

## **Al-Abid Silk Mills Limited**

### **Annual Report 1999**

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#### **BOARD OF DIRECTORS**

Mr. Naseem A. Sattar	Chairman & Chief Executive
Mr. Azim Ahmed	Director
Mr. Amir Naseem	Director
Mrs. Zarina Naseem	Director
Mrs. Sadaf Naseem	Director
Mrs. Reena Azim	Director
Mrs. Asra Amir	Director
Mr. Nasim Beg	Nominee Director (N.I.T.)
Mrs. Muhammad Shafi	Nominee Director (N.I.T.)
Mr. Muhammad Ashraf	Nominee Director (N.I.T.)

#### **SECRETARY**

Mr. S.M. Jawed Azam

#### **AUDITORS**

Muniff Ziauddin & Company  
Chartered Accountants

#### **REGISTRARS**

(a) Adam Patel & Co. (Pvt.) Ltd.  
34/2-F, Block-5, Clifton, Karachi.

(b) Gangjees Associates (For C.D.C. Purpose)  
516, Clifton Centre, Khayaban-e-Roomi,  
Kehkashan, Block-5, Clifton, Karachi.

#### **BANKERS**

Habib Bank Limited  
Habib Bank A.G. Zurich  
Citibank, N.A.  
National Bank of Pakistan  
Deutsche Bank  
Metropolitan Bank Limited

#### **REGISTERED OFFICE**

A-39, S.I.T.E.,  
Manghopir Road, Karachi

#### **MILLS**

A-39,  
A-51/B,  
A-34/A,  
D-14/C-1  
S.I.T.E., Karachi.

#### **NOTICE OF MEETING**

Notice is hereby given that the 31st Annual General Meeting of the shareholders of the Company will be held at Hotel Metropole, Club Road, Karachi on Tuesday, December 28, 1999 at 4.00 p.m. to transact the following business:

1. To confirm the minutes of the 30th Annual General Meeting of the Company held on December 28, 1998.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' reports thereon for the year ended June 30, 1999.
3. To approve Final Cash Dividend at Rs. 4.00 per share to the shareholders for the year

ended June 30, 1999.

4. To appoint auditors and fix their remuneration.
5. To approve remuneration of the Directors.
6. To consider any other business with the permission of the Chair.

**BY ORDER OF THE BOARD**

**(S. M. JAWED AZAM)**  
**Company Secretary**

Karachi: 3rd December, 1999.

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from December 22, 1999 to December 31, 1999 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
3. CDC Shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and Participant's ID numbers, for Identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.
4. Members are requested to promptly notify the Company of any change in their addresses.

**THIRTYFIRST ANNUAL REPORT OF THE DIRECTORS**

Dear Shareholders,

WELCOME: I accord you a hearty welcome to the 31st Annual General Meeting of the Company.

PREAMBLE: The accounts for the year are before you and the figures speak for themselves which performance is indicated in the following paragraphs.

PERFORMANCE: As reported to you also in the past, the Company is making continuous efforts to increase its export sales which is the need of the Company as well as of the country. In spite of growing international competition, we have been able to increase our export sales from Rs. 1.354 billion of preceding year to Rs. 1.497 billion for the year under report. The total sales of the Company have been increased from Rs. 1.565 billion to Rs. 1.665 billion. The Company's policy is still to continue further increase of the export sales and in pursuit of this goal, the new Rotary Printing machine has been installed which was commissioned towards the end of the closing year and a most modern Stitching Unit has been set-up in keeping with the international market culture and to face the competition. These investments in Balancing and Modernization will enable the Company not only to retain its export markets but also to help in increasing the export sales in times to come, although these investments have increased charge of depreciation which is reflected on the Profit and Loss Account as depreciation in the year under report is higher by Rs. 13.47 million compared with the depreciation of the preceding year.

As mentioned above, the Company will continue to pursue its expanding export policy. In accordance with this policy following plans have been implemented.

1. The Stitching Unit which was reported last year has been completed and commissioned. The second phase of Stitching Unit is reaching its completion and full commissioning by end December 1999 including most modern Switchtrack system for quality stitching.
2. The Rotary Printing Machine, L/C of which was reported last year, as mentioned above, was installed and commissioned towards the end of this financial year.

DIVIDEND: Profit after tax for the year as you will note is Rs. 55.47 million. Cash Dividend of Rs. 4/- per share is proposed which works out to 42.83% cash distribution of the profit after tax for the year.

REMUNERATION: The remuneration of Directors is proposed to be increased by 35%.

Y2K COMPLIANCE: All core software have been modified and it is ensured that software are Y2K compliant.

PATTERN OF SHAREHOLDING: The pattern of share holding as on June 30, 1999 is included in this Annual Report.

