

Allawasaya Textile & Finishing Mills Limited

Annual Report 1998

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| | |
|--------------------------------------|---|
| BOARD OF DIRECTORS | Mian Mohammad Jamil, - Chairman |
| | Mian Maqbool Ahmad Sheikh - Chief Executive |
| | Mrs. Nusrat Jamil |
| | Mian Sarfraz Ahmad Sheikh |
| | Mian Tanvir Ahmad Sheikh |
| | Mian Tauqir Ahmad Sheikh |
| | Mian Farooq Ahmad Sheikh |
| | Miss. Zahra Fatima Jamil Mughal |
| SECRETARY | Muhammad Qasim |
| AUDITORS | Hameed Chaudhri & Co; Chartered Accountants H.M. House, 7-Bank Square, Lahore. |
| BANKERS | M/s Habib Bank Limited M/s Bank Al-Habib Limited |
| REGISTERED OFFICE & MILLS | Mumtazabad Industrial Area, Vehari Road, Multan. |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the Company will be held on Thursday the 25th day of March, 1999 at 10.30 A.M. at the Registered Office of the Company, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the 40th Annual General Meeting held on 25th day of March, 1998.

To receive, consider and approve the Directors' Report, Auditors' Report and audited accounts of the Company for the year ended 30th September, 1998.

To appoint Auditors for the year 1998-99 and to fix their remuneration.

To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Multan
Dated: 03.03.1999

(MUHAMMAD QASIM)
SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from 18.03.1999 to 25.03.1999 (both dates inclusive).
2. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him/her. A proxy must be a member. Proxies in order to be valid must be received at the Company's Registered Office not less than 48 hours before the time of meeting.
3. The Share holders are requested to communicate to the Company immediately, any change in their addresses.

DIRECTORS' REPORT

In the name of Allah the most Beneficent the merciful

Dear Shareholders

Your Directors are pleased to present before you their 41st Annual Report on the affairs of your Company and its Financial results for the year ending 30.09.1998.

FINANCIAL RESULTS

The short cotton crop during the year coupled with the after effects of currency crises in the Far Eastern Markets adversely effected the Spinning Industry of the country especially the older units. The total local cotton crop for the year fetched 8.300 (M) bales against the targeted 10.000 (M) bales. Out of which 0.350 (M) bales of good quality cotton were exported which further aggravated the already short cotton supply position. The cotton prices saw new heights during the year which went over Rs. 2,700/- per maund but without any reciprocal increase in yarn prices. The increase in WAPDA Tarrifand cost of other inputs also increased the cost of production. All these factors caused a net loss of Rs. 24,454,995 to the Company.

ACCOUNTS:

The position of the Accounts of the Company for the year under report is summarized as under:

| | Rupees |
|---|--------------|
| Sales (Net) | 599,873,877 |
| Cost of Sales | 583,900,805 |
| Gross Profit | 15,973,072 |
| Administrative and Selling Expenses | (14,765,614) |
| Operating Profit | 1,207,458 |
| Other Income | 2,773,191 |
| Financial and other miscellaneous charges | (25,399,644) |
| Worker's (Profit) Participation Fund | 0 |
| Worker's Welfare Fund | 0 |
| Profit/(Loss) for the year (Before Tax) | (21,418,995) |
| Provision for Taxation | 3,036,000 |
| Profit/(Loss) for the year (After Tax) | (24,454,995) |

| | |
|---|-------------|
| Unappropriated Profit (Brought Forward) | 24,015,242 |
| Unappropriated Profit/(Loss) Carried to Balance Sheet | (1,439,753) |

OPERATIONS:

The operational performance of your Mills remained satisfactory during the year. It was operated for 1,073 shifts (1997: 1,086 Shifts). The overall actual production when converted to 20's count came to 7,906,896 kgs. The Plant was run at optimum level and 100.71% efficiency of the installed capacity was achieved.

The total exports were 1,509,151 kgs. of cotton yarn valuing Rs. 159,029,969.

The quantum of exports though decreased during the year mainly due to the crises in the Far Eastern Markets. However, your Company was able to maintain its exports.

DIVIDEND

The Company had distributed 12.50% Interim Dividend to its shareholders in view of Corporate Law Authority requirement. Due to net loss for the year, your Directors have decided not to give any further dividend for the year.

AUDITORS

Your Company's Auditors M/s Hameed Chaudhri & Company, Chartered Accountants, Lahore retire and being eligible offer themselves for re-appointment for the next year.

PATTERN OF SHAREHOLDING

Pattern of holding of the Shares by the Shareholders of the Company as on 30.09.1998 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is enclosed.

RELATIONS WITH LABOUR AND STAFF

Your Directors are pleased to report that relations with labour and staff of the Company remained cordial throughout the year.

ACKNOWLEDGEMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/s HABIB BANK LIMITED & M/s BANK AL-HABIB LIMITED and wish to record their sincere appreciation for the same and hope they will continue their support to the Company in future also.

On behalf of the Board of Directors

Multan
Dated: 03.03.1999

MIAN MOHAMMAD JAMIL
Chairman

PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT 30th SEPTEMBER, 1998

| Number of Shareholders | Shareholders | | Total Shares held |
|------------------------|--------------|--------|-------------------|
| | From | To | |
| 112 | 1 | 100 | 6,508 |
| 35 | 101 | 500 | 10,249 |
| 7 | 501 | 1,000 | 5,550 |
| 24 | 1,001 | 5,000 | 64,393 |
| 17 | 5,001 | 10,000 | 153,241 |
| 8 | 10,001 | 15,000 | 104,496 |
| 6 | 15,001 | 20,000 | 99,271 |
| 2 | 20,001 | 25,000 | 45,048 |
| 3 | 25,001 | 30,000 | 87,307 |
| 2 | 30,001 | 35,000 | 64,630 |
| 1 | 35,001 | 40,000 | 37,209 |
| 1 | 40,001 | 45,000 | 43,228 |
| - | 45,001 | 50,000 | 0 |
| - | 50,001 | 75,000 | 0 |

| | | | |
|-------|--------|--------|---------|
| 1 | 75,001 | 80,000 | 78,870 |
| ----- | | | ----- |
| 219 | | | 800,000 |
| ===== | | | ===== |

| Categories of Shareholders | Shares | | |
|----------------------------|--------|---------|------------|
| | Number | held | Percentage |
| Individuals | 212 | 798,750 | 99.84 |
| Financial Institutions | 4 | 774 | 0.10 |
| Others | | | |
| Corporate Law Authority | 1 | 1 | 0.00 |
| Deputy Administrator | | | |
| Abandoned Properties | 1 | 425 | 0.05 |
| Limited Companies | 1 | 50 | 0.01 |
| | ----- | ----- | ----- |
| | 219 | 800,000 | 100.00 |
| | ===== | ===== | ===== |

