

Burewala Textile Mills Limited

Annual Report 1999

CONTENTS

Company Information
 Five years at a Glance
 Notice of Annual General Meeting
 Directors' Report
 Auditors' Report
 Balance Sheet
 Profit & Loss Account
 Cash Flow Statement
 Notes to the Accounts
 Pattern of Shareholdings

COMPANY INFORMATION

| | |
|---------------------------|--|
| Board of Directors | Ahmed Dawood M. Hussain Dawood, Chief Executive Shahzada Dawood Khawaja Amanullah Mohammad Aslam Malik Mushtaq Ali Khan Iftikhar Ahmed Dar |
| Company Secretary | Aftab Ahmed Qaiser |
| Auditors | Rahman Sarfaraz & Co. Chartered Accountants Nawa-i-Waqt Building 4-Shahrah-e-Fatima Jinnah Lahore |
| Bankers | Habib Bank Limited United Bank Limited |
| Registered Office | 35-A, Shahrah-e-Abdul Hameed Bin Badees (Empress Road) Lahore-54000. Phones' 6301601-07 |
| Mills | Dawoodabad District Vehari Phone; (0447) 53246, 53145, 53347 |

FIVE YEARS AT A GLANCE

(Rupees in Thousands)

| <i>Particulars</i> | <i>1999</i> | <i>1998</i> | <i>1997</i> | <i>1996</i> | <i>1995</i> |
|--------------------|-------------|-------------|-------------|-------------|-------------|
|--------------------|-------------|-------------|-------------|-------------|-------------|

Capital Reserves:

| | | | | | |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Paid up Capital | 73,074 | 73,074 | 73,074 | 73,074 | 73,074 |
| Reserves & Surplus | 262,845 | 280,883 | 259,962 | 247,538 | 250,332 |
| Shareholders equity | 335,919 | 353,957 | 333,036 | 320,612 | 323,406 |
| Break up value of | | | | | |
| Shares of Rs. 10 each | 45.97 | 48.44 | 45.58 | 43.87 | 44.26 |
| Sales: | | | | | |
| Export | -- | -- | -- | -- | 8,408 |
| Local | 373,900 | 360,277 | 445,896 | 479,015 | 273,137 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 373,900 | 360,277 | 445,896 | 475,912 | 279,545 |
| | ----- | ----- | ----- | ----- | ----- |
| Profit | | | | | |
| Profit before Taxation | 32,318 | 38,460 | 32,490 | 45,485 | 5,083 |
| Profit after Taxation | 33,113 | 39,190 | 48,961 | 33,743 | 9,052 |
| Dividend | | | | | |
| Cash % | 70 | 25 | 50 | 50 | -- |
| Amount | 51,151 | 18,269 | 36,537 | 36,537 | |
| Earning per Share | 4.53 | 5.36 | 6.70 | 4.62 | 1.24 |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Sixth Annual General Meeting of the shareholders of the Company will Insha Allah be held on Tuesday 21 March 2000 at 10:30 a.m. at the Registered Office of the Company, 35-A Shahrah-e-Abdul Hameed Bin Badees, Lahore, to transact the following business after recitation from the Holy Quran.

1. To confirm the minutes of the Forty Fifth Annual General Meeting,
2. To receive, consider and adopt the audited Accounts of the Company for the year ended 30 September 1999 together with the Directors' and Auditors' Report thereon.
3. To consider and approve payment of cash dividend as recommended by the Directors.
4. To appoint Auditors and fix their remuneration. M/s. Rahman Sarfaraz & Company, the retiring Auditors of the Company, being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

AFTAB AHMED QAISER
Company Secretary

Lahore:
Dated; 15 February 2000

Notes:

1. The share transfer books of the Company will remain closed from 14 March 2000 to 21 March 2000 (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 attorney or in case of Corporation by a representative duly authorised, The instrument of proxy duly executed should be lodged at the Registered Office of the Company not later than 48 hours before the time of the meeting.

3. Shareholders are requested to notify the change in their addresses, if any,

4. Members are also informed that the Supreme Court of Pakistan in a recent judgment has held that deductions on account of zakat shall not be made from payments against dividends to the members of all recongnized fiqahs on filing declarations as required under the Zakat Ordinance. Accordingly, you are requested to file a declaration on non judicial stamp paper of Rs, 20/= duly attested by Oath Commissioner.

DIRECTORS' REPORT

Dear Shareholders

Assalam-u-Alaikum

Your Directors feel pleasure to present before you the forty sixth annual report together with audited accounts of the Company and the auditors report thereon for the year ended 30th September 1999. Your Company has earned a pretax profit of Rs. 32,318,102 after charging all operational, administrative, financial and selling expenses including depreciation amounting to Rs. 13,743,752 as against pretax profit of Rs. 38,459,635 in the preceding year.