EARNING PER SHARE: The earning per share has been given in note 32 to the accounts.

ACKNOWLEDGMENT: In the end your Directors express recognition for the efforts put in by the workers, staff and executives of the Company. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time, we do not want to miss to appreciate the well wishes of our valued shareholders.

Thanks to all of you.

**For and on behalf of the Board of Directors**

**NASEEM A. SATTER**  
**Chairman & Managing Director**

Karachi: 3rd December, 1999.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABID SILK MILLS LIMITED as at 30 June 1999 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 and cash flow statement 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 & loss account, 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 June 1999 and of the profit and 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 in the Central Zakat Fund established under section 7 of that Ordinance.

**MUNIFF ZIAUDDIN & CO.**  
**Chartered Accountants**

KARACHI: 3rd December, 1999.

## BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital 10,000,000 Ordinary Shares of Rs. 10/- each		100,000,000 =====	100,000,000 =====
Issued, subscribed and paid-up capital	3	59,400,000	59,400,000
Reserves			
Capital reserve	4	39,600,000	39,600,000
Unappropriated profit		177,683,401	145,971,476
		----- 217,283,401	----- 185,571,476
	5	276,683,401	244,971,476
<b>LONG TERM LOANS</b>	6	67,990,889	68,642,907
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	7	56,872,100	18,873,444

<b>DEFERRED LIABILITIES</b>	8	14,426,470	12,116,387
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Short term finances	9	644,434,723	475,436,575
Current maturity of long-term loans and finances	10	24,692,859	16,994,548
Creditors, accrued charges and other liabilities	11	357,698,018	376,247,978
Dividends	12	23,838,546	4,707,413
		-----	-----
		1,050,664,146	873,386,514
<b>CONTINGENCIES AND COMMITMENTS</b>	13	--	--
		-----	-----
		1,466,637,006	1,217,990,728
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	14	451,281,212	335,842,317
Capital work-in-progress	15	5,030,190	20,296,878
		-----	-----
		456,311,402	356,296,195
<b>ADVANCE FOR SHARES</b>	16	1,027,545	1,024,545
<b>LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST</b>	17	2,356,905	1,635,455
<b>CURRENT ASSETS</b>			
Stores and spares	18	65,717,491	48,850,682
Stock-in-trade	19	760,089,635	601,546,290
Trade debtors	20	27,804,589	43,422,108
Advances, deposits and prepayments	21	68,455,904	51,603,601
Other receivables	22	59,968,156	99,634,100
Cash and bank balances	23	24,905,379	14,134,752
		-----	-----
		1,006,941,154	859,191,533
		-----	-----
		1,466,637,006	1,217,990,728
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: 3rd December, 1999.

**NASEEM A. SATTAR**  
Chairman & Chief Executive

**AZIM AHMED**  
Director

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Sales and services	24	1,665,150,607	1,565,553,176
Cost of sales	25	1,410,141,328	1,319,669,734
		-----	-----
<b>GROSS PROFIT</b>		255,009,279	245,883,442
<b>OPERATING EXPENSES</b>			
Administrative	26	60,042,482	53,098,523
Selling and distribution	27	34,446,387	27,956,453
		-----	-----
		94,488,869	81,054,976
<b>OPERATING PROFIT</b>		160,520,410	164,828,466
Other income	28	3,205,680	2,677,946
		-----	-----
		163,726,090	167,506,412
Financial charges	29	94,786,242	90,772,418
Other Charges	30	3,446,992	3,850,590
		-----	-----
		98,233,234	94,623,008
Profit before taxation		65,492,856	72,883,404
Taxation	31	(10,020,931)	(8,171,435)
		-----	-----
Profit after taxation		55,471,925	64,711,969
Unappropriated profit brought forward		145,971,476	85,714,507
		-----	-----

	201,443,401	150,426,476
<b>APPROPRIATION</b>		
Proposed dividend Rs. 4.00 per share (1998: Re. 0.75 per share)	23,760,000	4,455,000
	-----	-----
Unappropriated profit carried forward	177,683,401	145,971,476
	=====	=====
Basic Earning Per Share	32	10.89
	=====	=====

The annexed notes form an integral part of these accounts.

