

Umer Fabrics Limited

Annual Report 1999

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COMPANY INFORMATION

Board of Directors:

Mr. Yahya Saleem	Chief Executive
Mr. Farrukh Ifzal	
Mr. Khalid Qadeer Qureshi	
Mr. Muhammad Azam	
Mr. Aftab Ahmad Khan	
Rana Muhammad Mushtaq	
Mr. Nasim Beg	Nominee of NIT

Corporate Secretary:

Mr. Farrukh Ifzal

Bankers to the Company:

American Express Bank Ltd.
Citibank N.A.
Deutsche Bank
Faysal Bank Limited
National Bank of Pakistan
Credit Agricole Indosuez
Habib Bank Limited
Standard Chartered Bank
Mashreq Bank. Psc
ABN AMRO Bank N.V.
Bank of America NT & SA
Societe Generale Bank
United Bank Limited

Auditors:

Riaz Abroad & Company
Chartered Accountants

Legal Advisor:

Aurang Zeb Khan

Head Office:

4-Happy Homes,
38-A, Main Gulberg, Lahore.
Phone: 5761730-9
Telex: 47823 NISHT PK.
Fax: (042) 5711340

Registered Office:

53-A, Lawrence Road,
Lahore - Pakistan.
Phone: 6367812-20
Telex: 47523 NISHT PK.
Fax: (042) 6367414

Mills:

49th Kilometer, Multan Road,
Bhai Pheru, Tehsil ChunJan,
District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of the Shareholders of UMER FABRICS LIMITED will be held at the Head Office of the Company, 4-Happy Homes, 38-A, Main Gulberg, Lahore, on March 31, 2000 at 9:00 a.m. to transact the following business:-

1. To confirm the minutes of last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended September 30, 1999 together with Director's and Auditor's reports thereon.
3. To approve 20% CASH DIVIDEND (i.e. Rs. 2.00 per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending September 30, 2000 and to fix their remuneration. The present Auditors M/s. Riaz Ahmad and Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

BOOKS CLOSURE

The Share Transfer Books of the Company will remain closed from March 31, 2000 to April 07, 2000 (both days inclusive) for the entitlement of the Dividend.

By Order of the Board

Lahore:
MARCH 04, 2000

FARRUKH IFZAL
Director/Corporate Secretary

NOTES:

- i) The Cash Dividend will be paid to the shareholders, whose name will be appeared in the register of members as at the close of business on March 30, 2000.
- ii) All the members should bring their Original National Identity Card or Original Passport at the time of the Annual General Meeting to facilitate the identification.
- iii) Member whose shares are deposited with Central Depository Company of Pakistan Ltd., are also advised to bring with them Participant's iD number with sub-account number or CDC investor Account number.
- iv) A member eligible 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 by the Company at the Registered Office not later than 48 hours before the time for holding the meeting in working hours.
- v) Members are requested to immediately notify the change of address, if any.

DIRECTOR'S REPORT

Operating Results

The year under review was another year of success for the company depicting an increase of 26.47% in earning after tax that rose to Rs. 59.117 million from Rs. 46.744 million in 1998. The Board of Directors has recommend a cash dividend of 20% i.e. Rs. 2 per share for the year ended September 30, 1999 and an amount of Rs. 12.00 million has been transferred to general reserves. The earning per share has increased to Rs. 2.46 per share (1998: 1.95). Return on equity was 14.91% (1998: 12.13%). The consistent performance of the company in terms of its export volume, earning per share and return on equity are presented hereunder:

We, in commitment to further improve our competitiveness in value added and quality products, have already replaced during the year old Cards and Blow room with most modern Trutzschler Blow room, and state of the art DK 803 Trutzschler

Cards in Umer Fabrics - Unit 1. Moreover company has also completed replacement of old machinery with brand new DK 803 Trutzschler Cards and Trutzschler Blow room in Umer Fabrics - Unit 2. This modernization will not only help to reduce the operational costs but also to further enhance the quality standard.

Cotton Outlook

In the wake of higher local purchase prices during 1999, we still managed to procure quality cotton at competitively lower prices as part of our coverage policy and gained considerable advantage over our competitors. In continuation of this policy and understanding the expected impact of bumper cotton crop (more than 10 million bales), during the current year, we are pleased to inform that we have covered our cotton requirement till the end of October 2000 at a rate far lower than the rate prevailing currently in the market.