Your directors have recommended the appropriation of current year's profit as under:

| | <i>Rupees</i> |
|------------------------------------|----------------------|
| Pretax Profit | 32,318,102 |
| Provision for taxation | |
| Current -- for the year | (1,900,000) |
| Deferred Taxation | 2,695,133 |
| | ----- |
| After tax profit | 33,113,235 |
| Un-appropriated Profit B/F | 36,141,723 |
| | ----- |
| Profit available for appropriation | 69,254,958 |
| | ===== |
| Appropriation: | |
| Proposed Dividend @ 70%, | 51,151,835 |
| Retained Earning. | 18,103,123 |
| | ----- |
| | 69,254,958 |
| | ===== |

The Company is still pursuing the policy of producing fine count of yarns and fabrics. Ironically, the imposition of ad-valorem Sales Tax is punishing us for our efforts to increase value addition.

The Company has earned Other Income of Rs. 49,196,665 including Dividend Income of Rs. 40,116,130.

The earning per share of the Company is Rs. 4.53.

The Company's Sales and Cash flows are indicating an upward trend and give a significant indication of improved prospects. The cotton prices in the current year reinforce the management's optimism.

Y2K problem was adequately handled by the Company.

The present auditors M/s. Rahman Sarfaraz & Co. Chartered Accountants retire and being eligible offer

themselves for re-appointment.

The labour-management relations remained cordial throughout the year and your Directors feel pleasure in expressing their appreciation for the devoted services rendered by the employees of the Company.

The pattern of shareholding as required by section 236 of the Companies Ordinance, 1984 is enclosed.

For & on behalf of the Board

LAHORE

Dated: 15 February 2000

M. Hussain Dawood

Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of THE BUREWALA TEXTILE MILLS LIMITED as at 30 September 1999 and the related Profit & 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 purpose 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 & 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 accountin9 policies consistently applied;

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

iii) the business conducted, investments made and 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 & 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, 1999 and of the Profit and the Cash Flow 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.

LAHORE

Dated: 15 February 2000

(RAHMAN SARFARAZ & CO.)

Chartered Accountants

BALANCE SHEET AS AT 30TH SEPTEMBER 1999

1999

1998

| | <i>Note</i> | <i>Rupees</i> | <i>Rupees</i> |
|--|-------------|---------------|---------------|
| CAPITAL AND LIABILITIES | | | |
| Share capital & reserves | | | |
| Authorised: | | | |
| 15,000,000 ordinary shares of Rs. 10/- each | | 150,000,000 | 150,000,000 |
| | | ===== | ===== |
| Issued, subscribed & fully paid up | | | |
| 7,307,405 ordinary shares of Rs. 10/- each | 3 | 73,074,050 | 73,074,050 |
| Reserves & surplus | 4 | 262,844,811 | 280,883,411 |
| | | ===== | ===== |
| | | 335,918,861 | 353,957,461 |
| Long term loans & deferred liabilities | | | |
| Deferred taxation | | 25,000,000 | 27,695,133 |
| Obligation under finance lease | | 1,001,618 | -- |
| Other deferred liabilities | | 11,219,260 | 11,175,095 |
| | | ----- | ----- |
| | | 37,220,878 | 38,870,228 |
| Current liabilities | | | |
| Creditors, provisions & accrued expenses | 9 | 449,444,161 | 45,293,945 |
| Provision for taxation | | 114,787,021 | 11,891,769 |
| Dividend - unclaimed | | 3,070,510 | 9,427,750 |
| - proposed | | 51,151,835 | 18,268,513 |
| | | ----- | ----- |
| | | 110,645,463 | 84,881,977 |
| Contingencies and commitments | | | |
| | 10 | -- | -- |
| | | ----- | ----- |
| | | 483,785,202 | 477,709,666 |
| | | ===== | ===== |
| PROPERTY & ASSETS | | | |
| Fixed Assets | | | |
| Operating Assets | 11 | 133,718,700 | 145,969,934 |
| Investments | 12 | 64,639,262 | 64,639,262 |
| Long Term Deposits | | 1,852,281 | 1,712,394 |
| Current Assets | | | |
| Stores and spares | 13 | 19,399,626 | 20,310,479 |
| Stock in trade | 14 | 195,911,032 | 178,301,066 |
| Book debts | 15 | 27,120,595 | 14,658,104 |
| Advances, deposits, prepayments and other receivables | 16 | 6,107,450 | 13,310,417 |
| Cash and Bank balances | 17 | 35,036,256 | 38,808,010 |
| | | ----- | ----- |
| | | 283,574,959 | 265,388,076 |
| | | ----- | ----- |
| | | 483,785,202 | 477,709,666 |
| | | ===== | ===== |

Note: The annexed notes from 1 to 26 form an integral part of these accounts.