**NASEEM A. SATTAR**  
Chairman & Chief Executive

**AZIM AHMED**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1999

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>FUNDS PROVIDED FROM OPERATION</b>		
Profit after taxation	55,471,925	64,711,969
<b>Adjustment of items not involving movement of funds</b>		
Depreciation	49,879,635	36,410,050
Provision for gratuity - net	2,310,083	2,982,106
Profit on disposal of fixed assets	(896,193)	(924,695)
	-----	-----
	106,765,450	103,179,430
<b>(INCREASE) / DECREASE IN CURRENT ASSETS</b>		
Stores and spares	(16,866,809)	1,969,207
Stock-in-trade	(158,543,345)	(146,365,988)
Trade debtors	15,617,519	6,467,163
Advances, deposits and prepayments	(16,852,303)	(6,917,040)
Other receivables	39,665,944	(41,185,594)
	-----	-----
	(136,978,994)	(186,032,252)
<b>INCREASE / (DECREASE) IN CURRENT LIABILITIES</b>		
Short term finances	168,998,148	162,646,730
Creditors, accrued charges and other liabilities	(18,549,963)	(29,664,424)
	-----	-----
	150,448,185	132,982,306
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	120,234,641	50,129,484
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Advance for shares	(3,000)	(58,925)
Capital expenditure	(151,291,901)	(55,542,767)
Proceeds from disposal of fixed assets	2,136,254	2,305,000
Long term deposits and deferred cost	(721,450)	75,075
	-----	-----
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>	(149,880,097)	(53,221,617)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from obligation under finance lease	72,845,450	3,859,000
Payments of obligation under finance lease	(27,148,482)	(14,422,564)
Payments of long term loans	--	(3,154,994)
Long term loans acquired	(652,018)	(571,800)
Dividends paid	(4,628,867)	(2,951,597)
	-----	-----
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	40,416,083	(17,241,955)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	10,770,627	(20,334,088)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	14,134,752	34,468,840
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	24,905,379	14,134,752
	=====	=====

**NASEEM A. SATTAR**  
Chairman & Chief Executive

**AZIM AHMED**  
Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999**

### **1. COMPANY AND ITS BUSINESS**

The company was incorporated in the year 1968 as a Private Limited Company and was converted into Public Limited Company on 24th December, 1987 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and garments made-up.

### **2. ACCOUNTING POLICIES**

#### **2.1 ACCOUNTING CONVENTION**

These accounts have been prepared on the basis of "historical cost" convention.

#### **2.2 STAFF GRATUITY**

The Company operates an unfunded gratuity scheme covering all employees (excluding managerial staff). Full provision is made in the accounts for gratuity payable to employees as per law.

#### **2.3 TAXATION**

##### **Current**

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

##### **Deferred**

The Company accounts for deferred taxation on all major timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that the timing differences will not reverse in the foreseeable future.

#### **2.4 FIXED CAPITAL EXPENDITURE AND DEPRECIATION**

a. Operating fixed assets are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

b. Depreciation is charged to income applying the reducing balance method without considering extra shifts worked.

c. No depreciation is charged on assets disposed off during the year while charge for the full year is made on additions during the year.

d. Minor renewals, replacements, maintenance and repairs are charged to expense. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

#### **2.5 ACCOUNTING FOR LEASES**

The Company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payments under the lease agreement and the fair value of assets. Finance charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is provided at the rates applicable to operating fixed assets.

#### **2.6 CAPITALIZATION OF BORROWING COST**

Borrowing cost on loans obtained for acquisition of plant and machinery for the period till commissioning of production is capitalized.

#### **2.7 STORES AND SPARES**

These are valued at cost using the moving average method.

#### **2.8 STOCK-IN-TRADE**

Stock of raw materials, work-in-process and finished goods are valued at lower of moving average cost and net realizable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

#### **2.9 INVESTMENTS**

These are valued at cost.

#### **2.10 FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are converted into rupees at the rates of exchange prevailing on the date of transaction. Exchange gains and losses are included in income currently.

#### **2.11 REVENUE RECOGNITION**

Sale of goods and services are recognized on despatch of goods to customers or on the performance of services.

	<b>1999</b> <b>Rupees</b>	<b>1998</b> <b>Rupees</b>
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
Ordinary Shares of Rs. 10/- each		
3,160,000 Issued for cash	31,600,000	31,600,000
2,780,000 Issued as bonus shares	27,800,000	27,800,000
-----	-----	-----
5,940,000	59,400,000	59,400,000
=====	=====	=====
<b>4. CAPITAL RESERVE</b>		
Premium on Right Shares	39,600,000	39,600,000
	=====	=====

#### 5. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 1999

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Unappropriated Profit</b>	<b>Total</b>
Balance as at June 30, 1997	59,400,000	39,600,000	85,714,507	184,714,507
Profit after tax for the year ended June 30, 1998	--	--	64,711,969	64,711,969
Dividend	--	--	(4,455,000)	(4,455,000)
	-----	-----	-----	-----
Balance as at June 30, 1998	59,400,000	39,600,000	145,971,476	244,971,476
Profit after tax for the year ended June 30, 1999	--	--	55,471,925	55,471,925
Dividend	--	--	(23,760,000)	(23,760,000)
	-----	-----	-----	-----
Balance as at June 30, 1999	59,400,000	39,600,000	177,683,401	276,683,401
	=====	=====	=====	=====

	<b>1999</b> <b>Rupees</b>	<b>1998</b> <b>Rupees</b>
<b>6. LONG TERM LOANS</b>		
Director's Loan		
Mr. Naseem A. Sattar	67,990,889	68,642,907
	=====	=====

No mark-up has been charged on the above loan.

