

# The Burewala Textile Mills Limited

Annual Report 2000

## CONTENTS

Company Information  
 Financial Highlights  
 Notice of Annual General Meeting  
 Directors' Report  
 Auditors' Report to the Members  
 Balance Sheet  
 Profit and Loss Account  
 Cash Flow Statement  
 Statement of Changes in Equity  
 Notes to the Accounts  
 Pattern of Shareholdings

## COMPANY INFORMATION

<b>Board of Directors</b>	Ahmed Dawood M. Hussain Dawood (Chief Executive) Shahzada Dawood Khawaja Amanullah Mohammad Aslam Malik Mushtaq Ali Khan Iftikhar Ahmed Dar
<b>Company Secretary</b>	Aftab Ahmed Qaiser
<b>Auditors</b>	Rahman Sarfaraz & Co. Chartered Accountants
<b>Bankers</b>	Habib Bank Limited United Bank Limited National Bank of Pakistan
<b>Registered Office</b>	35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore. Phones: (042) 6301601 - 07
<b>Mills</b>	Dawoodabad, District Vehari. Phones: (0447) 53246, 53145, 53347

## FINANCIAL HIGHLIGHTS

### Five Years at a Glance

Particulars	<i>(All amounts in thousands)</i>				
	2000	1999	1998	1997	1996
Turnover	431,110	373,605	360,098	445,668	475,436
Profit before taxation	81,969	32,318	38,460	32,490	45,485
!Profit after taxation	60,469	33,113	39,190	48,961	33,743
'Paid up capital	73,074	73,074	73,074	73,074	73,074
Number of shares (numbers)	7,307,405	7,307,405	7,307,405	7,307,405	7,307,405
Owners' equity	337,929	335,919	353,957	333,036	320,612
Break up value of					

shares of Rs. 10 each (rupees)	46.25	45.97	48.44	45.58	43.87
Earning per share-basic (rupees)	8.28	4.53	5.36	6.70	4.62
Dividend (percentage)	80%	70%	25%	50%	50%
Total assets	508,953	482,781	477,710	480,921	490,566

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-seventh Annual General Meeting of the members of The Burewala Textile Mills Limited will Insha Allah be held on March 17, 2001 at 11:00 a.m. at the Registered Office of the Company at Lahore to transact the following ordinary business after recitation from the Holy Quran:

1. To confirm the minutes of the forty-sixth Annual General Meeting held on March 21, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2000 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve payment of cash dividend as recommended by the Directors.
4. To appoint Auditors and to fix their remuneration. The retiring Auditors M/s. Rahman Sarfaraz & Co., being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

Lahore  
February 16, 2001

Aftab Ahmed Qaiser  
(Company Secretary)

### Notes:

1. The share transfer books of the Company will remain closed from March 10, 2001 to March 17, 2001 (both days inclusive).
2. A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote. Votes may be given personally or by proxy or by an attorney or in case of Corporation by a duly authorized representative. The instrument of proxy duly executed should be lodged at the Registered Office of the Company not later than forty-eight hours before the Meeting.
3. The members are requested to notify the change in addresses, if any, immediately.

## DIRECTORS' REPORT

The Directors are pleased to present their Annual Report together with the Audited Accounts for the year ended September 30, 2000 before the forty-seventh Annual General Meeting of the Company.

### Financial Results

The gross profit has increased to Rs. 65,245,597/- during the year under review, as compared to Rs. 15,067,928/- for the previous year and so has the gross profit percentage to 15.13% as compared to 4.03% for the previous year. Consequently the net profit before taxation has reached a figure of Rs. 81,969,238/- as compared to Rs. 32,318,102 of the previous year, after providing for all the operating, administrative, selling & distribution, financial expenses and depreciation of Rs. 43,221,183/- for the year. The summary of the financial results is being furnished hereunder for a quick glance.

<b>2000</b>	<b>1999</b>
<b>Rupees</b>	<b>Rupees</b>

<b>Sales</b>	431,110,172	373,605,326
Gross profit	65,245,597	15,067.93
Operating profit / (loss)	34,561,506	(16,333,237)
Other income	51,250,660	49,196,665
	=====	=====
Profit before taxation	81,969,238	32,318,102
Provision for taxation (net off deferred tax credit)	(21,500,000)	795,133
	-----	-----
Profit after taxation	60,469,238	33,113,235
Un-appropriated profit brought forward	18,103,123	36,141,723
	-----	-----
Profit available for appropriation	78,572,361	69,254,958
	=====	=====

**Dividend**

The Directors recommend a payment of cash dividend of 80% (Rs. 8 per share) on the paid up capital of the Company. Accordingly the following appropriations have been made:

Profit available for appropriation	78,572,361	69,254,958
Appropriations :		
Dividend on ordinary shares @ 80% (1999: 70%)	58,459,240	51,151,835
	-----	-----
Un-appropriated profit carried forward	20,113,121	18,103,123
	=====	=====
Earning Per Share - Basic	8.28	4.53

**Future Prospects**

Considering the increase in the prices of cotton and marginal reduction in the sales volume, for the present, it appears that the profitability of the Company for the next year may not be favourably comparable to the profits of the year under review. Nevertheless, if the sales in the last two quarters of the next year show improvement, the prospects of earnings may equal the earnings of the year under review.