PERFORMANCE OF PAST FIVE YEARS AT A GLANCE

(RUPEE IN 000)

| Income | 1998 | 1997 | 1996 | 1995 | 1994 |
|----------------------------------|----------|---------|----------|----------|---------|
| Net Sales and Misc. Income | 602,647 | 586,238 | 568,837 | 536,840 | 408,395 |
| | ===== | ===== | ===== | ===== | ===== |
| Profit Before Tax | (21,419) | 3,577 | 10,898 | (20,759) | 2,662 |
| Prior Period Items | 0 | 0 | (10,508) | 0 | 0 |
| | ----- | ----- | ----- | ----- | ----- |
| | (21,419) | 3,577 | 390 | (20,759) | 2,662 |
| | ----- | ----- | ----- | ----- | ----- |
| Taxation | 3,036 | 6,552 | 0 | 2,562 | 4,019 |
| Cash Dividend | 1,000 | 0 | 0 | 0 | 0 |
| Transferred (From)/to Reserves | (1,085) | 0 | 1,552 | 0 | 0 |
| | ----- | ----- | ----- | ----- | ----- |
| | 2,951 | 6,552 | 1,552 | 2,562 | 4,019 |
| | ----- | ----- | ----- | ----- | ----- |
| Carried to Unappropriated Profit | 24,370 | (2,975) | 1,942 | (23,321) | (1,357) |
| | ===== | ===== | ===== | ===== | ===== |
| FINANCIAL INFORMATION | | | | | |
| TOTAL ASSETS | | | | | |
| Fixed Assets (Net) | 76,264 | 84,924 | 90,247 | 96,242 | 87,939 |
| Investments | | | | | |
| Other Assets | 369 | 369 | 369 | 67 | 67 |
| Current Assets | 67,474 | 87,109 | 62,494 | 60,227 | 56,065 |
| | ----- | ----- | ----- | ----- | ----- |
| | 144,107 | 172,402 | 153,110 | 156,536 | 144,071 |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL LIABILITIES | | | | | |
| long Term Liabilities | 5,457 | 5,939 | 14,544 | 24,750 | 17,201 |
| Current Liabilities | 129,421 | 131,779 | 100,907 | 94,517 | 66,280 |
| | ----- | ----- | ----- | ----- | ----- |
| | 134,878 | 137,718 | 115,451 | 119,267 | 83,481 |
| | ----- | ----- | ----- | ----- | ----- |
| SHARES HOLDERS EQUITY | | | | | |
| | 9,229 | 34,684 | 37,659 | 37,269 | 60,590 |
| | ===== | ===== | ===== | ===== | ===== |
| EQUITY PRESENTED BY:- | | | | | |
| Share Capital | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Tax Holiday Reserves | 2,669 | 2,669 | 2,669 | 2,669 | 2,669 |

| | | | | | |
|-----------------------|---------|--------|--------|--------|--------|
| Revenue Reserves | - | 1,085 | 1,085 | 2,638 | 2,638 |
| Unappropriated Profit | (1,440) | 22,930 | 25,905 | 23,962 | 47,283 |
| | ----- | ----- | ----- | ----- | ----- |
| | 9,229 | 34,684 | 37,659 | 37,269 | 60,590 |
| | ===== | ===== | ===== | ===== | ===== |

(ANNEXURE II)

**COMPOSITION OF TOTAL
REVENUE & EXPENSES**

(RUPEE IN 000)

| | 1998 | | 1997 | | 1996 | | 1995 | | 1994 | |
|-----------------------|----------|--------|---------|-------|---------|-------|---------|-------|---------|-------|
| | Rupees | % | Rupees | % | Rupees | % | Rupees | % | Rupees | % |
| TOTAL REVENUE | | | | | | | | | | |
| SALES - (NET) | | | | | | | | | | |
| Yarn | 595,695 | 98.85 | 581,543 | 99.20 | 563,891 | 99.13 | 532,222 | 99.14 | 406,054 | 99.43 |
| Waste | 4,179 | 0.69 | 3,993 | 0.68 | 4,795 | 0.84 | 3,667 | 0.68 | 1,793 | 0.44 |
| MISC INCOME | 2,773 | 0.46 | 702 | 0.12 | 150 | 0.03 | 950 | 0.18 | 528 | 0.13 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | 602,647 | 100 | 586,238 | 100 | 568,836 | 100 | 536,839 | 100 | 408,375 | 100 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| TOTAL EXPENSES | | | | | | | | | | |
| Raw Material | 437,939 | 72.67 | 425,630 | 72.60 | 407,018 | 71.55 | 436,314 | 81.27 | 308,187 | 75.46 |
| Conversion Cost | 145,962 | 24.22 | 106,356 | 18.15 | 112,473 | 19.77 | 84,006 | 15.65 | 70,688 | 17.30 |
| Operating expenses | 14,890 | 2.47 | 20,542 | 3.50 | 17,438 | 3.07 | 17,726 | 3.30 | 12,048 | 2.95 |
| Financial Expenses | 25,275 | 4.19 | 29,725 | 5.07 | 20,973 | 3.69 | 19,409 | 3.62 | 14,616 | 3.58 |
| W.P.P.F. | - | - | 214 | 0.04 | 36 | 0.01 | - | - | 147 | 0.03 |
| Workers Welfare Fund | - | - | 194 | 0.03 | - | - | 143 | 0.03 | 66 | 0.02 |
| Prior Period Items | - | - | - | - | 10,508 | 0.85 | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Profit Before Tax | (21,419) | (3.55) | 586,238 | 100 | 568,836 | 100 | 536,839 | 100 | 408,394 | 100 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