#### 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as 30-06-1999 (1998: 30-06-1998)	81,564,959	35,867,991
Payable within the following twelve months	(24,692,859)	(16,994,547)
	-----	-----
	56,872,100	18,873,444
	=====	=====

7.1 The amounts of future payments and the periods during which they will fall due are:

Year ending 30th June		
1999 - 2000 (1998: 1998 - 1999)	39,358,157	22,906,845
1999 - 2004 (1998: 1998 - 2002)	79,056,676	21,854,942
	-----	-----
	118,414,833	44,761,787
Less: Finance charges not yet due	36,849,874	8,893,796
	-----	-----
	81,564,959	35,867,991
	=====	=====
Classified as under:		
Long term obligation	56,872,100	18,873,444
Current obligation	24,692,859	16,994,547
	-----	-----
	81,564,959	35,867,991
	=====	=====

7.2 Payments under leases includes financial charges at the rates ranging between 19.50% and 21.50% per annum.

Leases carry renewal option at the end of the lease period. There are no financial restrictions in the lease agreements.

		<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>8. DEFERRED LIABILITIES</b>			
Staff and workers gratuity		14,426,470	12,116,387
		=====	=====
<b>9. SHORT TERM FINANCES</b>			
Finance utilized under mark-up arrangement	(9.1)	--	15,920,090
Export Refinance - H.B.L.	(9.2)	129,792,052	88,603,303
Export Refinance I- H.B.L.	(9.3)	305,000,000	205,000,000
Export Refinance - Citi Bank	(9.3)	39,542,000	--
Export Refinance I-Citi Bank	(9.3)	50,000,000	50,000,000
Export Refinance - H.B. AG Zurich	(9.4)	9,895,000	10,000,000
Export Refinance I- H.B. AG Zurich	(9.4)	50,000,000	50,000,000
FIM account	(9.5)	30,505,974	29,939,764
Cash Finance Account	(9.5)	29,699,697	25,973,418
		-----	-----
		644,434,723	475,436,575
		=====	=====

9.1 The finance has been obtained from Habib Bank Limited on mark-up basis at the rate of 48 paisas (1998: at the rate of 48 Paisas) per thousand per day.

The arrangement is secured against equitable mortgage of Plot No. A - 51 / B with building and machinery thereon and hypothecation of stocks.

9.2 The loan is secured against different contracts / LCs of Export and hypothecation of Stocks.

9.3 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against charge on Trade Debtors.

9.4 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against legal and equitable mortgage of plot No. A - 34 / A with building and machinery installed thereon.

9.5 These are secured against pledge of stocks and stores.

#### **10. CURRENT MATURITY OF LONG-TERM LOANS AND FINANCES**

Liabilities against assets subject to finance lease		24,692,859	16,994,548
		=====	=====

		<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>11. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES</b>			
Trade creditors		271,864,189	282,769,143
Other creditors		40,282,568	44,857,057
Accrued liabilities		17,720,248	11,974,121
Workers' profit participation fund	(11.1)	6,840,185	6,870,910
Workers' welfare fund		13,890	13,890
Deposits from contractors	(11.2)	882,485	995,208
Due to associated undertakings		2,663,549	377,138
Bills payable under D/A		11,821,000	7,754,862
Export bills discounted		--	7,923,507
Mark-up accrued on export refinance loan		3,278,823	9,918,698
Mark-up accrued on Cash credit, FIM & Running Finance		1,077,789	954,861
Mark-up accrued on Lease finance		901,072	669,512
Advance from customers		--	810,494
Other liabilities		352,220	358,577
		-----	-----
		357,698,018	376,247,978
		=====	=====

#### **11.1 Workers' profit participation fund**

Opening balance		6,870,910	4,722,417
Interest on W.P.P.F.		358,983	484,328



	7,229,893	5,206,745
Paid during the year	3,836,700	2,172,535
	3,393,193	3,034,210
Provision for the year	3,446,992	3,836,700
	6,840,185	6,870,910

Interest is charged @ 10.50% (1998: 11.50%) per annum on outstanding balance.

