,838,832	31,041,895
Workers' profit participation fund		196,080	471,750
		-----	-----
		88,531,359	48,310,246

Bank charges, excise duty and commission	2,475,909	1,263,040
	-----	-----
	91,007,268	49,573,286
	=====	=====

**26. TAXATION**

Current Year	11,111,902	6,598,250
	=====	=====

The tax has been worked out u/s 80-CC of the Income Tax Ordinance, 1979.

**Deferred**

The company is to be assessed under presumptive tax regime as per section 80-CC of the Income Tax Ordinance, 1979, therefore no deferred tax liability arises.

**27. EARNINGS PER SHARE- BASIC**

Profit after taxation for the year attributable to ordinary shareholders.	143,064,436	34,235,440
	=====	=====

Weighted average number of Ordinary Share outstanding during the year	10,955,000	10,955,000
	=====	=====

Earnings per share	13.06	3.13
	=====	=====

**28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Expenses charged by	144,082	245,945
Expenses charged to	840,725	426,621
Advance received	8,960,000	8,632,395
	=====	=====

**29. REMUNERATION TO DIRECTOR AND EXECUTIVES****29.1 Director**

Managerial remunerations	200,000	200,000
Rent & utilities	100,000	100,000
	-----	-----
	300,000	300,000
	=====	=====

Number of person	1	1
------------------	---	---

**29.2 Executives**

Managerial remunerations	1,848,000	980,000
Rent & utilities	924,000	490,000
Reimbursement of expenses		
Medical & others	173,478	25,840
	-----	-----
	2,945,478	1,495,840
	=====	=====

<b>Number of persons</b>	13	7
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The chief executive officer and directors are provided free use of company's maintained car.

Certain executives are also provided company's vehicles.

**30. PROPOSED DIVIDEND**

	<b>2000</b>	<b>1999</b>
Amount of proposed dividend (Rupees)	57,513,750	13,693,750
Existing number of ordinary shares	10,955,000	10,955,000
Dividend per share as per existing share capital (Rupees)	5.25	1.25
Right issue of ordinary shares	2,738,750	--
Total increased number of shares	13,693,750	10,955,000
Distributable dividend per share (Rupees)	4.20	1.25

**31. CAPACITY AND PRODUCTION****CLOTH**

31.1 Number of looms installed	116	116
Number of looms worked	116	116

Number of shifts per day	3	3
Number of working days	365	365
Standard cloth production (meters)	16,085,226	16,085,226
Actual cloth production (meters)	15,539,326	14,339,897

**YARN**

31.2 Number of spindles installed	14,400	14,400
Number of spindles worked	14,400	14,400
Number of shifts per day	3	3
Number of working days	365	Trial Run
Installed capacity after conversion into 20/s count Kgs.	4,849,904	Trial Run
Actual production of yarn after conversion into 20/s count Kgs.	4,234,156	Trial Run

It is difficult to describe precisely the production capacity in Spinning ! Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

**32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****Concentration of Credit Risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted, The company applies credit limits to its customers and does not have significant exposure to any individual customer.

**Interest Rate Risk**

Interest rate risk arise form the possibility that changes in interest rates will effect the value of financial instruments. The company is not exposed to interest rate risk.

**Fair values of financial assets and liabilities**

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

**33. NUMBER OF EMPLOYEES**

	<b>2000</b>	<b>1999</b>
Number of employees at average.	665	650

**34. FIGURES**

- have been rounded off nearest to rupee.

- of the prior year have been rearranged wherever necessary for the purpose of comparison.

Sd/-  
**FAZAL AHMED SHEIKH**  
(Chief Executive)

Sd/-  
**FAWAD AHMED SHEIKH**  
(Director)

**PATTERN OF SHARE HOLDINGS AS ON SEPTEMBER 30, 2000**

<b>NUMBER OF SHARE HOLDERS</b>	<b>FROM SHARES</b>	<b>TO SHARES</b>	<b>TOTAL SHARES HELD</b>
114	1	100	11400
2244	101	500	1095400
82	501	1000	81500
110	1001	5000	323600
24	5001	10000	186200
52	10001	Above	9256900
-----			-----
2626			10955000
=====			=====

**CATEGORIES OF SHAREHOLDERS**

<i>CATEGORIES OF SHARE HOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARES HELD</i>	<i>HOLDER PERCENTAGE</i>
INDIVIDUALS	2612	3539000	32.30
INVESTMENT COMPANIES	5	484500	40.42
JOINT STOCK COMPANIES	6	6255500	57.10
FINANCIAL INSTITUTIONS	2	671000	6.13
MODARABA COMPANY	1	5000	0.05
	-----	-----	-----
Total	2626	10955000	100.00
	=====	=====	=====