LAHORE

Dated: 15 February 2000

Khawaja Amanullah
DIRECTOR

M. Hussain Dawood
CHIEF EXECUTIVE

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1999

| | <i>Note</i> | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|---|-------------|------------------------------|------------------------------|
| Gross Sales | | 373,699,783 | 360,276,873 |
| Brokerage | | (294,457) | (178,903) |
| Net Sales | | ----- 373,605,326 | ----- 360,097,970 |
| Cost of Sales | 18 | 358,537,398 | 338,233,590 |
| Gross Profit | | ----- 15,067,928 | ----- 21,864,380 |
| Operating Expenses | | | |
| Administrative | 19 | 25,735,454 | 24,070,780 |
| Selling & Distribution | 20 | 4,655,860 | 5,667,818 |
| Financial | 21 | 545,326 | 316,761 |
| Depreciation | | 1,009,851 | 836,225 |
| | | ----- 31,946,491 | ----- 30,891,584 |
| Operating Loss | | (16,878,563) | (9,027,204) |
| Other Income | 22 | 49,196,665 | 47,406,039 |
| Pretax Profit | | ----- 32,318,102 | ----- 38,459,635 |
| Provision for taxation | | | |
| Current - For the year | | 1,900,000 | 1,800,000 |
| - Prior years | | -- | (4,243,709) |
| Deferred | | (2,695,133) | 1,713,725 |
| | | ----- (795,133) | ----- (729,984) |
| Profit after Tax | | 33,113,235 | 39,189,619 |
| Un-appropriated profit b/f | | 36,141,723 | 15,220,617 |
| Profit available for appropriation | | ----- 69,254,958 | ----- 54,410,236 |
| Appropriation | | | |
| Proposed dividend @ 70% (1998: 25%) | | (51,151,835) | (18,268,513) |
| Un-appropriated Profit Carried to Balance Sheet | | ----- 18,103,123 | ----- 36,141,723 |
| | | ===== | ===== |

Khawaja Amanullah
DIRECTOR

M. Hussain Dawood
CHIEF EXECUTIVE

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 1999

| <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|------------------------|------------------------|
| Cash Flow From Operating Activities | | |
| Net Income before taxation | 32,318,102 | 38,459,635 |
| Adjustment for non cash charges | | |
| Depreciation | 13,743,752 | 15,421,923 |
| Provision for gratuity | 6,500,000 | 6,000,000 |
| Profit on sale of fixed assets | --- | (270,295) |
| | ----- | ----- |
| | 20,243,752 | 21,151,028 |
| Cash provided (used) by working capital | | |
| Stores & Spares | 910,853 | 275,664 |
| Stock in trade | (17,609,966) | (2,740,424) |
| Book Debts | (12,462,491) | 3,475,201 |
| Advances, deposits, prepayments etc. | 7,202,967 | (3,891,929) |
| Creditors, provision & accrued expenses | (349,529) | (2,361,044) |
| | ----- | ----- |
| | (22,308,166) | (5,242,532) |
| Gratuity paid | (6,455,834) | (5,991,052) |
| Income tax paid | (2,313,067) | (837,541) |
| | ----- | ----- |
| | 21,484,787 | 47,540,138 |
| Cash Flow From Investing Activities | | |
| Sale proceeds of fixed assets | -- | 383,333 |
| Capital expenditure | (112,500) | (1,876,644) |
| Long term deposits | (139,887) | -- |
| Assets on lease | (1,380,018) | -- |
| | ----- | ----- |
| | (1,632,405) | (1,493,311) |
| Cash flow from financing activities | | |
| Long term loans-suppliers credit | -- | (5,118,708) |
| Obligation under finance lease | 1,001,618 | -- |
| Dividend paid | (24,625,754) | (33,362,438) |
| | ----- | ----- |
| | (23,624,136) | (38,481,146) |
| | ----- | ----- |
| Increase/(decrease) in cash & cash equivalent | (3,771,754) | 7,565,682 |
| Cash & cash equivalent at the beginning of the year | 38,808,010 | 31,242,328 |
| | ----- | ----- |
| Cash & cash equivalent at the end of the year | 35,036,256 | 38,808,010 |
| | ===== | ===== |

Khawaja Amanullah
DIRECTOR

M. Hussain Dawood
CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

1. COMPANY AND ITS OPERATIONS

The Burewala Textile Mills Limited is a public limited Company listed with stock exchanges at Lahore and Karachi. The company is engaged in the manufacture of yarn and cloth and also has ginning factories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention:

The financial statements are prepared on historical cost convention without any adjustment for inflation or reference to current values.

b) Retirement benefits:

The company operates an un-funded gratuity scheme covering its non-management employees and the provision is made from year to year in the books of accounts. For management staff a scheme of contributory provident fund is in operation and the trust invests the funds in Defence Savings Certificates.

c) Taxation:

Provision for current taxation is based on taxable income at the current rates after taking into account rebates and credits admissible. Adequate provision is also made for deferred taxation on all major timing differences.