11.2 This represents 7% security deposits retained from contractors bills.

## 12. DIVIDENDS

Unclaimed	78,546	252,413
Proposed	23,760,000	4,455,000
	23,838,546	4,707,413

## 13. CONTINGENCIES AND COMMITMENTS

Commitment		
Outstanding liabilities under documentary credit	23,646,700	20,494,000

## 14. STATEMENT OF OPERATING FIXED ASSETS

	<i>COST AS AT 01-07-1998</i>	<i>ADDITIONS/ (DELETIONS) *ADJUSTMENTS</i>	<i>COST AS AT 30-06-1999</i>	<i>ACCUMULATED DEPRECIATION AS AT 01-07-1998</i>	<i>CHARGE FOR THE YEAR/ (DELETIONS)/ *ADJUSTMENTS</i>	<i>ACCUMULATED DEPRECIATION AS AT 30-06-1999</i>	<i>WRITTEN DOWN VALUE AS AT 30-06-1999</i>	<i>RATE %</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	
Land - Leasehold	16,408,214	--	16,408,214	--	--	--	16,408,214	--
Buildings on leasehold land	88,832,596	46,622,963	135,455,559	42,463,861	9,299,170	51,763,031	83,692,528	10
Plant, machinery and equipments	378,448,941	20,266,899 (95,724) *3,000,000	401,620,116	200,456,573	19,994,222 (7,209) *1,228,530	221,672,116	179,948,000	10
Furniture, fixtures and ancillary equipments	27,416,352	8,813,273	36,229,625	10,626,029	2,560,360	13,186,389	23,043,236	10
Office equipments	10,999,563	3,370,663	14,370,226	4,358,568	1,001,166	5,359,734	9,010,492	10
Electric, gas and other installations	28,663,832	8,694,607	37,358,439	13,901,047	2,345,739	16,246,786	21,111,653	10
Vehicles	16,378,597	5,944,734 (2,021,790) *1,554,000	21,855,541	11,176,366	2,161,013 (870,244) *744,352	13,211,487	8,644,054	20
Sub Total	567,148,095	93,713,139 (2,117,514) *4,554,000	663,297,720	282,982,444	37,361,670 (877,453) *1,972,882	321,439,543	341,858,177	
<b>ASSETS UNDER FINANCE LEASE</b>								
Machinery	69,850,000	70,200,000 *(3,000,000)	137,050,000	19,576,180	11,870,235 *(1,228,530)	30,217,885	106,832,115	10
Vehicles	2,313,000	2,645,450 *(1,554,000)	3,404,450	910,152	647,730 *(744,352)	813,530	2,590,920	20
Sub Total	72,163,000	72,845,450 *(4,554,000)	140,454,450	20,486,332	12,517,965 *(1,972,882)	31,031,415	109,423,035	
TOTAL 1999	639,311,095	166,558,589 (2,117,514)	803,752,170	303,468,776	49,879,635 (877,453)	352,470,958	451,281,212	
TOTAL 1998	607,066,924	35,245,889 (3,001,718)	639,311,095	268,680,140	36,410,050 (1,621,413)	303,468,777	335,842,317	

		<b>1999</b> <b>Rupees</b>	<b>1998</b> <b>Rupees</b>
14.1 The depreciation charge for the year has been allocated as follows:			
Factory overhead	(25.2)	44,697,663	32,975,918
Administrative	(26)	5,181,972	3,434,132
		-----	-----
		49,879,635	36,410,050
		=====	=====

**14.2 DISPOSAL OF FIXED ASSETS**

	<b>Cost</b> <b>Rs.</b>	<b>Accumulated</b> <b>Depreciation</b> <b>Rs.</b>	<b>Written</b> <b>Dawn Value</b> <b>Rs.</b>	<b>Sale</b> <b>Proceeds</b> <b>Rs.</b>	<b>Profit/ (Loss)</b> <b>Rs.</b>	<b>Mode of</b> <b>Disposal</b>	<b>Particulars of</b> <b>Purchaser</b>
<b>VEHICLES</b>							
Toyota Corolla (REGD. NO. V - 4956)	270,000	199,221	70,779	270,000	199,221	Insurance claim	EFU General Insurance Ltd.
Suzuki Mehran (REGD. NO. AAD- 137)	270,000	131,760	138,240	265,000	126,760	Insurance claim	EFU General Insurance Ltd.
Toyota Corolla (REGD. NO. W - 4241)	245,000	144,648	100,352	280,000	179,648	Negotiation	Mr. Abdul Latif Banglow No. 659, Fatima Jinnah Colony, Karachi.
Suzuki Mehran (REGD. NO. AAD - 281)	230,000	112,240	117,760	230,000	112,240	Insurance claim	EFU General Insurance Ltd.
Suzuki Mehran (REGD. NO. ABS - 823)	255,000	--	255,000	255,000	--	Insurance claim	EFU General Insurance Ltd.
Toyota Corolla (REGD. NO. V - 3775)	255,000	171,442	83,558	270,000	186,442	Negotiation	Mr. Mohammed Saleem A-3, Block 13D, Gulshan-e-Iqbal, Karachi.
Suzuki Mehran (REGD. NO. U - 8907)	165,000	110,933	54,067	150,000	95,933	Negotiation	Mr. Syed Ejaz All H-125, Khalid Bin Waleed Road, Karachi.
Suzuki Mehran (REGD. NO. ACE - 580)	331,790	--	331,790	328,000	(3,790)	Insurance claim	EFU General Insurance Ltd.
<b>MACHINERY</b>							
Stitching Machines	95,724	7,209	88,515	88,254	(261)	Insurance claim	EFU General Insurance Ltd.
	-----	-----	-----	-----	-----		
<b>TOTAL</b>	<b>2,117,514</b>	<b>877,453</b>	<b>1,240,061</b>	<b>2,136,254</b>	<b>896,193</b>		
	=====	=====	=====	=====	=====		