(ANNEXURE III)

FINANCIAL RATIOS

| | | 1998 | 1997 | 1996 | 1995 | 1994 |
|-------------------------------------|-----|---------|--------|-------|---------|--------|
| Cost of Sales as % of Sales | % | 97.34 | 90.85 | 91.35 | 97.09 | 92.89 |
| Gross Profit as % of Sales | % | 2166 | 9.15 | 8.65 | 2.91 | 7.11 |
| Operating Profit as % of Sales | % | 0.20 | 5.73 | 5.61 | (0.37) | 4.20 |
| Net Profit Before Tax as % of Sales | % | (3.57) | 0.61 | 0.07 | (3.87) | 0.65 |
| Net Profit as % of Sales | % | (4.08) | (0.51) | 0.07 | (4.35) | (0.33) |
| Stock as % of Sales | % | 4.40 | 8.93 | 5.53 | 7.39 | 7.42 |
| Debtors as % of Sales | % | 2.28 | 3.52 | 1.62 | 1.68 | 2.18 |
| Current Ratio | : | 66:34 | 60:40 | 62:38 | 61:39 | 54:46 |
| Debt Equity Ratio | : | 00:100 | 25:75 | 41:59 | 53:47 | 30:70 |
| Total Debt Asset Ratio | : | 47:53 | 44:56 | 43:57 | 37:63 | 37:63 |
| Earning Per Share | Rs. | (30.57) | (3.72) | 0.48 | (29.15) | (1.70) |
| Break Up Value of Share | Rs. | 11.54 | 43.35 | 47.07 | 46.59 | 75.74 |

(ANNEXURE IV)

**PROFIT AND LOSS ACCOUNT COMPARISON
AS PERCENTAGE OF SALES**

| | | 1998 | 1997 | 1996 | 1995 | 1994 |
|-----------------------------------|---|---------|---------|---------|---------|---------|
| Net Sales | | 599,874 | 585,536 | 568,686 | 535,889 | 407,847 |
| | | ===== | ===== | ===== | ===== | ===== |
| In Terms of Percentage | % | 100 | 100 | 100 | 100 | 100 |
| Cost of Sales | % | 97.34 | 90.85 | 91.35 | 97.09 | 92.89 |
| | | ===== | ===== | ===== | ===== | ===== |
| Gross Profit | % | 2.66 | 9.15 | 8.65 | 2.91 | 7.11 |
| | | ----- | ----- | ----- | ----- | ----- |
| Administrative & Selling Expenses | % | 2.46 | 3.42 | 3.04 | 3.27 | 2.91 |
| Financial Expenses | % | 4.21 | 5.08 | 3.68 | 3.62 | 3.58 |
| Misc. Expenses | % | 0.02 | 0.09 | 0.03 | 0.03 | 0.04 |
| W.P.P.F. | % | - | 0.04 | 0.01 | - | 0.04 |
| Workers' Welfare Fund | % | - | 0.03 | - | 0.03 | 0.02 |
| | | ----- | ----- | ----- | ----- | ----- |
| | | 6.69 | 8.66 | 6.76 | 6.95 | 6.59 |
| | | ----- | ----- | ----- | ----- | ----- |
| Operating profit | % | (4.03) | 0.49 | 1.89 | (4.04) | 0.52 |
| Other Income | % | 0.46 | 0.12 | 0.03 | 0.18 | 0.13 |
| Prior Period Items | % | - | 0.00 | (1.85) | 0.00 | 0.00 |
| | | ----- | ----- | ----- | ----- | ----- |
| Net Profit Before Tax | % | (3.57) | 0.61 | 0.07 | (3.86) | 0.65 |
| Taxation | % | 0.51 | 1.12 | 0 | 0.49 | 0.98 |
| | | ----- | ----- | ----- | ----- | ----- |
| Net Profit After Tax | % | (4.08) | (0.51) | 0.07 | (4.35) | (0.33) |
| | | ===== | ===== | ===== | ===== | ===== |

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED as at 30 September, 1998 and the related profit and loss account 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 and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984:

(b) in our opinion:

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

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the 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-and the cash flow statement together with the notes forming part thereof, 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, 1998 and of the loss and the cash flows 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 subsequent to the balance sheet date in the

| | |
|------------|-------------|
| 67,474,373 | 87,109,502 |
| ----- | ----- |
| 44,107,133 | 172,402,624 |
| ===== | ===== |

The annexed notes form an integral part of these accounts.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 1998**

| | Note | 1998 Rupees | 1997 Rupees |
|--|------|----------------|----------------|
| SALES - Net | 18 | 599,873,877 | 585,536,032 |
| COST OF SALES | 19 | 583,900,805 | 531,986,406 |
| | | ----- | ----- |
| GROSS PROFIT | | 15,973,072 | 53,549,626 |
| ADMINISTRATIVE AND SELLING EXPENSES | 20 | 14,765,614 | 20,017,492 |
| | | ----- | ----- |
| OPERATING PROFIT | | 1,207,458 | 33,532,134 |
| OTHER INCOME | 21 | 2,773,191 | 702,524 |
| | | ----- | ----- |
| | | 3,980,649 | 34,234,658 |
| OTHER CHARGES | | | |
| Financial | 22 | 25,275,360 | 29,725,423 |
| Miscellaneous | 23 | 124,284 | 524,430 |
| Workers' (Profit) | | | |
| Participation Fund | | 0 | 214,000 |
| Workers' Welfare Fund | | 0 | 193,650 |
| | | ----- | ----- |
| | | 25,399,644 | 30,657,503 |
| | | ----- | ----- |
| (LOSS)/PROFIT FOR THE YEAR- Before tax | | (21,418,995) | 3,577,155 |
| PROVISION FOR TAXATION | | 3,036,000 | 6,552,183 |
| | | ----- | ----- |
| LOSS FOR THE YEAR | | (24,454,995) | (2,975,028) |
| TRANSFER FROM IDBP LOANS AMORTISATION RESERVE | 4 | 1,085,500 | 0 |
| UNAPPROPRIATED PROFIT | | | |
| - Brought forward | | 22,929,742 | 25,904,770 |
| | | ----- | ----- |
| | | 24,015,242 | 25,904,770 |
| APPROPRIATION: | | | |
| Interim dividend @ 12.50% (1997: Nil) | | 1,000,000 | 0 |
| | | ----- | ----- |
| | | 23,015,242 | 25,904,770 |
| (ACCUMULATED LOSS) UNAPPROPRIATED | | ----- | ----- |
| PROFIT - Carried to Balance Sheet | | (1,439,753) | 22,929,742 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 1998**