d) Fixed assets:

i) Fixed assets, except freehold land, are valued at cost less accumulated depreciation. Freehold land is valued at cost.

ii) Depreciation on fixed assets is charged to income on diminishing balance method at the rates specified in Note 11.

iii) Full year depreciation is charged in the year of installation / operation and no depreciation is charged in the year fixed assets are disposed off or scrapped.

iv) Normal repairs and maintenance are charged to expenses as incurred.

v) Gains or losses on disposal or scrapping of assets are shown in the current income.

e) Investments:

All investments are shown at cost except in Karnaphuli Paper Mills Limited presently under foreign occupation, which is shown at nominal value of Re. 1.

f) Stock and stores:

These are valued as under:

| | |
|-------------------|--|
| Stores and spares | at moving average cost |
| Raw material | at lower of average cost or market value |
| Work in process | at average cost |
| Wastes | at market value |
| Finished goods | at lower of average cost or market value |

g) Accounting for lease:

The company accounts for assets acquired under finance lease by recording the assets and related liabilities. Finance charges are allocated in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities. Depreciation is charged at the rates specified in Note No. 11 to write off the assets over their estimated useful life.

h) Revenue Recognition:

Revenue from sales is recognized on delivery of goods to customers. Interest is accounted for on maturity / receipts and rebates are accounted for when allowed.

i) General:

(i) Figures are rounded off to the nearest rupee.

(ii) Figures of previous year are rearranged and regrouped to facilitate comparison wherever necessary.

3. SHARE CAPITAL

| | 1999 Rupees | 1998 Rupees |
|---|------------------------------|------------------------------|
| Issued, subscribed & fully paid up 750,010 ordinary shares of Rs.10/- each issued for cash. | 7,500,100 | 7,500,100 |
| 749,990 ordinary shares of Rs. 10/- each issued for consideration other than cash. | 7,499,900 | 7,499,900 |
| 2,226,000 ordinary shares of Rs. 10- each issued out of reserves as bonus shares. | 22,260,000 | 22,260,000 |
| 3,581,405 ordinary shares of Rs.10/-each issued as right shares. | 35,814,050 | 35,814,050 |
| | ----- | ----- |
| | 73,074,050 | 73,074,050 |
| | ===== | ===== |

4. RESERVE AND SURPLUS

| | | |
|-------------------------------|-------------|-------------|
| Capital Reserve | 6,563 | 6,563 |
| Capital Reserve Share premium | 89,535,125 | 89,535,125 |
| General Reserve | 154,200,000 | 154,200,000 |
| Exchange equalization reserve | 1,000,000 | 1,000,000 |
| Un-appropriated profit | 18,103,123 | 36,141,723 |
| | ----- | ----- |
| | 262,844,811 | 280,883,411 |
| | ===== | ===== |

5. STATEMENT OF CHANGES IN EQUITY

| PARTICULARS | 1999 | | | 1998 | | |
|-----------------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | <i>As At</i> <i>01-10-98</i> | <i>Addition/</i> <i>(Deletion)</i> | <i>As At</i> <i>30-09-99</i> | <i>As At</i> <i>01-10-98</i> | <i>Addition/</i> <i>(Deletion)</i> | <i>As At</i> <i>30-09-98</i> |
| Share Capital | 73,074,050 | -- | 73,074,050 | 73,074,050 | -- | 73,074,050 |
| Capital Reserve | 6,563 | -- | 6,563 | 6,563 | -- | 6,563 |
| Share premium | 89,535,125 | -- | 89,535,125 | 89,535,125 | -- | 89,535,125 |
| General reserves | 154,200,000 | -- | 154,200,000 | 154,200,000 | -- | 154,200,000 |
| Exchange Equalization reserves | 1,000,000 | -- | 1,000,000 | 1,000,000 | -- | 1,000,000 |
| Un-appropriated profit | 36,141,723 | 33,113,235 | 18,103,123 | 15,220,617 | 39,189,619 | 36,141,723 |
| Proposed Dividend | | (51,151,835) | | | (18,268,513) | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL | 353,957,461 | (18,038,600) | 335,918,861 | 333,036,355 | 20,921,106 | 353,957,461 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

6. BASIC EARNING PER SHARE

| | 1999 Rupees | 1998 Rupees |
|---|------------------------------|------------------------------|
| Profit after taxation attributable to ordinary shareholders. | 33,113,235 | 39,189,619 |

| | | |
|--|-----------|-----------|
| No. of ordinary shares issued & Subscribed at end of period. | 7,307,405 | 7,307,405 |
| Earning per share | 4.53 | 5.36 |

7. OBLIGATION UNDER FINANCE LEASE:

| | | |
|---------------------------------------|-----------|-------|
| Opening Balance | -- | -- |
| Add: Addition during the year | 1,347,070 | -- |
| | ----- | ----- |
| | 1,347,070 | -- |
| Less: Payments during the year | (159,862) | -- |
| | ----- | ----- |
| | 1,187,208 | -- |
| Less: Transferred to current maturity | (185,590) | -- |
| | ----- | ----- |
| | 1,001,618 | -- |
| | ===== | ===== |