	<b>1999</b> <b>Rupees</b>	<b>1998</b> <b>Rupees</b>
<b>15. CAPITAL WORK-IN-PROGRESS</b>		
Building and civil works	5,030,190	20,296,878
	=====	=====
<b>16. ADVANCE FOR SHARES</b>		
	1,027,545	1,024,545
	=====	=====

This represents advance for shares paid to Sattar Spinning Limited, an associated company. However no shares were issued to the Company till the date of reporting the balance sheet.

**17. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST**

Deposits		
Security deposits	1,676,905	895,455
Deposits against lease	680,000	740,000
	-----	-----
	2,356,905	1,635,455

<b>18. STORES AND SPARES</b>		
Stores	18,492,647	14,782,921
Spares	47,224,844	34,067,761
	65,717,491	48,850,682
<b>19. STOCK-IN-TRADE</b>		
Raw materials	285,767,272	244,582,390
Work-in-process	402,534,915	287,207,775
Finished goods	71,787,448	69,756,125
	760,089,635	601,546,290
<b>20. TRADE DEBTORS</b>		
Secured	20,400,532	29,711,351
Unsecured - considered good	7,404,057	13,710,757
	27,804,589	43,422,108
<b>21. ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
Advances		
To staff and workers	1,781,713	1,412,267
Income tax	36,236,786	23,127,118
Against import expenses	9,144,452	9,897,701
For supplies and expenses	8,613,212	5,632,958
Deposits	4,893,995	7,446,639
Prepayments	7,785,746	4,086,918
	68,455,904	51,603,601
<b>22. OTHER RECEIVABLES</b>		
Duty drawback	28,673,856	42,662,725
Sales tax	28,845,571	56,158,213
Export Development Surcharge	1,009,408	--
Others	1,439,321	813,162
	59,968,156	99,634,100
<b>23. CASH AND BANK BALANCES</b>		
Cash in hand	1,480,197	3,153,364
Cash with banks - saving account	8,413,347	7,442,184
- current account	14,007,187	2,534,556
P.L.S. TDRs	1,004,648	1,004,648
	24,905,379	14,134,752
<b>24. SALES AND SERVICES</b>		
Sales		
Export sales	1,497,166,174	1,354,460,688
Local sales	48,238,645	54,176,524
	1,545,404,819	1,408,637,212
Services		
Cloth processing - Printing and dyeing	137,292,074	174,009,574
Stitching - Bedsets, Curtains and Garments	5,619,129	3,488,267
	142,911,203	177,497,841
	1,688,316,022	1,586,135,053
Less: Commission and brokerage	23,165,415	20,581,877
	1,665,150,607	1,565,553,176
<b>25. COST OF SALES</b>		
Cost of materials consumed	(25.1) 1,240,787,514	1,074,634,341
Salaries and wages	93,557,329	87,835,596
Factory overheads	(25.2) 270,299,820	249,953,490

	1,604,644,663	1,412,423,427
Work-in-process		
Opening stock	287,207,775	263,878,014
Closing stock	(402,534,915)	(287,207,775)
	(115,327,140)	(23,329,761)
Cost of goods manufactured	1,489,317,523	1,389,093,666
Finished goods		
Opening stock	69,756,125	65,191,518
Closing stock	(71,787,448)	(69,756,125)
	(2,031,323)	(4,564,607)
	1,487,286,200	1,384,529,059
Less: Duty Drawback	77,144,872	64,859,325
	1,410,141,328	1,319,669,734

**25.1 Cost of Materials Consumed**

Dyes and chemicals	260,337,567	209,231,964
Production stores and Packing material	92,742,719	86,598,609
Grey cloth	884,320,020	778,803,768
Finished cloth	3,387,208	--
	1,240,787,514	1,074,634,341