Future Outlook

By May, 2000 Umer Fabrics Unit-2, have increased the combing capacity to produce 100% combed yarn and we shall be able to offer more value added products to our valued customers. The addition of 6 Rieter Combers alongwith 1 unilap and 3 Trutzschler DK903 cards is underway to fulfill this plan.

The year 1999-2000 would be a significant year for textile industry in Pakistan so far as profitability is concerned. Timely decision to procure cheap cotton, aggressive marketing strategy and planned technological changes have made us confident to expect extraordinary results in 1999-2000.

Acknowledgment

Finally, we would like to take this opportunity to thank our Shareholders, management team, staff, bankers and our suppliers for their continued commitment and support to Umer Fabrics Limited.

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

For and on behalf of the board

YAHYA SALEEM

Chief Executive

Lahore: March 04, 2000

FINANCIAL HIGHLIGHTS

Particulars	1995	1996	1997	1998	1999
Share Capital	240,052	240,052	240,052	240,052	240,052
Reserves	7,113	70,941	134,574	145,310	156,417
Shareholders' Fund	247,165	310,993	374,626	385,362	396,469
Long term Loan	95,161	73,635	47,740	23,462	437
Other items	44,664	20,933	7,060	7,836	6,402
Current Liabilities	324,945	362,640	473,029	597,153	1,000,512
Total Liabilities	464,770	457,208	527,829	628,451	1,007,351
Capital & Liabilities	711,935	768,201	902,455	1,013,813	1,403,820
Fixed Capital Expenditure	501,876	459,723	420,373	474,606	506,163
Long term Deposits & investm	21,074	20,754	5,363	126,476	126,777
Curent Assets	188,985	287,724	476,719	412,731	770,880
Total Assets	711,935	768,201	902,455	1,013,813	1,403,820
Sales	1,247,766	1,359,869	1,579,859	1,496,418	1,608,595
Exports	867,541	1,006,432	1,239,523	999,157	1,092,216
Local	380,225	353,437	340,336	497,261	516,379
Cost of goods sold	1,139,535	1,108,754	1,245,818	1,258,991	1,379,127
Gross profit	108,231	251,115	334,041	237,427	229,468
Financial & Other charges	95,454	108,964	168,300	126,232	144,445
Profit after tax	(50,936)	63,828	99,641	46,744	59,117
Dividend			36,008	36,008	48,010
No. of shares	24,005	24,005	24,005	24,005	24,005
Earnings per share	(1.94)	2.66	4.15	1.95	2.46

Return on equity	(20.61) %	20.52%	26.60%	12.13%	14.91%
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AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of UMER FABRICS LIMITED as at September 30, 1999 and the related profit and loss account and statement of changes in financial position, 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 statement of changes in financial position, 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 changes in financial position 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.

RIAZ AHMAD AND COMPANY

Chartered Accountants

Lahore: March 04, 2000

BALANCE SHEET AS AT SEPTEMBER 30, 1999

	NOTE	1999	1998
		(Rupees in Thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 30,000,000 ordinary shares of Rupees 10/- each		300,000	300,000
		=====	=====
Issued, subscribed and paid up share capital	3	240,052	240,052
Revenue reserves	4	156,417	145,310
		-----	-----
		396,469	385,362
NON CURRENT LIABILITIES			
Custom debentures	5	437	875
Long term loans	6	--	22,588
DEFERRED LIABILITY			
Employees' retirement gratuity		6,402	7,836
		-----	-----
		6,839	31,299
CURRENT LIABILITIES			
Current Portion of long term liabilities	7	23,026	26,515

Short term finances	8	800,289	443,888
Creditors, accrued and other liabilities	9	105,244	75,814
Provision for taxation		23,943	14,928
Proposed dividend		48,010	36,008
		-----	-----
		1,000,512	597,153
CONTINGENCIES AND COMMITMENTS	10		
		-----	-----
		1,403,820	1,013,814
		=====	=====
ASSETS			
NON CURRENT ASSETS			
TANGIBLE FIXED ASSETS			
Operating fixed assets	11	506,056	397,015
Capital work-in-progress	12	107	77,591
		-----	-----
		506,163	474,606
EQUITY INVESTMENTS	13	126,195	126,195
LONG TERM DEPOSITS		582	281
		-----	-----
		632,940	601,082
CURRENT ASSETS			
Stores, spares and loose tools	14	25,900	20,912
Stock-in- trade	15	253,025	76,073
Trade debts	16	119,536	237,402
Advances, deposits, prepayments and other receivables	17	293,125	64,296
Cash and bank balances	18	79,294	14,049
		-----	-----
		770,880	412,732
		-----	-----
		1,403,820	1,013,814
		=====	=====