The amount of future payments and the period in which they will become due are:

| | | |
|---|-----------|-------|
| Year to 30 September 2000 | 377,064 | -- |
| Year to 30 September 2001 | 377,064 | -- |
| Year to 30 September 2002 | 377,064 | -- |
| Year to 30 September 2003 | 439,571 | -- |
| Year to 30 September 2004 | 105,886 | -- |
| | ----- | ----- |
| | 1,676,649 | -- |
| Less: Financial charges allocable to future years Payable | (489,441) | -- |
| | ----- | ----- |
| | 1,187,208 | -- |
| | ===== | ===== |

The value of minimum lease rental payments have been discounted at implicit mark-up rate ranging from 19% to 21%. The balance rentals are payable in monthly installments and in case of default of any payment an additional charge at the rate of 3% per month shall be payable. Taxes, repair and insurance costs are to be borne by the lessee. The company has purchase bargain option at the end of lease terms to acquire the assets at residual values.

8. OTHER DEFERRED LIABILITIES

| | <i>1999</i> | <i>1998</i> |
|--|---------------|---------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| Liabilities for purchase consideration | 1,335,702 | 1,335,702 |
| Provision for gratuity | 9,883,558 | 9,839,393 |
| | ----- | ----- |
| | 11,219,260 | 11,175,095 |
| | ===== | ===== |

9. CREDITORS, PROVISIONS AND ACCRUED EXPENSES

| | | |
|-------------------------------|------------|------------|
| Current maturity and overdues | 2,744,944 | 7,678,062 |
| For goods supplied | 20,178,340 | 1,966,603 |
| Provisions & accrued expenses | 14,846,667 | 18,736,670 |
| Advances & deposits | 3,750,178 | 9,220,097 |
| Sales Tax | 2,703,431 | 4,011,073 |
| Other Payables | 720,856 | 3,681,440 |
| | ----- | ----- |
| | 44,944,416 | 45,293,945 |
| | ===== | ===== |

10. CONTINGENCIES AND COMMITMENTS:

| | | |
|------------------------|-----------|-----------|
| Contingent Liabilities | 2,370,130 | 2,408,042 |
| | ===== | ===== |

11. OPERATING ASSETS:

| | <i>COST</i> | | | <i>DEPRECIATION</i> | | <i>W.D.V.</i> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|------------------------|---|--------------------------------------|
| | <i>As at 1st Oct 1998</i> | <i>Additions/ (deletions)</i> | <i>As at 30th Sept 1999</i> | <i>Annual Rate</i> | <i>Accumulated as at 30th Sept 99</i> | <i>As at 30th Sept. 1999</i> |
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>%</i> | <i>Rupees</i> | <i>Rupees</i> |
| TANGIBLE | | | | | | |
| Free-hold land | 4,107,199 | -- | 4,107,199 | -- | -- | 4,107,199 |
| Factory building on free-hold land | 23,701,939 | -- | 23,701,939 | 10 | 19,210,860 | 4,491,079 |
| Non factory buildings on free-hold land | 15,547,598 | -- | 15,547,598 | 5 | 10,404,654 | 5,142,944 |
| Electric Installations | 48,218,810 | -- | 48,218,810 | 10 | 30,375,900 | 17,842,910 |
| Plant & Machinery | 267,012,106 | -- | 267,012,106 | 10 | 170,605,599 | 96,406,507 |
| Tools & Equipment | 4,773,735 | -- | 4,773,735 | 10 | 3,091,177 | 1,682,558 |
| Furniture, Fixtures & Office Equipment | 5,059,106 | 112,500 | 5,171,606 | 10 | 3,697,852 | 1,473,754 |
| Vehicles | 5,587,436 | -- | 5,587,436 | 20 | 4,228,334 | 1,359,102 |
| Hospital equipment | 100,022 | -- | 100,022 | 10 | 99,381 | 641 |
| Agricultural equipment | 343,542 | -- | 343,542 | 10 | 242,450 | 101,092 |
| LEASED ASSETS | | | | | | |
| Vehicles | -- | 1,380,018 | 1,380,018 | 20 | 276,004 | 1,104,014 |
| INTANGIBLE | | | | | | |
| Trade marks | 24,190 | -- | 24,190 | | 17,290 | 6,900 |
| | ----- | ----- | ----- | | ----- | ----- |
| TOTAL | 374,475,683 | 1,492,518 | 375,968,201 | | 242,249,501 | 133,718,700 |
| | ===== | ===== | ===== | | ===== | ===== |
| 1998 | 373,502,226 | 1,876,644 (903,187) | 374,475,683 | | 228,505,749 | 145,969,934 |
| | ===== | ===== | ===== | | ===== | ===== |