**25.2 Factory Overheads**

Insurance premium	5,071,313	5,511,146
Repairs and maintenance	21,455,469	30,329,809
Rent, rates and taxes	3,425,508	3,088,404
Heat, light and power	99,629,027	96,157,403
Water consumption charges	9,177,819	8,049,789
Boiler expenses	941,513	785,779
Service charges	6,820,779	8,236,159
Checking, mending, stitching and packing charges	5,597,208	4,263,917
Coolie, cartage and freight	40,676,062	30,728,569
Cloth cutting and stitching charges	32,807,459	29,826,597
Depreciation	44,697,663	32,975,918
	270,299,820	249,953,490

**26. ADMINISTRATIVE EXPENSES**

Directors' remuneration	3,692,010	2,942,910
Salaries and benefits	18,068,921	16,515,984
Staff welfare	1,518,881	1,450,055
Electric charges	4,955,333	4,297,867
Travelling	7,366,317	6,487,482
Car maintenance	5,441,692	4,621,308
Conveyance	191,343	156,127
Entertainment	1,064,750	1,121,189
Printing and stationery	2,720,762	2,803,692
Postage, telegram, telephone and telex	3,373,752	3,777,911
Legal and professional	1,971,915	1,949,278
Auditors' remuneration	(26.1) 85,000	60,000
Advertisement	555,495	676,204
Subscription and fees	1,219,953	864,815
Charity and donation	(26.2) 280,868	--
Insurance premium	1,899,901	1,598,467
Service contracts	204,352	168,303
Miscellaneous	249,265	172,799
Depreciation	5,181,972	3,434,132
	60,042,482	53,098,523

**26.1 Auditors' remuneration**

Audit fee	85,000	60,000
-----------	--------	--------

**26.2 Charity and donation**

None of the Directors or their spouses had any interest in donee's fund.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>27. SELLING AND DISTRIBUTION EXPENSES</b>		
Packing and forwarding	16,618,057	12,629,508
Publicity	7,955,069	5,871,733
Samples	3,172,254	3,108,230
Postage and stamps	1,712,007	1,211,327
Entertainment	864,295	545,323
Export development tax	4,124,705	4,590,332
	-----	-----
	34,446,387	27,956,453
	=====	=====
<b>28. OTHER INCOME</b>		
Sales of scrap	1,384,759	1,294,035
Profit on TDRs	924,728	459,216
Profit on disposal of fixed assets	896,193	924,695
	-----	-----
	3,205,680	2,677,946
	=====	=====
<b>29. FINANCIAL CHARGES</b>		
Bank charges, mark-up and commission	28,781,166	29,027,038
Mark-up on cash credit account	4,807,460	4,384,945
Mark-up on FIM account	6,372,510	5,447,391
Mark-up on fixed assets finance	--	268,766
Mark-up on short term running finance	3,758,894	3,248,828
Mark-up on export refinance loans	40,017,141	38,785,671
Lease finance charges	10,690,088	9,125,451
Interest on W.P.P.F.	358,983	484,328
	-----	-----
	94,786,242	90,772,418
	=====	=====
<b>30. OTHER CHARGES</b>		
Workers' profit participation fund	3,446,992	3,836,700
Workers' welfare fund	--	13,890
	-----	-----
	3,446,992	3,850,590
	=====	=====
<b>31. TAXATION</b>		
Current	8,619,001	8,171,435
Prior	1,401,930	--
	-----	-----
	10,020,931	8,171,435
	=====	=====

**31.1 DEFERRED TAXATION**

No provision for Deferred taxation has been made in these accounts as the timing differences relating to accelerated tax depreciation allowance are irrelevant and also the same are not likely to reverse in the foreseeable future. The timing difference due to accelerated tax depreciation allowance are irrelevant as major sales of the assessee are exports and covered u/s 80 CC of the Income Tax Ordinance, 1979.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>32. BASIC EARNING PER SHARE</b>		
Profit after tax	55,471,925	64,711,969
	=====	=====
Number of Shares	5,940,000	5,940,000
	=====	=====
Basic Earning Per Share	9.34	10.89
	=====	=====

**33. REMUNERATION OF DIRECTORS AND EXECUTIVES**

<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVES</i>	
<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>

Remuneration	1,600,722	1,275,936	945,492	753,654	8,373,322	8,089,701
House rent	720,330	574,176	425,466	339,144	3,474,646	3,515,410
Utilities	--	--	--	--	368,764	361,449
	-----	-----	-----	-----	-----	-----
Number of persons	1	1	2	2	57	56
	-----	-----	-----	-----	-----	-----

The Chief Executive and Directors are also provided with free use of the company maintained cars and residential telephones for business and personal use.