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1999

	NOTE	1999	1998
(Rupees in Thousand)			
SALES	19	1,608,595	1,496,418
COST OF SALES	20	1,379,127	1,258,991
		-----	-----
GROSS PROFIT		229,468	237,427
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	21	56,287	60,958
		-----	-----
OPERATING PROFIT		173,181	176,469
OTHER INCOME	22	41,702	8,404
		-----	-----
FINANCIAL AND OTHER CHARGES	23	214,883	184,873
		144,445	126,232
		-----	-----
PROFIT BEFORE TAXATION		70,438	58,641
PROVISION FOR TAXATION	24	11,321	11,897
		-----	-----
PROFIT AFTER TAXATION		59,117	46,744

PROFIT BROUGHT FORWARD		1,199	463
PROFIT AVAILABLE FOR APPROPRIATION		60,316	47,207
APPROPRIATIONS:			
Proposed dividend Rupees 2/- per share (1998: Rupees 1.5 per share)		48,010	36,008
Transfer to general reserve		12,000	10,000
		60,010	46,008
UNAPPROPRIATED PROFIT CARRIED FORWARD		306	1,199
EARNING PER SHARE - BASIC	28	2.46	1.95

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED SEPTEMBER 30, 1999

	1999	1998
	(Rupees in Thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	70,438	58,641
Add/(less): Adjustment for non-cash charges and other items		
Depreciation	43,954	43,244
Gratuity	1,718	2,387
Gain on disposal of fixed assets	(7,058)	(608)
Dividend income	(4,893)	(3,444)
Financial charges	140,717	123,127
Cash Flows From Operating Activities Before Adjustment of Working Capital	244,876	223,347
(Increase)/decrease in current assets		
Stores, spares and loose tools	(4,988)	(2,390)
Stock-in-trade	(176,952)	22,123
Trade debts	117,865	(43,562)
Advances deposits, prepayments and other receivables	(166,170)	(17,976)
Increase/(decrease) in current liabilities		
Short term finances	356,402	145,177
Creditors, accrued and other liabilities	27,775	702
Cash flows From Working Capital Changes	153,932	104,074
CASH FLOWS FROM OPERATING ACTIVITIES	398,808	327,421
Financial charges paid	(140,906)	(126,252)
income tax paid	(64,964)	(19,796)
Gratuity paid	(3,152)	(1,611)
NET CASH FLOWS FROM OPERATING ACTIVITIES	189,786	179,762
CASH FLOW FROM INVESTING ACTIVITIES		
Long term security deposits	(301)	38

Dividend income received	4,893	3,444
Sale proceeds of fixed assets	36,436	6,878
Fixed capital expenditure	(104,889)	(103,748)
Equity investments	--	(121,151)
	-----	-----
Net Cash used in Investing Activities	(63,861)	(214,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Custom debentures	(438)	(438)
Long term loans	(26,077)	(23,220)
Liabilities against assets subject to finance lease	--	(15,623)
Dividend paid	(34,165)	(36,008)
	-----	-----
Net Cash Used in Financing Activities	(60,680)	(75,289)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	65,245	(110,066)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	14,049	124,115
	-----	-----
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	79,294	14,049
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1999

1. THE COMPANY AND ITS ACTIVITIES

Umer Fabrics Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 listed on Lahore and Karachi Stock Exchanges of Pakistan. The company is principally engaged in the manufacturing and trading of cotton yarn.

1.1 Compliance with International Accounting Standards

These financial statements comply with International Accounting Standards as applicable in Pakistan in all material aspects.

2. ACCOUNTING POLICIES

Summary of significant accounting policies is given below:

2.1 Overall valuation policy

The accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences in previous years as referred to in note 2.4.

2.2 Employee's Retirement Benefits

The company operates an unfunded gratuity scheme covering permanent employees serving at mills site, payable on cessation of employment. The provision is being made annually in the accounts according to the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The company also operates provident fund scheme for Head Office employees. Equal monthly contribution is made by the employer and the employees to the fund.

2.3 Taxation

The company falls in the ambit of presumptive tax regime under section 80CC of the Income Tax Ordinance, 1979 to the extent of its export sales. Provision for income tax is made in the accounts accordingly. Provision for tax on income from local sales and other income is based on taxable income at current rates after considering the rebates and tax credits available, if any. Deferred tax is accounted for on all major timing differences by using the liability method. (Refer note 24).