| | 1998 Rupees | 1997 Rupees |
|---|----------------|----------------|
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES (note "A") | 2,248,303 | (15,057,830) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (4,320,033) | (4,529,904) |
| Proceeds from disposals of fixed assets | 6,000,000 | 920,000 |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | 1,679,967 | (3,609,904) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment of: | | |
| - Finances under mark-up arrangements | (1,138,812) | (1,085,500) |
| - Long term loans/Demand Finance | (8,000,000) | (13,866,060) |
| - Customs debentures | (2,626,393) | 0 |
| - Loans from directors | 0 | (400,000) |
| - Loans from relatives of directors | (350,000) | (970,000) |
| Short term finances - Net | 12,098,426 | 32,352,353 |
| Dividend paid | (989,252) | 0 |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES | (1,006,031) | 16,030,793 |
| | ----- | ----- |
| NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS | 2,922,239 | (2,636,941) |
| CASH AND CASH EQUIVALENTS | | |
| - At the beginning of the year | 2,713,611 | 5,350,552 |
| CASH AND CASH EQUIVALENTS | ----- | ----- |
| - At the end of the year | 5,635,850 | 2,713,611 |
| | ===== | ===== |

The annexed note "A" forms an integral part of this statement.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

NOTE "A"

| | 1998 Rupees | 1997 Rupees |
|--|----------------|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit for the year | | |
| - Before taxation | (21,418,995) | 3,577,155 |
| Adjustments for: | | |
| Depreciation | 8,877,976 | 9,990,834 |
| Deferred liability for gratuity - Net | (428,766) | 3,107,054 |
| Workers' Welfare fund | 0 | 193,650 |
| Gain on disposals of fixed assets | (2,672,581) | (699,974) |
| Financial charges | 25,275,360 | 29,725,423 |
| | ----- | ----- |
| CASH INFLOW FROM OPERATING ACTIVITIES | | |
| - Before working capital changes | 9,632,994 | 45,894,142 |

| | | |
|---|--------------|--------------|
| (increase)/Decrease in current assets | | |
| Stores and spares | (537,284) | (276,690) |
| Stock- in - trade | 25,862,695 | (20,846,577) |
| Trade debtors | 6,944,356 | (11,376,021) |
| Advances, deposits, prepayments and other receivables (excluding taxes paid and receivable against sale of vehicle) | (2,658,677) | 8,304,180 |
| Increase/(Decrease)in creditors, accruals and other liabilities (excluding accrued financial charges) | 3,093,770 | (6,728,169) |
| | ----- | ----- |
| | 32,704,860 | (30,923,277) |
| CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation | 42,337,854 | 14,970,865 |
| Income tax paid | (6,278,722) | (4,820,898) |
| CASH INFLOW FROM OPERATING ACTIVITIES - After taxation | 36,059,132 | 10,149,967 |
| Financial Charges paid | (33,810,829) | (25,207,797) |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | ----- | ----- |
| | 2,248,303 | (15,057,830) |
| | ===== | ===== |

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

Notes to the Accounts

For the year ended 30 September, 1998.

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1958 as a Private Company. It was converted into a Public Company in 1965. Its shares/are quoted on Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn.

Finishing Plant of the Company was closed in 1978 due to its obsolete machinery.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rate fluctuations on foreign currency loans as referred to in notes 2.2 and 2.5.

2.2 Foreign currency translations

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

Exchange gains/losses on principal loans are capitalised as part of cost of plant and machinery acquired out of the proceeds of such loans. Other exchange gains / losses are taken to profit and loss account.

2.3 Staff retirement benefits

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

2.4 Taxation

Provision for current taxation is made at current rates of taxation after taking into account available tax credits and brought forward losses.

The Company does not account for deferred taxation arising on major timing differences due to reasons stated in note 10.3.

2.5 Tangible fixed assets, and depreciation thereon

Fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of certain plant and machinery consists of historical cost and exchange rate fluctuations on foreign currency loans utilised for acquisition thereof.

Depreciation on operating fixed assets is charged by applying Reducing Balance Method to write-off the cost and capitalised exchange differences over the estimated remaining useful life of assets. Current rates of depreciation are stated in note 12.

No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gains/losses on disposals of fixed assets are taken to profit and loss account.

Normal maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

2.6 Stores and spares

These are valued at moving average cost.

Retired machinery is stated at written down value.

2.7 Stock - in - trade

Basis of valuation are as follows:

| <u>Particulars</u> | <u>Mode of valuation</u> |
|-------------------------|--|
| Raw materials | - At lower of cost and net realisable value. |
| Work - in - process | - At estimated manufacturing cost. |
| Finished goods | - At lower of cost and net realisable value. |
| Waste and salvage stock | - At net realisable value. |

Cost in relation to finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads. Cost in relation to raw materials represents annual average cost.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to effect such sales.

2.8 Revenue recognition

- Direct sales are accounted for when goods are delivered to customers and invoices raised. Sales through agents are booked on intimation from the agents.
- Export sales are booked on shipment basis.
- Export rebate is accounted for on receipt basis.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| | 1998 | 1997 |
|------|--------|--------|
| Note | Rupees | Rupees |

| | | |
|--|-----------|-----------|
| 499,900 ordinary shares of Rs. 10 each issued for cash | 4,999,000 | 4,999,000 |
| 300,100 ordinary shares of Rs. 10 each issued as bonus shares | 3,001,000 | 3,001,000 |
| | ----- | ----- |
| | 8,000,000 | 8,000,000 |
| | ===== | ===== |

4. RESERVES

| | | | |
|-----------------------------------|-----|-----------|-----------|
| Capital | | | |
| Tax holiday reserves | | 2,668,746 | 2,668,746 |
| Revenue | | | |
| IDBP loan amortisation reserve | | | |
| Opening balance | 4.1 | 1,085,500 | 1,085,500 |
| Transfer to appropriation account | | 1,085,500 | 0 |
| | | ----- | ----- |
| | | 0 | 1,085,500 |
| | | ----- | ----- |
| | | 2,668,746 | 3,754,246 |
| | | ===== | ===== |

4.1 This reserve was created in accordance with the terms of loan agreements with IDBP.

During the year, balance of finances under mark-up arrangements obtained from IDBP (note 5) has been fully repaid. Accordingly, balance of this reserve has been transferred to appropriation account.

5. FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

Industrial Development Bank of Pakistan (IDBP)

Finance No.

| | | | |
|---|--|-------|-----------|
| 0069-J-6 | | 0 | 872,250 |
| 0069-K-3 | | 0 | 266,562 |
| | | ----- | ----- |
| | | 0 | 1,138,812 |
| Less: Current portion grouped under current liabilities | | 0 | 1,085,500 |
| | | ----- | ----- |
| | | 0 | 53,312 |
| | | ===== | ===== |

5.1 The purchase price of these two finances aggregated Rs. 8.684 million whereas sale price aggregated Rs. 13.720 million.

5.2 Summary of terms is as follows:

| Finance No. | Nos. | Installments | | Mark up rate applied (per annum) |
|-------------|--------------|-----------------|---------------|----------------------------------|
| | | Commencing From | Amount Rupees | |
| 0069-J-6 | 16 Bi-annual | 31 March, 1991 | 589,794 | 6% |
| 0069-K-3 | 32 Quarterly | 31 March, 1991 | 109,540 | 16% |

The Company is, however, charged the difference of purchase and sale price in the installments due as mark-up for the year.

5.3 These finances were secured by a first charge on fixed assets, hypothecation of fixed assets, a floating charge on fixed properties and demand promissory notes.

5.4 The outstanding balance of these finances has been fully repaid during the year.

6. CURRENT PORTION OF LONG TERM LIABILITIES

| | Note | 1998 Rupees | 1997 Rupees |
|-------------------------------------|------|----------------|----------------|
| Finances under mark-up arrangements | 5 | 0 | 1,085,500 |
| Demand Finance/Long term loans | 6.1 | 0 | 8,000,000 |
| Customs debentures | 6.2 | 0 | 2,626,393 |
| | | ----- | ----- |
| | | 0 | 11,711,893 |
| | | ===== | ===== |

6.1 Habib Bank Limited m Demand Finance

- a) It was repayable in five equal half yearly installments commencing 30 June, 1996.
- b) It carried markup @ Rs 0.48 per thousand rupees per day calculated on daily product basis.
- c) It was secured against second charge on fixed assets and personal guarantees of all the working directors of the Company.
- d) The outstanding balance of these debentures has been fully repaid during the year.

6.2 Customs Debentures - Secured

- a) These were issued in favour of the Central Excise and Land Customs Department against deferred balance of Customs Duties and Sales Tax payable on imported Plant and Machinery. These were redeemable in two lumpsum installments i.e. on 16 October, 1997 and 12 January, 1998 respectively.
- b) These were secured against guarantees issued by IDBP and carry surcharge @ 14% per annum.
- c) The outstanding balance of these debentures has been fully repaid during the year.

7. LOAN FROM RELATIVES OF DIRECTORS - Unsecured

These loans were interest free. The outstanding balance of these loans has been fully repaid during the year.

8. SHORT TERM FINANCES - Secured

Finance facilities obtained from the commercial banks under mark-up arrangements aggregated Rs. 285.5 million (1997: Rs. 190.5 million). Facilities available for opening letters of credit and issue of letters of guarantee aggregated Rs. 30.0 million (1997: Rs. 20.0 million) and Rs. 15.0 million (1997: Rs. 10.0 million) respectively. These are secured against pledge/hypothecation of stocks, hypothecation of stores and spares, charge on fixed assets, lien on documents of title to the goods and personal guarantees of the directors. These carry mark-up ranging from Re. 0.4657 to Re. 0.5000 per thousand rupees calculated on daily products.

These facilities are expiring on various dates by 31 December, 1998.

9. CREDITORS, ACCRUALS AND OTHER LIABILITIES

| | Note | 1998 Rupees | 1997 Rupees |
|-----------------------------------|------|----------------|----------------|
| Due to Associated Undertakings | | 0 | 630,000 |
| Creditors | | 7,211,608 | 3,260,289 |
| Advance payments | | 2,201,163 | 211,659 |
| Accrued liabilities | | | |
| including directors' meeting | | | |
| fee Rs. 22,000 (1997: Rs. 22,000) | | 5,805,102 | 9,135,131 |
| Mark-up on demand finance | | 4,455 | 353,280 |
| Surcharge on customs debentures | | 0 | 103,537 |
| Mark up on short term finances | | 3,750,807 | 11,829,755 |

| | | | |
|--------------------------------------|-----|------------|------------|
| Excise duty on bank borrowings | | 1,116 | 5,275 |
| Tax deducted at source | | 100,000 | 88,513 |
| Sales tax (Net of refundable | | | |
| Nil (1997: Rs. 258,216) | 9.1 | 1,759,429 | 889,716 |
| Workers' (Profit) Participation Fund | 9.2 | 285,984 | 254,208 |
| Zakat payable | | 200,000 | 0 |
| | | ----- | ----- |
| | | 21,319,664 | 26,761,363 |
| | | ===== | ===== |

| | | |
|--|---------------|---------------|
| | 1998 | 1997 |
| | Rupees | Rupees |

9.1 This is secured against bank guarantees.

9.2 Workers' (Profit) Participation Fund

| | | |
|--------------------------------|---------|---------|
| Opening balance | 254,208 | 35,740 |
| Interest for the year | 31,776 | 4,468 |
| | ----- | ----- |
| Amount utilised by the Company | 285,984 | 40,208 |
| Contribution for the year | 0 | 214,000 |
| | ----- | ----- |
| | 285,984 | 254,208 |
| | ===== | ===== |

10. PROVISION FOR TAXATION

| | | |
|-------------------------------------|------------|------------|
| Opening balance | 8,256,489 | 3,468,129 |
| Add: Provision made during the year | 3,036,000 | 3,446,000 |
| Current | 0 | 3,106,183 |
| | ----- | ----- |
| Prior years | 3,036,000 | 6,552,183 |
| | 11,292,489 | 10,020,312 |
| | ----- | ----- |
| Less: Payments/adjustments | 0 | 1,763,823 |
| | ----- | ----- |
| | 11,292,489 | 8,256,489 |
| | ===== | ===== |

10.1 Income tax assessments of the Company have been finalised up to the Accounting Year ended 30 September, 1995 (Assessment Year 1996-97).