**Pattern of Shareholdings**

A statement reflecting the pattern of shareholdings is attached to the Annual Report.

**Auditors**

The Auditors Messrs Rahman Sarfaraz & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, offer themselves for re-appointment.

**Staff Relations**

The Company continues to benefit from the efforts and dedication of all its employees. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

ON BEHALF OF THE BOARD

**LAHORE**  
**February 07, 2001**

**M. Hussain Dawood**  
**Chairman of the Meeting**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of THE BUREWALA TEXTILE MILLS LIMITED as at 30 September, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement 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. All 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 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 account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 2.3 and 2.7 with which we concur:

(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 30 September, 2000 and of the profit, its cash flow and changes in equity for the year then ended; and

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

**RAHMAN SARFARAZ & CO.**  
**CHARTERED ACCOUNTANTS**

**LAHORE**  
**February 08, 2001**

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital &amp; Reserves</b>			
Share Capital:			
Authorized	3	150,000,000	150,000,000
		=====	=====
Issued, subscribed and fully paid up	4	73,074,050	73,074,050
Reserves	5	244,741,688	244,741,088
		-----	-----
		317,815,738	317,815,738
Un-appropriated Profit		20,113,121	18,103,123
		-----	-----
		337,928,859	335,918,861

Obligations Under Finance Lease	6	775,911	1,001,618
<b>Deferred Liabilities</b>			
Deferred taxation	7	25,500,000	25,000,000
Provision for gratuity	8	23,148,087	9,883,558
Purchase consideration		--	1,335,702
		-----	-----
		48,648,087	36,219,260
<b>Current Liabilities</b>			
Current maturity of long term loan		--	2,559,354
Current portion of obligations under finance lease	6	225,707	185,590
Creditors, accrued charges and other liabilities	9	30,690,547	44,265,473
Provision for taxation	10	32,224,479	11,478,702
Proposed dividend on ordinary shares		58,459,240	51,151,835
		-----	-----
		121,599,973	109,640,954
<b>Contingencies and Commitments</b>			
	11	-----	-----
		508,952,830	482,780,693
		=====	=====
<b>PROPERTY AND ASSETS</b>			
<b>Operating Fixed Assets</b>	12	127,063,234	133,718,700
<b>Investments</b>	13	64,639,262	64,639,262
<b>Long Term Deposits</b>		1,852,282	1,852,282
<b>Current Assets</b>			
Stores and spare parts	14	18,330,444	19,399,626
Stock ill trade	15	136,584,472	195,911,032
Book debts	16	11,522,551	27,120,595
Advances, deposits prepayments and other receivables	17	5,277,444	5,102,940
Cash and bank balances	18	143,683,141	35,036,256
		-----	-----
		315,398,052	282,570,449
		-----	-----
		508,952,830	482,780,693
		=====	=====

Notes: The annexed notes (1 to 33) form an integral part of these accounts.

**M. Hussain Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
Sales	19	431,110,172	373,605,326
Cost of Goods Sold	20	365,864,575	358,537,398
		-----	-----
<b>Gross Profit</b>		65,245,597	15,067,928
<b>Operating Expenses</b>			
Administrative and general	21	25,535,976	26,745,305
Selling and distribution	22	5,148,115	4,655,860
		-----	-----
		30,684,091	31,401,165
		-----	-----
<b>Operating Profit / (Loss)</b>		34,561,506	(16,333,237)

Other income	23	51,250,660	49,196,665
Financial and other charges	24	3,842,928	545,326
		-----	-----
<b>Profit Before Taxation</b>		81,969,238	32,318,102
Provision for taxation:			
- Current		(21,000,000)	(1,900,000)
- Deferred		(500,000)	2,695,133
		-----	-----
		(21,500,000)	795,133
		-----	-----
<b>Profit After Taxation</b>		60,469,238	33,113,235
<b>Un-appropriated Profit Brought Forward</b>		18,103,123	36,141,723
		-----	-----
Profit available for appropriation		78,572,361	69,254,958
<b>Appropriations:</b>			
Proposed dividend on ordinary shares		58,459,240	51,151,835
		-----	-----
<b>Un-appropriated Profit Carried Forward</b>		20,113,121	18,103,123
		=====	=====
<b>Earning Per Share - Basic</b>	25	8.28	4.53

Notes: The annexed notes (1 to 33) form an integral part of these accounts.