Depreciation for the year has been allocated to:

| | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---------------------------|------------------------|------------------------|
| (a) Manufacturing account | 12,733,901 | 14,585,698 |
| (b) Profit & Loss account | 1,009,851 | 836,225 |
| | ----- | ----- |
| | 13,743,752 | 15,421,923 |
| | ===== | ===== |

12. INVESTMENTS:

| <i>Names of the Companies</i> | <i>Shares</i> | <i>1999</i> | | <i>1998</i> | | <i>Market Value Rupees</i> |
|-------------------------------|---------------|------------------------|------------------------------------|------------------------|------------------------------------|------------------------------------|
| | | <i>Cost Rupees</i> | <i>Market Value Rupees</i> | <i>Cost Rupees</i> | <i>Market Value Rupees</i> | |
| | <i>Nos.</i> | | | | | |

LISTED

| | | | | | | |
|---|-----------|--------------|-------------|-----------|--------------|-------------|
| Dawood Hercules Chemicals Limited (Associated Company) Fully paid ordinary shares of Rs. 10/- each | 3,896,668 | 56,315,150 | 358,103,789 | 3,247,224 | 56,315,150 | 289,002,936 |
| Dawood Cotton Mills Limited (Associated Company) Fully paid ordinary shares of Rs. 10 each* | 774,446 | 8,319,111 | 15,488,920 | 774,446 | 8,319,111 | 15,488,920 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 4,671,114 | 64,634,261 | 373,592,709 | 4,021,670 | 64,634,261 | 304,491,856 |
| UN-LISTED | | | | | | |
| Karnaphuli Paper Mills Limited (Formerly an Associated Company now under foreign occupation) | | | | | | |
| Full paid ordinary shares of Rs. 10/- each | 185,000 | 2,497,500 | -- | 185,000 | 2,497,500 | -- |
| Value written off | | (2,497,4990) | | | (2,497,4990) | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance | 185,000 | 1 | N/A | 185,000 | 1 | N/A |
| Asian Cooperative Society Limited A' class fully paid ordinary shares of Rs. 10/- each. | 500 | 5,000 | N/A | 500 | 5,000 | N/A |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 185,500 | 5,001 | -- | 185,500 | 5,001 | -- |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| | 4,856,614 | 64,639,262 | 373,592,709 | 4,207,170 | 64,639,262 | 304,491,856 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

* 10.43% of paid up capital of the Company.

13. STORES AND SPARES

| | 1999 | 1998 |
|--------|---------------|---------------|
| | Rupees | Rupees |
| Stores | 11,004,866 | 11,583,826 |
| Spares | 8,394,760 | 8,726,653 |
| | ----- | ----- |
| | 19,399,626 | 20,310,479 |
| | ===== | ===== |

14. STOCK IN TRADE

| | | |
|-----------------|-------------|-------------|
| Raw materials | 27,738,828 | 14,600,202 |
| Work in process | 14,494,323 | 10,318,058 |
| Wastes | 2,175,800 | 1,653,458 |
| Finished Goods | 151,502,081 | 151,729,348 |
| | ----- | ----- |
| | 195,911,032 | 178,301,066 |
| | ===== | ===== |

15. BOOK DEBTS-UNSECURED

| | | |
|-------------------|------------|------------|
| Total receivables | 27,670,983 | 15,208,492 |
|-------------------|------------|------------|

| | | |
|------------------------------|------------|------------|
| Provision for doubtful debts | (550,388) | (550,388) |
| Considered Good | 27,120,595 | 14,658,104 |

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - CONSIDERED GOOD

| | | |
|---|-----------|------------|
| Advances to employees | 689,933 | 1,258,905 |
| Employees Provident Fund Trust | 1,232,267 | 2,537 |
| Advances to suppliers of goods | 367,244 | 338,808 |
| Deposits, Prepayments and other receivables | 3,818,006 | 11,710,167 |
| | 6,107,450 | 13,310,417 |

17. CASH AND BANK BALANCES

| | | |
|------------------------|------------|------------|
| Cash in hand | 209,356 | 212,110 |
| Cash at Banks: | | |
| Current Accounts | 3,408,055 | 3,000,187 |
| Short, notice deposits | 31,418,845 | 35,595,713 |
| | 34,826,900 | 38,595,900 |
| | 35,036,256 | 38,808,010 |

18. COST OF SALES

| | <i>1999</i> | <i>1998</i> |
|--|---------------|---------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| Opening stock of finished goods | 153,382,806 | 128,716,721 |
| Cost of goods manufactured (Note 18-A) | 358,832,473 | 362,899,675 |
| | 512,215,279 | 491,616,396 |
| Closing stock of finished goods | (153,677,881) | (153,382,806) |
| | 358,537,398 | 338,233,590 |