The Company has filed appeals with Commissioner of Income Tax (Appeals) against certain add-backs made by the Assessing Officer for the Assessment Years' 1995-96 and 1996-97. Provision for the demands raised by the Tax Department, however, has been made in these Accounts. The appeals are pending for decision.

10.2 Provision for Corporate Assets Tax levied under Finance Act, 1991 amounting Rs. 0.625 million (including Rs.0.125 million on account of additional tax) has not been made in these accounts. However, the Company has deposited the full amount with the Government Treasury and booked this amount under Advances as "Corporate Assets Tax Paid Under Protest" (note 16).

10.3 Deferred tax liability on timing differences as at 30 September, 1998 worked out Rs. 13.560 million (1997: Rs. 13.419 million) approximately. The increase during the year was Rs. 0.141 million (1997: decrease Rs. 2.801 million). Provision for deferred tax has not been made in these accounts as in the opinion of the management, no deferred tax liability is likely to crystallise in the foreseeable future due to balancing and modernisation plans of the Company.

11. CONTINGENCIES AND COMMITMENTS

11.1 Counter guarantees given by the Company to its bankers (excluding those stated in notes 9.1) outstanding as at 30 September, 1998 were for Rs. 0.100 million (1997: Rs. 0.100 million).

11.2 Refer contents of notes 10.2.

11.3 Commitments for capital expenditure outstanding as at 30 September, 1998 were for Rs. 7.283 million (1997: NIL).

12. OPERATING FIXED ASSETS-Tangible

| PARTICULARS | COST | | | As at 30 September, 1998 | Rate % | DEPRECIATION | | | NET BOOK VALUE AS AT 30 SEPTEMBER 1998 | |
|----------------------------|--------------------------|---------------------------|---------------------------|--------------------------|--------|-----------------------|--------------|--------------|--|-----------------------|
| | As at 30 September, 1997 | Additions during the year | Disposals during the year | | | To 30 September, 1997 | For the year | On Disposals | | To 30 September, 1998 |
| Land - Freehold | 787,834 | 0 | 0 | 787,834 | | 0 | 0 | 0 | 0 | 787,834 |
| Buildings on freehold land | 9,069,496 | 691,163 | 0 | 9,760,659 | 10 | 5,799,466 | 396,119 | 0 | 6,195,585 | 3,565,074 |
| Plant and machinery | 173,572,597 | 3,547,320 | 3,926,453 | 173,193,464 | 10 | 100,667,271 | 7,431,429 | 1,788,089 | 106,310,611 | 66,882,853 |
| Tubewell | 106,006 | 0 | 0 | 106,006 | 10 | 96,783 | 922 | 0 | 97,705 | 8,301 |
| Electric installations | 1,264,306 | 65,410 | 0 | 1,329,716 | 15 | 821,178 | 76,281 | 0 | 897,459 | 432,257 |
| Workshop equipment | 160,909 | 0 | 0 | 160,909 | 10 | 135,992 | 2,492 | 0 | 138,484 | 22,425 |
| Tools and equipment | 151,401 | 0 | 0 | 151,401 | 10 | 111,294 | 4,011 | 0 | 115,305 | 36,096 |
| Laboratory equipment | 5,026,896 | 0 | 3,542,080 | 1,484,816 | 10 | 2,758,308 | 57,442 | 1,847,915 | 967,835 | 516,981 |
| Weighing scales | 561,588 | 0 | 0 | 561,588 | 10 | 350,445 | 21,114 | 0 | 371,559 | 190,029 |
| Arms and ammunition | 8,457 | 0 | 0 | 8,457 | 10 | 5,682 | 277 | 0 | 5,959 | 2,498 |
| Office equipment | 866,184 | 0 | 0 | 866,184 | 15 | 562,669 | 45,527 | 0 | 608,196 | 257,988 |
| Furniture and fixture | 762,768 | 0 | 0 | 762,768 | 10 | 379,141 | 38,363 | 0 | 417,504 | 345,264 |
| Vehicles | 8,658,866 | 16,140 | 1,029,551 | 7,645,455 | 20 | 4,385,119 | 803,999 | 759,661 | 4,429,457 | 3,215,998 |
| | ----- | ----- | ----- | ----- | | ----- | ----- | ----- | ----- | ----- |
| Rupees | 200,997,308 | 4,320,033 | 8,498,084 | 196,819,257 | | 116,073,348 | 8,877,976 | 4,395,665 | 120,555,659 | 76,263,598 |
| | ===== | ===== | ===== | ===== | | ===== | ===== | ===== | ===== | ===== |
| 1997 Rupees | 197,437,312 | 4,887,815 | 1,327,819 | 200,997,308 | | 107,190,307 | 9,990,834 | 1,107,793 | 116,073,348 | 84,923,960 |

12.1 Disposals of fixed assets

| Particulars | Cost | Accumulated depreciation | Book Value | Sale proceeds | Gain | Sold through negotiations to: |
|---|-----------|--------------------------|------------|---------------|-----------|---|
| Plant and machinery One set Uset Tester & two sets Uster Auto Sorter's | 3,542,080 | 1,847,915 | 1,694,165 | 3,000,000 | 1,305,835 | Ahmad Hassan Textile Mills Limited, Multan. |
| One set Drawing Frame | 3,926,453 | 1,788,089 | 2,138,364 | 3,000,000 | 861,636 | Maqbool Textile Mills Limited, Multan. (an associated undertaking) |
| | ----- | ----- | ----- | ----- | ----- | |
| Vehicle Nissan Patrol | 7,468,533 | 3,636,004 | 3,832,529 | 6,000,000 | 2,167,471 | |
| | ----- | ----- | ----- | ----- | ----- | |
| Rupees | 1,029,551 | 759,661 | 269,890 | 775,000 | 505,110 | Pakistan General Insurance Co. Limited, Lahore. |
| | ----- | ----- | ----- | ----- | ----- | |
| | 8,498,084 | 4,395,665 | 4,102,419 | 6,775,000 | 2,672,581 | |
| | ===== | ===== | ===== | ===== | ===== | |