**M. Hussain Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

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

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	26	170,014,536	30,253,688
Less: Payments:			
- Income tax		(254,224)	(2,313,067)
- Staff gratuity		(6,164,021)	(6,455,834)
		(6,418,245)	(8,768,901)
<b>Net cash inflow from operating activities</b>		163,596,291	21,484,787
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(6,314,803)	(112,500)
Sale proceeds of fixed assets		95,652	--
Assets on lease		--	(1,380,018)
Long term deposits		--	( 139,887)
		-----	-----
<b>Net cash (outflow) from investing activities</b>		(6,219,151)	(1,632,405)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Obligations under finance lease (net)		(225,707)	1,001,618
Dividend paid		(48,504,548)	(24,625,754)
		-----	-----
Net cash (outflow) from financing activities		(48,730,255)	(23,624,136)
<b>Net increase/(decrease) in cash and cash equivalents</b>		108,646,885	(3,771,754)
<b>Cash and cash equivalents at the beginning of the year</b>		35,036,256	38,808,010

Cash and cash equivalents at the end of the year	27	143,683,141	35,036,256
--	----	-------------	------------

**M. Hussain Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

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

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL</b>		
7,307,405 ordinary shares of Rs. 10 each	73,074,050	73,074,050
<b>RESERVES</b>	--	--
Share premium:		
Balance as on October 01	89,535,125	89,535,125
Appropriation from/(to) profit	--	--
Balance as on September 30	89,535,125	89,535,125
<b>Capital reserve:</b>		
Balance as on October 01	6,563	6,563
Appropriation from/(to) profit	--	--
Balance as on September 30	6,563	6.56
<b>General reserve:</b>		
Balance as on October 01	155,200,001	155,200,000
Appropriation from/(to) profit	--	--
Balance as on September 30	155,200,000	155,200,000
<b>UN-APPROPRIATED PROFIT</b>		
Balance as on October 01, as previously reported	18,103,123	36,141,723
Profit for the year after taxation	60,469,238	33,113,235
Dividend final	(58,459,240)	(51,151,835)
Balance as on September 30	20,113,121	18,103,123
<b>OWNERS' EQUITY</b>	337,928,859	335,918,861

**M. Hussain Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

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

### 1. THE COMPANY AND ITS OPERATIONS

Tile Company was incorporated in Pakistan oil April 06, 1954 as a public limited company. Its shares are quoted on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of cotton yarns and fabrics.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance 1984 and International Accounting Standards as applicable in Pakistan.

## 2.2 Accounting convention

These financial statements have been prepared under historical cost convention. without any adjustment for tile effect of inflation or reference to current values.

## 2.3 Staff retirement benefits

The Company operates a contributory provident fund scheme covering its management employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.25 percent of basic pay.

The Company also operates au unfunded gratuity scheme for its non-management employees. The latest actuarial valuation of unfunded gratuity scheme was carried out as at September 30, 2000. The fair value of the un-funded gratuity scheme plan assets at the latest actuarial valuation date was Rs. nil.

The future contribution rates of these plans include allowances for deficit and surplus.

The following significant assumptions were used for calculation of these plans.

Discount rate	12%
Expected rate of return on plan assets during the year	12%
Expected rate of salary increase ill future years	10%
Actuarial valuation method	Projected Unit Credit Method

Consequential to adoption of IAS 19 (revised 1998), the actuarial valuation for the gratuity plan determined a transitional liability of Rs. 34.11 million as at September 30,1999. As a result, transitional liability is being recognized over three years, hence an amount of Rs. 11.37 million is being charged to income of the current year. The balance amount of Rs. 22.74 million shall be charged equally in two immediately succeeding years.

Had there been no change in tile accounting policy, profit before taxation for the year and the accumulated profits would have increased by Rs. 13.27 million.

## 2.4 Taxation

### Current:

The charge for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and tax rebates if available.

### Deferred:

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

## 2.5 Fixed assets and depreciation

Operating fixed assets, except free hold land, are stated at cost less accumulated depreciation. Free bold land is stated at cost. Capital work in progress is stated at cost.

Depreciation is charged on reducing balance method at tile rates specified in note No. 12.

Full year's depreciation is charged on additions during the year, whereas, no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Gains or losses on disposal of fixed assets are included in the current year's income.

## 2.6 Assets subject to finance lease

The Company accounts for assets acquired under finance lease by recording the assets and related liabilities. Finance charges are allocated to accounting periods ill a manner



so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at the rates specified in note No. 12.

## 2.7 Long term investments

Provision is made for permanent diminution in the value of any investment, excepting such provisions, the investments are stated at lower of cost and market value determined on a portfolio basis.