#### REMUNERATION TO OTHER DIRECTORS.

Aggregate amount charged in the accounts for Board Meeting fee to non - executive Directors was Rs. 36,500/- (1998: Rs. 13,500).

#### 34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 10,578,188/- (1998: Rs. 14,161,546).

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Sales, processing charges, services and charges recovered	60,329,764	67,666,466
Purchases, services and charges.	3,387,208	4,867,464

#### 35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### Interest / mark-up rate risk exposure

The company's exposure to interest/mark-up rate risk and the effective rates on its financial assets and liabilities as at June 30, 1999 are summarized as follows:

##### (i) Financial assets and liabilities

	<i>Interest/Mark-up bearing</i>			<i>Non-Interest/Mark-up bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
<b>Financial assets</b>							
Advance for Shares	--	--	--	--	1,027,545	1,027,545	1,027,545
Long term deposits	--	--	--	--	2,356,905	2,356,905	2,356,905
Trade Debtors	--	--	--	27,804,589	--	27,804,589	27,804,589
Advance and Deposits (excluding income tax)	--	--	--	24,433,372	--	24,433,372	24,433,372
Other receivable (excluding duties & taxes)	--	--	--	2,448,729	--	2,448,729	2,448,729
Cash and bank balances	8,413,347	1,004,648	9,417,995	15,487,384	--	15,487,384	24,905,379
	-----	-----	-----	-----	-----	-----	-----
	8,413,347	1,004,648	9,417,995	70,174,074	3,384,450	73,558,524	82,976,519
	-----	-----	-----	-----	-----	-----	-----
<b>Financial liabilities</b>							
Long term loans	--	--	--	--	67,990,889	67,990,889	67,990,889
Liabilities against assets subject to finance lease	24,692,859	56,872,100	81,564,959	--	--	--	81,564,959
Short-term Finances	644,434,723	--	644,434,723	--	--	--	644,434,723
Creditors accrued and other Liabilities	--	--	--	357,698,018	--	357,698,018	357,698,018
Dividends	--	--	--	23,838,546	--	23,838,546	23,838,546
	-----	-----	-----	-----	-----	-----	-----
	669,127,582	56,872,100	725,999,682	381,536,564	67,990,889	449,527,453	1,175,527,135
	-----	-----	-----	-----	-----	-----	-----

##### Interest / mark-up Rates Risk

The effective Interest Rates as at June 30, 1999 for the financial instruments are as follows

<b>Assets</b>		
Bank Balances	8.00- 13.00	per cent
<b>Liabilities</b>		
Running Finance	17.50	per cent
Export refinance	8.00	per cent
Liability against assets subject to finance lease	19.50- 21.50	per cent

##### (ii) Concentration of Credit risk

Credit Risk represents the Accounting loss that would be recognized at the reporting date if counterparts failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risk.

**(iii) Foreign exchange risk management**

Foreign currency arises mainly when receivables and payables exists due to sales and purchase transaction with foreign undertakings. As at June 30, 1999 the total foreign currency risk exposure was Rs. 44.05 million of which Rs. 23.65 million relates to liabilities under documentary credit and Rs. 20.40 million relates to trade debtors.

**(iv) Fair value of the financial instruments**

The carrying value of all the financial instruments in the financial statements approximates their fair value.

**36. PLANT CAPACITY AND PRODUCTION**

The production capacity of the plant cannot be determined as it depends upon the process, the quality of cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights.

**37. GENERAL**

i) Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

ii) Figures have been rounded off to the nearest rupee.

**NASEEM A. SATTAR**  
Chairman & Chief Executive

**AZIM AHMED**  
Director

**PATTERN OF SHARE HOLDINGS**

**AS AT JUNE 30, 1999**

NUMBER OF SHARE HOLDERS	SHARE HOLDERS			TOTAL SHARES
	From		To	
87	1	--	100	3,795
65	101	--	500	12,505
53	501	--	1,000	33,505
2	1,001	--	5,000	4,725
2	5,001	--	10,000	14,850
1	15,001	--	20,000	20,000
2	45,001	--	50,000	100,000
1	90,001	--	95,000	90,450
1	140,001	--	145,000	142,120
1	185,001	--	190,000	187,110
1	195,001	--	200,000	197,495
1	340,001	--	345,000	341,550
1	480,001	--	485,000	482,627
1	1,100,001	--	1,105,000	1,100,675
1	1,270,001	--	1,275,000	1,271,173
1	1,935,001	--	1,940,000	1,937,420
----- 221		TOTAL		----- 5,940,000 =====

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
1. Individuals	215	3,641,985	61.31
2. Investment Companies	1	20,000	0.34
3. Joint Stock Companies	2	980	0.02
4. Financial Institutions	3	2,277,035	38.33
Total	----- 221 =====	----- 5,940,000 =====	----- 100.00 =====