18-A COST OF GOODS MANUFACTURED

| | | |
|---|--------------|--------------|
| Opening stock of raw materials | 14,600,202 | 39,139,269 |
| Purchases | 195,132,824 | 152,596,289 |
| | 209,733,026 | 191,735,558 |
| Closing stock of raw materials | (27,738,028) | (14,600,202) |
| | 181,994,198 | 177,135,356 |
| Stores and spares consumed | 16,304,119 | 21,225,995 |
| Fuel and power | 73,594,803 | 72,930,562 |
| Salaries & Wages | 56,037,025 | 50,331,903 |
| Repairs & maintenance | 14,103,531 | 12,646,241 |
| Processing & Other manufacturing expenses | 5,053,269 | 5,617,306 |
| Insurance | 3,187,892 | 3,039,860 |
| Depreciation | 12,733,901 | 14,585,698 |

| | | |
|-------------------------|--------------|--------------|
| | 363,008,738 | 365,513,081 |
| Opening work in process | 10,310,050 | 7,704,652 |
| | ----- | ----- |
| | 373,326,796 | 373,217,733 |
| Closing work in process | (14,494,323) | (10,318,058) |
| | ----- | ----- |
| | 358,832,473 | 362,899,675 |
| | ===== | ===== |

19. ADMINISTRATIVE EXPENSES

| | | |
|------------------------------------|------------|------------|
| Salaries & Wages | 13,837,239 | 13,051,435 |
| Directors' remuneration | 2,430,053 | 1,959,000 |
| Directors' meeting expenses | 10,000 | 4,500 |
| Rent, Rates & Taxes | 1,631,584 | 1,406,250 |
| Insurance | 719,072 | 657,109 |
| Repairs & Maintenance | 1,116,370 | 1,406,100 |
| Electricity | 2,016,227 | 1,183,569 |
| Postage, Telephone & Telegrams | 656,555 | 4,129 |
| Printing, Stationery & Periodicals | 466,983 | 750,307 |
| Advertisement | 91,292 | 39,295 |
| Audit fee | 75,000 | 50,000 |
| Legal & Professional | 191,493 | 354,259 |
| Transport & Travelling | 1,625,890 | 1,010,581 |
| Others | 67,696 | 1,394,246 |
| | ----- | ----- |
| | 25,735,454 | 24,070,780 |
| | ===== | ===== |

20. SELLING AND DISTRIBUTION EXPENSES

| | 1999 | 1998 |
|----------------------|---------------|---------------|
| | Rupees | Rupees |
| Salaries & Wages | 1,786,933 | 1,747,003 |
| Local sales expenses | 1,259,877 | 1,855,569 |
| Insurance | 679,802 | 774,357 |
| Advertisement | 86,715 | 674,327 |
| Others | 842,533 | 615,762 |
| | ----- | ----- |
| | 4,655,860 | 5,607,818 |
| | ===== | ===== |

21. FINANCIAL EXPENSES

| | | |
|------------------------|---------|---------|
| Mark-up & Bank charges | 545,326 | 316,761 |
| | ----- | ----- |
| | 545,326 | 316,761 |
| | ===== | ===== |

22. OTHER INCOME

| | | |
|-----------------------------------|------------|------------|
| Rent received | 174,371 | 98,182 |
| Mark-up received | 5,523,728 | 1,926,680 |
| Dividend received from | | |
| Dawood Hercules Chemicals Limited | 37,018,346 | 40,590,300 |
| Dawood Cotton Mills Limited | 3,097,784 | 3,485,007 |
| Balance written off | 3,015,630 | -- |
| Sales of scrap and stores | 366,806 | 1,116,375 |
| Profit on sale of fixed assets | -- | 270,295 |

49,196,665-----
47,486,839
=====**23. DETAIL OF PAYMENTS TO DIRECTORS AND EXECUTIVES**

| <i>Particulars</i> | <i>Chief Executive</i> | | <i>Other Directors</i> | | <i>Executives</i> | |
|--|------------------------|---------------|------------------------|---------------|-------------------|---------------|
| | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> |
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> |
| Meeting fee | -- | -- | 5,000 | 4,500 | -- | -- |
| Managerial remuneration | 2,304,839 | 1,860,000 | -- | -- | 7,214,729 | 5,140,495 |
| Reimbursable expenses | -- | -- | 5,000 | -- | 764,076 | 613,209 |
| Performance Award | -- | -- | -- | -- | -- | 1,028,850 |
| Company's contribution Towards Staff Provident fund | 125,214 | 99,000 | -- | -- | 389,131 | 239,558 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2,430,053 | 1,959,000 | 10,000 | 4,500 | 8,367,936 | 7,022,112 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

a) Meeting fee was paid to five (5) Directors. (1998: 6 Directors)

b) 32 Executives (1998:23 Executives) of the company were provided with free medical treatment for self and family at Mills hospital or outside whenever necessary. They were also entitled to use Company owned vehicle, also used by others.