## 2.8 Stock, stores and spare parts

These are valued as under:

Stores and spare parts	: at moving average cost
Raw and packing materials	: at average cost
Work in process and finished goods	: at lower of average cost and estimated net realizable value.

Cost of W.I.P. and finished goods comprise of cost of materials, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

## 2.9 Revenue recognition

Revenue from sales is recognized on despatch of goods.

Dividend income is recognized as and when declared.

Profit/interest is accounted for on accrual basis: the change in policy has not resulted in any change in income for the year.

Rebates are accounted for as and when allowed.

## 3. AUTHORIZED SHARE CAPITAL

	2000		1999	
	<i>No. of Shares</i>	<i>Amount Rupees</i>	<i>No. of Shares</i>	<i>Amount Rupees</i>
Ordinary shares of Rs. 10 each	15,000,000	15,000,000	15,000,000	15,000,000

## 4. ISSUED, SUBSCRIBED AND FULLY PAID UP SHARE CAPITAL

Ordinary shares of Rs. 10 each, fully paid in cash.	4,331,415	433,141,511	4,331,415	43,314,150
Ordinary shares of Rs. 10 each, issued for consideration other than cash	749,990	7,499,900	749,990	7,499,900
Ordinary shares of Rs. 10 each, issued as bonus shares	2,226,000	22,260,000	2,226,000	22,260,000
	-----	-----	-----	-----
	7,307,405	73,074,050	7,307,405	73,074,050
	=====	=====	=====	=====

## 5. RESERVES

	CAPITAL		REVENUE	
	<i>Capital Reserve Rupees</i>	<i>Premium on Shares Rupees</i>	<i>General Reserve Rupees</i>	
<b>Balance at the end of the year</b>	6,563	89,535,125	155,200,000	244,741,688
	=====	=====	=====	=====

*2000 Rupees*      *1999 Rupees*

**6. OBLIGATIONS UNDER FINANCE LEASE**

The amounts of future lease rentals are payable during:

1999-2000	--	377.06
2000-2001	377,064	377.06
2001-2002	377,064	377,064
2002-2003	377,064	377.06
2003-2004	33,686	33,686
	-----	-----
	1,164,878	1,541,942
Add: Security adjustable at the expiry of lease term	134,707	134,707
Less: financial charges not currently due	(297,967)	(489,441 )
	-----	-----
Present value of minimum lease payments	1,001,618	1,187,208
Less: Current maturity shown under current liabilities	(225,707)	(185,590)
	-----	-----
	775,911	1,001,618
	=====	=====

This represents finance leases entered into with Askari Leasing Limited the vehicles. Tile balance of tile liability is payable by November 2003 in monthly installments.

Monthly lease rentals include financial charges of 19% to 21% per annum which is used as discounting factor. Taxes, repairs, replacements and insurance costs are borne by the Company.

The leases are partially secured against cash deposit of Rs. 134,707 ( 1999: Rs. 134,707).

**7. DEFERRED TAXATION**

Credit / (debit) balance arising in respect of:

-Accelerated tax depreciation allowance	25,500,000	25,000,000
	=====	=====

**8. PROVISION FOR GRATUITY**

The amounts recognized in tile balance sheet are as follows:

Present value of defined benefit obligation	49,855,463	--
Unrecognized actuarial gains/(losses)	(3,964,669)	--
Unrecognized transitional liability	(22,742,707)	--
	-----	-----
	23,148,087	--
	=====	=====
Balance sheet liability as previously reported	9,883,558	9,839.39
Effect of change in accounting policy	11,371,354	--
	-----	-----
Balance sheet liability restated	21,254,912	9,839,393
Amount recognized during the year	8,057,196	6,500,000
	-----	-----
	29,312,108	16,339,393
Benefits paid during the year	(6,164,021 )	(6,455,835)
Balance sheet liability as at September 30 (as per new IAS 19 (revised 1998))	-----	-----
	23,148,087	9,883.56
	=====	=====

**2000**                      **1999**  
**Rupees**                      **Rupees**

**9. CREDITORS, ACCRUED AND OTHER LIABILITY! ES**

Creditors	936,753	19,799,080
Accrued expenses	14,678,579	14,221,419
Deposits	221,308	626.94
Advances from customers	483,828	1,561,465
Due to associated undertakings	1,419,055	1,663,792
Workers' Profit Participation Fund (Note 9. 1 )	1,739,143	--

Un-claimed dividend	5,717,797	3,070,510
Income tax payable	158,377	618,836
Sales tax payable	5,355,707	2,703,431
	-----	-----
	30,690,547	44,265,473
	=====	=====