12.2 Depreciation for the year has been allocated as follows:

1998 1997

| | Rupees | Rupees |
|-------------------------|-----------|-----------|
| Cost of sales | 7,989,810 | 8,825,902 |
| Administrative expenses | 888,166 | 1,164,932 |
| | ----- | ----- |
| | 8,877,976 | 9,990,834 |
| | ===== | ===== |

12.3 Additions to plant and machinery include exchange fluctuation loss of Nil (1997: Rs.357,911) capitalised during the year.

13. STORES AND SPARES

| | | |
|-------------------|-----------|-----------|
| Stores | 1,850,979 | 1,679,611 |
| Spares | 2,230,190 | 1,864,274 |
| Retired Machinery | 13,888 | 13,888 |
| | ----- | ----- |
| | 4,095,057 | 3,557,773 |
| | ===== | ===== |

The Company does not hold any stores and spares for specific capitalisation.

14. STOCK IN TRADE

| | | |
|---------------------|------------|------------|
| Raw material | 4,127,800 | 7,739,543 |
| Work - in - process | 4,050,500 | 5,138,627 |
| Finished good | | |
| Yarn | 17,873,000 | 38,829,842 |
| Waste | 259,151 | 510,134 |
| | ----- | ----- |
| | 18,132,151 | 39,339,976 |
| Salvage stock | 100,000 | 55,000 |
| | ----- | ----- |
| | 26,410,451 | 52,273,146 |
| | ===== | ===== |

15. TRADE DEBTOR'S - Considered good

| | | |
|------------------------------|------------|------------|
| Secured against export bills | 0 | 10,326,066 |
| Unsecured | 13,658,210 | 10,276,500 |
| | ----- | ----- |
| | 13,658,210 | 20,602,566 |
| | ===== | ===== |

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Unsecured - Considered good

| | Note | 1998 Rupees | 1997 Rupees |
|------------------------------------|------|----------------|----------------|
| Due from Associated Undertaking | | 29,102 | 0 |
| Due from directors | | 4,390 | 4,390 |
| Advances to employees | | 331,153 | 146,566 |
| Margin Deposits | | 393,642 | 229,553 |
| Excise duty deposits | | 518 | 518 |
| Advance payments | | 3,120,469 | 1,035,122 |
| Income tax refundable | | 43,795 | 43,795 |
| Income tax paid/deducted at source | | 11,780,745 | 5,502,023 |
| Letters of credit | | 90,338 | 0 |
| Prepayments | | 243,178 | 275,901 |
| Octroi refundable | | 106,743 | 99,935 |
| Corporate asset tax | | | |
| - Paid under protest | 10.2 | 624,603 | 624,603 |
| Others | 16.2 | 906,129 | 0 |

| | |
|------------|-----------|
| ----- | ----- |
| 17,674,805 | 7,962,406 |
| ===== | ===== |

16.1 Directors, Executives and Associated Undertakings

a) Maximum aggregate amounts due from the Associated Undertakings and Directors at any month end during the year were Rs. 29,102 (1997: Nil) and Rs. 4,390 (1997: Rs. 4,390) respectively.

b) During the year, the Company has sold fixed assets of Rs. 2.138 million (1997: Nil) to an Associated Undertaking (note 12.1).

c) Interest has not been charged/paid on the balances of Associated Undertakings as these have arisen due to normal trade dealings.

16.2 These include Rs. 775,000 receivable against sale of vehicle.

17. CASH AND BANK BALANCES

| | Note | 1998 Rupees | 1997 Rupees |
|------------------------------|------|----------------|----------------|
| In hand | | 33,951 | 167,521 |
| At banks on current accounts | 17.1 | 5,601,899 | 2,546,090 |
| | | ----- | ----- |
| | | 5,635,850 | 2,713,611 |
| | | ===== | ===== |

17.1 These include foreign currency balances of U.S. \$57,387 (1997: U.S. \$13,272) which has been converted into Pak Rupees at the official exchange rate prevailing on the balance sheet date i.e. 1 U.S. \$ = Rs. 45.9500 (1997: Rs. 40.4795).

18. SALES - Net

| | | | |
|------------------------------|--|-------------|-------------|
| Yarn | | | |
| Local | | 496,299,168 | 366,538,223 |
| Export | | 159,029,969 | 254,983,667 |
| | | ----- | ----- |
| | | 655,329,137 | 621,521,890 |
| Waste | | 4,701,400 | 4,417,690 |
| | | ----- | ----- |
| | | 660,030,537 | 625,939,580 |
| Less: | | | |
| Sales tax | | 55,666,730 | 35,699,763 |
| Export development surcharge | | 378,910 | 470,895 |
| Commission | | 4,111,020 | 4,144,019 |
| Discount | | 0 | 88,871 |
| | | ----- | ----- |
| | | 60,156,660 | 40,403,548 |
| | | ----- | ----- |
| | | 599,873,877 | 585,536,032 |
| | | ===== | ===== |