24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Aggregate value of sales and purchases to / from Associated undertakings during the year was Rs. 42,573,392 and Rs. 33,282,168 respectively (1998: Rs. 59,260,080 and Rs. Nil). The aggregate value of services in the form of Insurance etc, provided by Associated undertakings was Rs. 5,303,308 (1998: Rs. 4,022,282). Maximum aggregate balance due to Associated Companies during the year was Rs. 29,371,698 (1998: Rs. 6,566,692). Aggregate balance due to Associated undertakings as on 30 September 1999 was Rs. 14,955,932 (1998: due to Rs. 4,634,006).

25. FINANCIAL ASSETS AND LIABILITIES**25.1 Concentration of Credit Risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if the debtors failed to pay as agreed. The company believes that it is not exposed to major concentration of credit risk. The Company places cash and cash equivalents available short term periods with various banks.

25.2 Foreign Exchange Risk Management

Foreign currency risk arises mainly where payable exists due to transaction with foreign undertakings. The company has no foreign exchange liabilities.

25.3 Fair Value Of Financial Assets & Liabilities

The carrying value. of financial Asset & Liabilities reflected in financial statements approximates their fair value.

26. PLANT CAPACITY AND ACTUAL PRODUCTION

The production capacity of company (unchanged from last year) and actual production during the year was as follows:-

| <i>PRODUCT</i> | <i>UNIT</i> | <i>CAPACITY</i> | <i>ACTUAL PRODUCTION</i> | |
|----------------|-------------|-----------------|--------------------------|-------------|
| | | | <i>1999</i> | <i>1998</i> |
| Yarn | Kgs | 9,678,823 | 4,320,356 | 4,201,905 |
| Fabric | Meters | 9,218,040 | 3,723,761 | 5,034,438 |
| Cotton | Bales | 144,000 | -- | -- |

The Spindles and Looms installed were 42,912 and 312 respectively out of which 32,614 (1998: 31,100) Spindles and 128 (1998: 171) Looms worked during the year. The capacity & production is shown after converting production of yarn into 20 counts and of fabric into cloth of 50' picks per inch. Packed yarn production is shown this year in the column for actual production; last year figures are accordingly adjusted. The under-utilization of capacity was due to market limitations.

Pattern of Shareholdings

| <i>Number Of Shareholders</i> | <i>Size of Holding of Shares</i> | | <i>Total Shares Held</i> |
|-------------------------------|----------------------------------|-----------|--------------------------|
| | <i>From</i> | <i>To</i> | |
| 757 | 1 | 100 | 31,007 |
| 577 | 101 | 500 | 150,918 |
| 186 | 501 | 1,000 | 141,848 |
| 262 | 1,001 | 5,000 | 579,872 |
| 17 | 5,001 | 10,000 | 124,744 |
| 13 | 10,001 | 15,000 | 167,231 |
| 2 | 15,001 | 20,000 | 33,414 |
| 2 | 25,001 | 30,000 | 50,246 |
| 1 | 45,001 | 50,000 | 49,828 |
| 1 | 55,001 | 60,000 | 59,000 |
| 1 | 65,001 | 70,000 | 66,515 |
| 3 | 70,001 | 75,000 | 211,693 |
| 1 | 80,001 | 85,000 | 82,992 |
| 1 | 120,001 | 125,000 | 125,000 |
| 3 | 150,001 | 155,000 | 457,592 |
| 1 | 175,001 | 180,000 | 177,841 |
| 1 | 225,001 | 230,000 | 225,616 |
| 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 | 1,205,001 | 1,210,000 | 1,206,875 |
| ----- | | | ----- |
| 1838 | | | 7,307,405 |
| ===== | | | ===== |

| <i>Categories of Shareholder</i> | <i>Number</i> | <i>Shares Held</i> | <i>Percentage</i> |
|----------------------------------|---------------|--------------------|-------------------|
| Individuals | 1,785 | 3,256,736 | 44.57 |

| | | | |
|---|-------|-----------|--------|
| Investment Companies | 6 | 616,042 | 8.43 |
| Insurance Companies | 6 | 106,325 | 1.46 |
| Joint Stock Companies | 12 | 1,239,420 | 16.96 |
| Financial Institutions | 11 | 290,418 | 3.97 |
| Foreign Companies | 3 | 1,564,875 | 21.41 |
| Others (See below) | 15 | 233,589 | 3.20 |
| | ----- | ----- | ----- |
| Total | 1,838 | 7,307,405 | 100.00 |
| | ----- | ----- | ----- |
| Others | | | |
| Charitable Institutions | 4 | 229,722 | 3.15 |
| Administrator Abandoned Properties Govt. of Pakistan | 11 | 3,867 | 0.05 |
| | ----- | ----- | ----- |
| Total | 15 | 233,589 | |