**9.1 Workers' Profit Participation Fund**

Balance at the beginning of the year	--	--
Allocation for the year	1,739,143	--
	-----	-----
	1,739,143	--
Payments made during the year	--	--
	-----	-----
Balance at the end of the year	1,739,143	--
	=====	=====

**10. PROVISION FOR TAXATION**

Balance at tile beginning of the year	9,887,641	10,300,708
Provision For tile year	21,000,000	1,900,000
	-----	-----
	30,887,641	12,200,708
Paid / adjusted during the year	(965,608)	(2,313,067)
	-----	-----
	29,922,033	9,887,641
Workers' Welfare Fund	2,302,446	1,591,061
	-----	-----
Balance at the end of the year	32,224,479	11,478,702
	=====	=====

**11. CONTINGENCIES AND COMMITMENTS**

## Contingencies:

The Company is currently liable for the sales tax demands amounting to Rs. 8,702,684 1999: Rs. 2,370,130).

**Commitments:**

There are no capital commitments outstanding at the year end ( 1999: Rs. nil).

**12. OPERATING FIXED ASSETS**

Cost	Depreciation									
	Description	As on Oct 01, 1999	Additions/ (deletions)	As on Sep 30, 2000	Accumu- lated as on Oct 01, 1999	Charge for the year	Adjust- ments	Accumu- lated as on Sep 30, 2000	Book Value as on Sep 30, 2000	Depre- ciation Rate per annum %
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets:</b>										
<b>Owned Assets:</b>										
Land-freehold	4,107,199	--	4,107,199	--	--	--	--	4,107,199	--	
Buildings on freehold and:										
-Factory	13,308,578	--	13,308,578	12,096,281	121,230	--	12,217,511	1,091,067	10	
-Others	13,936,233	--	13,936,233	9,447,643	224,429	--	9,672,072	4,264,161	5	
Plant & machiner7	259,807,489	6,120,000	265,927,489	164,952,639	10,097,485	--	175,050,124	90,877,365	10	
Tools & equipment	2,791,041	--	2,791,041	1,909,704	88,134	--	1,997,638	793,203	10	
Electrical installations	47,238,425	--	47,238,425	29,579,988	1,765,844	--	31,345,832	15,892,593	10	
Furniture, fixtures & office equipment	4,819,770	194,803	5,014,573	3,500,485	151,409	--	3,651,894	1,362,679	10	
Vehicles	5,569,805	(621,576)	4,948,229	4,211,745	266,824	(597,638)	3,880,931	1,067,298	20	
Hospital equipment	100,022	--	100,022	99,381	64	--	99.45	577	10	

Agricultural equipment	343,542	--	343,542	242,450	10,109	--	252,56	90,983	10
Ginning factory	17,894,490	--	17,894,490	13,572,780	--	--	13,572.78	4,321,710	
Poultry feed plant	4,647,399	--	4,647,399	2,343,111	--	--	2,343,111	2,304,288	
<b>Subtotal:</b>	374,563,993	6,314,803 (621,576)	380,257,220	241,956,207	12,725,528	(597,638)	254,084,091	126,173,123	
<b>Leased Assets:</b>									
Vehicles	1,380,018	--	1,380,018	276,004	220,803	--	496,807	883,211	20
<b>Intangible Assets</b>									
Trademarks	24,190	--	24,190	17,290	--	--	17,290	6,900	--
<b>Total 2000:</b>	375,968,201	6,314,803 (621,576)	380,661,428	242,249,501	12,946,331	(597,638)	254,598,194	127,063,234	
Total 1999:	374,475,683	1,492,518	375,968,201	228,505,749	13,743,752	--	242,249,501	133,718,700	

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>12.1 The depreciation charge for the year has been allocated as follows:</b>			
a) Cost of goods sold	20	12,072,692	12,733,901
b) Administrative and general expenses	21	873,639	1,009,851
		-----	-----
		12,946,331	13,743,752

**12.2 Disposal of operating fixed assets:**

<b>Description</b>	<i>Cost</i> <i>Rupees</i>	<i>Accumulated</i> <i>Depreciation</i> <i>Rupees</i>	<i>Book</i> <i>Value</i> <i>Rupees</i>	<i>Sale</i> <i>Proceeds</i> <i>Rupees</i>	<i>Profit /</i> <i>(Loss)</i> <i>Rupees</i>	<i>Sold to</i>	<i>Mode of</i> <i>Sale</i>
Vehicles:							
Toyota Hilux- LHN 2747	175,000	159,968	15,032	84,746	69,714	M/s Izhari (Pvt) Ltd. 149 Ferozpur Road. Lahore	Auction
Honda Accord- LHE 7557	255,406	250,805	4,601	5,601	1,000	Mr. Yousaf Ghani. 115/8 Munir Road. Lahore Cantt	Auction
[Toyota Corolla- LHG 1929	191,170	186,865	4,305	5,305	1,000	Mr. Yousaf Ghani, 115/8 Munir Road, Lahore Cantt	Auction
Total 2000	621,576	597,638	21,938	95,652	71,714		
Total 1999	--	--	--	--	--		