19. COST OF SALES

| | Note | 1998 Rupees | 1997 Rupees |
|------------------------------|------|----------------|----------------|
| Raw material consumed | 19.1 | 437,939,268 | 425,630,517 |
| Salaries, wages and benefits | | 29,862,620 | 32,911,415 |
| Stores consumed | | 13,766,703 | 9,915,476 |

| | | |
|------------------------------------|--------------|--------------|
| Packing materials | 8,581,746 | 9,462,659 |
| Fuel and power | 61,706,654 | 61,317,506 |
| Repair and maintenance | 898,971 | 678,852 |
| Insurance | 859,081 | 937,603 |
| Depreciation | 7,989,810 | 8,825,902 |
| | ----- | ----- |
| | 561,604,853 | 549,679,930 |
| Adjustment of work in process | | |
| Opening | 5,138,627 | 4,750,052 |
| Closing | (4,050,500) | (5,138,627) |
| | ----- | ----- |
| | 1,088,127 | (388,575) |
| | ----- | ----- |
| Cost of goods manufactured | 562,692,980 | 549,291,355 |
| Adjustment of finished goods | 39,339,976 | 22,035,027 |
| Opening stock | | |
| Closing stock | (18,132,151) | (39,339,976) |
| | ----- | ----- |
| | 21,207,825 | (17,304,949) |
| | ----- | ----- |
| | 583,900,805 | 531,986,406 |
| | ===== | ===== |
| 19.1 Raw materials consumed | | |
| Opening stock | 7,739,543 | 4,586,490 |
| Purchases | 432,617,430 | 426,747,585 |
| Local taxes | 1,303,299 | 1,636,246 |
| | ----- | ----- |
| | 441,660,272 | 432,970,321 |
| Less: | | |
| Closing stock | 4,127,800 | 7,739,543 |
| | ----- | ----- |
| | 437,532,472 | 425,230,778 |
| Cotton cess | 406,796 | 399,739 |
| | ----- | ----- |
| | 437,939,268 | 425,630,517 |
| | ===== | ===== |

20. ADMINISTRATIVE AND SELLING EXPENSES

| | 1998 | 1997 |
|--|-----------|------------|
| | Rupees | Rupees |
| Administrative: | | |
| Directors' meeting fee | 1,000 | 3,000 |
| Salaries and benefits | 3,131,566 | 3,631,828 |
| Vehicles' running and maintenance | 1,027,086 | 1,072,196 |
| Travelling and conveyance - Including directors' Rs. 34,358 (1997: Rs. 97,162) | 38,783 | 104,717 |
| Printing and stationery | 237,161 | 239,888 |
| Communication | 1,273,828 | 1,595,595 |
| Rent, rates and taxes | 189,149 | 159,910 |
| Electricity and gas | 669,915 | 714,455 |
| Repair and maintenance | 284,628 | 190,398 |
| Subscription | 132,988 | 319,471 |
| Advertisement | 21,414 | 38,536 |
| Entertainment | 73,971 | 69,942 |
| Depreciation | 888,166 | 1,164,932 |
| Others | 61,167 | 32,866 |
| | ----- | ----- |
| | 8,030,822 | 9,337,734 |
| Selling: | | |
| Local taxes | 0 | 270,705 |
| Export expenses | 6,734,792 | 10,381,187 |

| | | |
|--------------------------------|------------|------------|
| Freight, forwarding and others | 0 | 27,866 |
| | ----- | ----- |
| | 6,734,797 | 10,679,758 |
| | ----- | ----- |
| | 14,765,614 | 20,017,492 |
| | ===== | ===== |

21. OTHER INCOME

| | 1998 | 1997 |
|--|-----------|---------|
| | Rupees | Rupees |
| Sale of salvage (including Rs. 45,000 adjustment of salvage stock) | 100,610 | 2,550 |
| Gain on disposal of fixed assets | 2,672,581 | 699,974 |
| | ----- | ----- |
| | 2,773,191 | 702,524 |
| | ===== | ===== |

22. FINANCIAL CHARGES

| | | |
|--|------------|------------|
| Interest/mark-up on: | | |
| Finances under mark-up arrangements | 546,352 | 532,249 |
| Demand finance/long term loans | 785,895 | 2,667,116 |
| Workers' (Profit) Participation Fund | 31,776 | 4,468 |
| Short term finances | 22,939,736 | 24,352,479 |
| Surcharge on customs debentures | 277,293 | 289,362 |
| Excise duty on bank borrowings | 0 | 1,206,838 |
| Bank charges, guarantee commission and commission on letters of credit | 694,308 | 672,911 |
| | ----- | ----- |
| | 25,275,360 | 29,725,423 |
| | ===== | ===== |

23. MISCELLANEOUS CHARGES

| | | |
|--|---------|---------|
| Auditors' remuneration | | |
| Audit fee | 45,000 | 45,000 |
| Legal and professional (other than Auditors') | 74,284 | 74,880 |
| Donations (without directors' and their spouses' interest) | 5,000 | 317,420 |
| Additional sales tax on wastes - Prior years' | 0 | 92,130 |
| | ----- | ----- |
| | 124,284 | 524,430 |
| | ===== | ===== |

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The details of payments/provisions made during the year are as follows:

| Particulars | Chief Executive | | Working Directors | | Executive | |
|-------------------------|-----------------|---------|-------------------|---------|-----------|---------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Managerial remuneration | 160,000 | 160,000 | 288,000 | 288,000 | 160,000 | 92,670 |
| House rent | 72,000 | 72,000 | 129,600 | 129,600 | 72,000 | 41,701 |
| Utilities | 8,000 | 8,000 | 163,586 | 129,986 | 8,000 | 21,210 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Rupees | 240,000 | 240,000 | 581,186 | 547,586 | 240,000 | 155,581 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| No. of persons | 1 | 1 | 2 | 2 | 1 | 0 |

24.1 In addition to above, meeting fee of Rs. 1,000 (1997:Rs. 3,000) has been paid to two (1997 :Three) non-working directors.

24.2 Chief Executive and working directors are also provided with Company maintained cars and telephone at their residences.

24.3 The Executive is also provided with Company maintained car and free housing at Company's colony.

25. PRODUCTION CAPACITY

| | 1998 | 1997 |
|--------------------------------------|------------------|-----------|
| No. of spindles installed and worked | 28,192 | 28,192 |
| No. of shifts worked | 1,073 | 1,086 |
| Capacity of yam at 20's count | | |
| on the basis of utilisation | - Kgs. 7,850,790 | 7,945,900 |
| Production of yarn at 20's count | - Kgs. 7,906,896 | 8,083,818 |

It is difficult to describe precisely the production capacity in spinning units since it fluctuates widely depending on various factors, such as count of yarn spun, spindle speed, twist and raw materials used, etc. it would also vary according to the pattern of production adopted in a particular year.

26. FIGURES

- in the accounts are rounded-off to the nearest rupee;
- of the previous year are re-arranged wherever necessary for the purpose of comparison.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director