*2000*  
*Rupees*

*1999*  
*Rupees*

**13. INVESTMENTS****Quoted****Associated Undertakings:****Dawood Hercules Chemicals Limited**

3,896,668 (1999:3,896,668) fully paid ordinary shares of Rs. 10 each

[Equity held 9.73% ( 1999: 9.73%)]	56,315,150	56,315,150
------------------------------------	------------	------------

**Dawood Cotton Mills Limited**

774,446 (1999:774,446) fully paid ordinary  
shares of Rs. 10 each

[Equity held 10.43% (1999:10.43%)]	8,319,111	8,319,111
------------------------------------	-----------	-----------

-----	-----
64,634,261	64,634,261

**Unquoted****Associated Undertakings:****Karnaphuli Paper Mills Limited**

(Formerly an Associated Company now under  
foreign occupation)

185,000 (1999: 185,000) fully paid ordinary  
shares of Rs. 10 each

Value written off	2,497,500	2,497,500
-------------------	-----------	-----------

2,497,499	2,497,499
-----------	-----------

Balance	1	1
---------	---	---

**Others:****Asian Cooperative Society Limited**

500 (1999: 500) fully paid ordinary  
shares of Rs. 10 each

5,000	5,000
-------	-------

-----	-----
5,001	5,001

-----	-----
64,639,262	64,639,262

13.1 Aggregate market value of investments of quoted companies was Rs. 362,774,233 (1999:  
Rs. 373,592,709).

**14. STORES AND SPARE PARTS**

Stores	10,347,160	11,004,866
--------	------------	------------

Spare parts	7,983,284	8,394,760
-------------	-----------	-----------

-----	-----
18,330,444	19,399,626

**15. STOCK IN TRADE**

Raw materials	22,597,527	27,738,828
---------------	------------	------------

Work in process	12,764,893	14,494,323
-----------------	------------	------------

Finished goods	101,222,052	153,677,881
----------------	-------------	-------------

-----	-----
136,584,472	195,911,032

**16. BOOK DEBTS**

Unsecured -considered good	11,522,551	27,120,595
----------------------------	------------	------------

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

Advances:

- Employees	1,122,860	689,933
-------------	-----------	---------

-Employees Provident Fund	1,237,563	1,232,267
---------------------------	-----------	-----------

- Goods suppliers	336,438	367,244
-------------------	---------	---------

Deposits and prepayments	2,580,583	2,813,496
--------------------------	-----------	-----------

-----	-----
5,277,444	5,102,940

**18. CASH AND BANK BALANCES**

Cash in hand	353,566	209,356
With banks in:		
- Current accounts	4,209,926	3,408,055
- PLS/SNTD accounts	139,119,649	31,418.85
	-----	-----
	143,329,575	34,826,900
	-----	-----
	143,683,141	35,036,256

**19. SALES**

Local	424,335,261	373,899,783
Less: Brokerage	(367,024)	(294,457)
	-----	-----
	423,968,237	373,605,326
Exports	7,141,935	--
	-----	-----
	431,110,172	373,605,326

**20. COST OF GOODS SOLD**

Raw materials:		
- Opening stock	27,738,828	14,600,202
- Purchases	112,843,980	195,132,824
	-----	-----
	140,582,808	209,733,026
-Closing stock	(22,597,527)	(27,738,828)
	-----	-----
Raw materials consumed	117,985,281	181,994,198
Stores and spare parts consumed	24,178,931	16,304,119
Salaries, wages and benefits	64,701,534	56,037,025
Fuel and power	74,757,380	73,594,803
Repairs and maintenance	9,395,922	14,103,531
Insurance	3,451,113	3,187,892
Depreciation (Note: 12.1 )	12,072,692	12,733.90
Other manufacturing expenses	5,136,463	5,053,269
	-----	-----
	311,679,316	363,008,738
<b>Work in process:</b>		
-Opening stock	14,494,323	10,318,058
- Closing Stock	(12,764,893)	(14,494,323)
	-----	-----
	1,729,430	(4,176,265)
	-----	-----
Cost of goods manufactured	313,408,746	358,832,473
<b>Finished goods:</b>		
-Opening stock	153,677,881	153,382,806
-Closing stock	(101,222,052)	(153,677,881)
	-----	-----
	52,455,829	(295,075)
	-----	-----
	365,864,575	358,537,398

**21. ADMINISTRATIVE AND GENERAL EXPENSES**

Directors' fee	6,000	10,000
Directors' remuneration and expenses	3,007,657	2,430,053
Salaries, wages and benefits	14,243,799	13,837,239

Travelling and conveyance	265,732	1,625,890
Rent, rates and taxes	973,524	1,631,584
Postage, telegram, fax & telephone	918,260	656,555
Repairs & maintenance	150,117	1,116,370
Insurance	612,203	719,072
Electricity and gas	1,803,473	2,016,227
Printing and stationery	391,050	309,397
Entertainment	471,834	468,872
Newspapers, periodicals and subscriptions	530,998	157,586
Advertisement and publicity	38,698	91,292
Audit fee	75,000	75,000
Legal and professional charges	497,272	191,493
Depreciation (Note: 12.1)	873,639	1,009,851
Miscellaneous	676,720	398,824
	-----	-----
	25,535,976	26,745,305
	=====	=====

**22. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages and benefits	1,850,573	1,786,933
Travelling and conveyance	37,735	13,196
Rent, rates and taxes	189,022	161,414
Postage, telegram, fax and telephone	148,977	210,582
Repairs and maintenance	11,213	28,631
Insurance	1,068,798	679,802
Electricity and gas	148,353	178,399
Printing and stationery	22,939	22,685
Entertainment	7,926	11,600
Advertisement and publicity	16,266	86,715
Shipping and forwarding	1,614,326	1,435,577
Miscellaneous	31,987	40,326
	-----	-----
	5,148,115	4,655,860
	=====	=====

**23. OTHER INCOME**

Dividend income	43,613,356	40,116,130
Interest	5,360,383	5,523,728
Sale of scrap	685,757	3,382,436
Rent	183,748	174,371
Liability for purchase consideration (written back)	1,335,702	--
Profit on sale of fixed assets	71,714	--
	-----	-----
	51,250,660	49,196,665
	=====	=====

**2000**                      **1999**  
**Rupees**                      **Rupees**

**24. FINANCIAL AND OTHER CHARGES**

Financial Charges:		
Financial charges on leased assets	191,474	--
Mark-up on bank overdraft	296	10,024
Bank charges	272,630	535,302
	-----	-----
	464,400	545,326
	=====	=====

**Other Charges:**

Workers' Profit Participation Fund	1,739,143	--
Workers' Welfare Fund	1,639,385	--
	-----	-----
	3,378,528	--

-----

3,842,928      545,326

=====

**25. EARNING PER SHARE - BASIC**

Profit attributable to ordinary shareholders	60,469,238	33,113,235
	<b>Number of Shares</b>	
Average ordinary shares in issue	7,307,405	7,307,405
	<b>Rupees      Rupees</b>	
Earning per share	8.28	4.53

=====

**26. CASH GENERATED FROM OPERATIONS**

Profit before taxation	81,969,238	32,318,102
Add /(deduct) adjustments for non cash charges and other items:		
Depreciation	12,946,331	13,743,752
(Profit )/loss on sale of fixed assets	(71,714)	--
Provision for gratuity	19,428,550	6,500,000
Purchase consideration (written back)	(1,335,702)	--
	-----	-----
	30,967,465	20,243,752
	-----	-----
Profit before working capital changes	112,936,703	52,561,854
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	1,069,182	910,853
Stock in trade	59,326,560	(17,609,966)
Trade debts	15,598,044	( 12,462,491 )
Advances, deposits, prepayments and other receivables	(174,503)	7,202,967
	-----	-----
	75,819,283	'(21,958,637)
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued charges and other liabilities	(18,741,450)	(349,529)
	-----	-----
	170,014,536	30,253,688

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**27. CASH AND CASH EQUIVALENTS**

Cash and bank balances	143,683,141	35,036,256
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**28. REMUNERATION OF DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the accounts for the year as remuneration including all benefits to chief executive, directors and executives of the Company are as follow:

Particulars	Chief Executive		Directors		Executives	
	2000 Rupees	1999 Rupees	2000 Rupees	1999 Rupees	2000 Rupees	1999 Rupees
- Meeting fee	--	--	6,000	5,000	--	--
- Managerial remuneration	2,842,984	2,304,839	--	--	72,110,819	7,214,729
Re-imbursable expenses	--	--	--	5,000	974,043	764,076
- Company's contribution towards provident fund	164,673	125,214	--	--	647,829	389,131
	-----	-----	-----	-----	-----	-----
Total	3,007,657	2,430,053	6,000	10,000	8,822,691	8,367,936



Number of persons	1	1	3	5	28	32
-------------------	---	---	---	---	----	----

28.1 Certain executives have been provided with Company maintained cars.

## 29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The aggregate amount of purchases from and sales to associated undertakings of goods and services during tile year amounted to Rs. 4,425,092 (1999: Rs. 33,282,168) and Rs. 25,247,723 ( 1999: Rs. 42,573,392) respectively.

Purchases / sales of goods and services are made at prevailing market prices. No buying or selling commission has been paid to any associated undertaking.

The maximum aggregate balance due to associated undertakings at tile end of any' month during the year was Rs. 11,141,947 ( 1999: Rs. 29,371,698).

## 30. PRODUCTION AND INSTALLED CAPACITY

The installed spindles and looms are 42,912 (1999:42,912) and 312 (1999:312) respectively, out of which 36,651 (1999:32,614) spindles and 93(1999:128) looms were in operation during the year. The installed capacity and production have been averaged out on the basis of 20 count yarn and 50 picks per inch fabric. The installed capacity is based on three shifts working, while the actual production is based on two / three shifts during the year:

Particulars	Unit	Capacity	Actual Production	
			2000	1999
Yarn	Kgs	9,678,823	4,474,608	4,320,356
Fabric	Mtrs	9,218,040	2,639,531	3,723,761
Cotton ginning	Bales	144,000	--	--

The major reason of shortfall in spinning is the lower demand for finer counts as compared to medium and coarse counts.

The shortfall in weaving is due to lower demand.

## 31. FINANCIAL ASSETS AND LIABILITIES

Financial assets	Interest/mark-up bearing			Non interest/mark up bearing			2000 total	1999 total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Investments	--	--	--	--	5,000	5,000	5,000	5,000
L0ng-termdeposits	--	--	--	--	1,852,282	1,852,282	1,852,282	1,852,282
Book debts	--	--	--	11,522,551	--	11,522,551	11,522,551	27,120,595
Advances, deposits and other								
Receivables	--	--	--	5,277,444	--	5,277,444	5,277,444	5,102,940
Cash and bank balances	139,119,649	--	139,119,649	4,563,492	--	4,563,492	143,683,141	35,036,256
	-----	-----	-----	-----	-----	-----	-----	-----
	139,119,649	--	139,119,649	21,363,487	1,857,282	23,220,769	162,340,418	69,117,073
	=====	=====	=====	=====	=====	=====	=====	=====
<b>Financial liabilities</b>								
Obligations under finance leas	225,707	775,911	1,001,618	--	--	--	1,001,618	1,187,208
Creditors, accrued charges and other liabilities	--	--	--	19,153,215	--	19,153,215	19,153,215	36,930,067
	-----	-----	-----	-----	-----	-----	-----	-----
	225,707	775,911	1,001,618	19,153,215	--	19,153,215	20,154,833	38,117,275
	=====	=====	=====	=====	=====	=====	=====	=====

**31.1 Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted.

Out of the total financial assets of Rs. 162~340,418 such financial assets of Rs. 1,522,551 are subject to credit risk. The management believes that it is not exposed to credit risk as parties are credit worthy.

**31.2 Fair value of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments, which are stated at cost.

**32. NUMBER OF EMPLOYEES**

	2000	1999
Number of employees		
Number of employees as at the year end	1403	1497
	=====	

**33. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

**M. Hussain Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

**PATTERN OF SHAREHOLDINGS**

**As at September 30, 2000**

<i>Number of Shareholders</i>	<i>Shareholdings</i>		<i>Number of Shares Held</i>
	<i>From</i>	<i>To</i>	
758	1	100	31,090
578	101	500	151,615
181	501	1,000	137,223
259	1,001	5,000	582,165
19	5,001	10,000	134,72
12	10,001	15,000	154,931
2	15,001	20,000	33,414
2	25,001	30,000	50,246
1	50,001	60,000	50,828
2	70,001	75,000	141,004
1	80,001	85,000	80,500
1	150,001	155,000	151,592
2	160,001	165,000	325,522
1	190,001	195,000	191,515
1	225,001	230,000	225,616
1	230,001	235,000	232,500
1	265,001	270,000	268,800
1	275,001	280,000	276,700
1	290,001	295,000	292,284
1	365,001	370,000	366,515
1	440,001	445,000	440,818
1	520,001	525,000	521,616
2	595,001	600,000	1,198,360
1	1,265,001	1,270,000	1,267.84
1830			7,307,405
	=====		

**Categories of Shareholders    Numbers    Shares Held    Percentage**

Individuals	1,779	3,190,936	43.67
Investment Companies	5	492,042	6.73
Insurance Companies	6	231,325	3.16
Joint Stock Companies	16	2,871,955	39.30
Financial Institutions	9	287,558	3.94
Others (See below)	15	233,589	3.20

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1,830	7,307,405	100.00
-----	-----	-----

**Others:**

Charitable Institutions	4	229,722	3.15
Administrator Abandoned Properties (Government of Pakistan)	11	3,867	0.05

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15	233,589	3.20
-----	-----	-----

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