2.4 Foreign currency

Foreign currency transactions are recorded at exchange rates prevailing on the date of transaction.

Assets and liabilities in foreign currency are translated into Pak Rupee at the exchange rates prevailing

at the balance sheet date or rates fixed under exchange risk absorption scheme of State Bank of Pakistan. Net exchange difference relating to foreign currency loans is adjusted against the cost of fixed assets acquired from the proceeds of loans. Exchange risk fee and gain/loss on translation of foreign bills under collection at the year end are charged to current year's income.

2.5 Tangible fixed assets and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the erection/construction period and other directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on the reducing balance method at the rates given in note 11. The full annual rate of depreciation is applied to the cost of additions except for major additions or extensions to production facilities. Major addition or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and replacements are capitalized. Gain or loss on disposal of operating fixed assets is included in current year's income.

2.6 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over the useful life of the assets on reducing balance method. Depreciation of leased assets is charged to current year's income.

2.7 Equity investments

Long term investments are stated at cost and Provision for diminution in the value is made if considered permanent. Short term investments are stated at the lower of cost and market value determined on aggregate portfolio basis.

2.8 Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value.

2.9 Stock-in-trade

Stocks of raw material, work-in-process and finished goods are valued at the lower of average cost and net realizable value except waste which is valued at contract prices.

Average cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessary to be incurred in order to make a sale.

2.10 Trade debts

Known bad debts are written off and provision is made against debts~ considered doubtful.

2.11 Revenue recognition

Revenue from sales is recognized on despatch of goods to customers. Dividend income on equity investments is accounted for on receipt basis while the return on short term placement of funds with banks and financial institutions is accounted for on a time proportion basis on the rates of profit applicable thereon.

2.12 Borrowing Costs

Interest, Mark-up and other charges on long term liabilities are capitalized up to the date of commissioning of respective fixed assets required out of the proceeds of such long term liabilities, if it takes considerable period for erection/construction. All other interests, mark-up and other charges are charge to income .

1999 1998
(Rupees in Thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP

SHARE CAPITAL

14, 127,750 ordinary shares of Rupees 10/- each fully paid up in cash (1998: 14,127,750)	141,277	141,277
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9,877,455 ordinary shares of Rupees 10 each issued as fully paid to the shareholders of Raza Textile Mills Limited in accordance with the scheme of arrangement allowed by the Lahore High Court, Lahore	98,775	98,775
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	240,052	240,052
--	---------	---------

3.1 11,863,538 (1998:11,863,538) ordinary shares of the company are held by associated undertakings.

4. REVENUE RESERVES

General reserves	156,111	144,111
Unappropriated profit	306	1,199

	156,417	145,310
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5. CUSTOM DEBENTURES

Balance as on 30th September (Note 5.1)	875	1,312
Current portion (Note 7)	438	437

	437	875
--	-----	-----

5.1 Custom debentures have been issued in favour of Collector of Customs to cover the deferred element of custom duty on import of plant and machinery. Debentures carry surcharge at the rate of 14 percent per annum and are redeemable in five annual equal instalments. The outstanding debentures will be fully redeemed on 05 November 2000. These are secured by way of guarantee issued by Faysal Bank Limited which is secured against the floating charge on current assets of the company.

6. LONG TERM LOANS

PICIC-Loan No.ADB 1775/776/15 (Note 6.1)	22,588	42,313
Supplier's credits	--	6,353

	22,588	48,666
--	--------	--------

Current portion (Note 7)	22,588	26,078
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	--	22,588
--	----	--------

6.1 The foreign currency loan of U.S.Dollars 5.849 million was obtained from Pakistan Industrial Credit and Investment Corporation Limited (PICIC) for import of machinery and converted into Pak Rupees at the rate of exchange prevailing on the dates of the respective disbursements as under the terms of agreement. It is repayable in Pak Rupees and is secured against a first charge by way of equitable mortgage on all immovable properties, a first charge by way of hypothecation on plant and machinery, a first floating charge on all other assets and a demand promissory note. The loan carries interest at the rate of 14 percent per annum. Loan is repayable in 18 unequal consecutive semi-annual instalments commencing from 01 January 1992.

	1999	1998
NOTE	(Rupees in Thousand)	

7. CURRENT PORTION OF LONG TERM LIABILITIES

Custom debentures	5	438	437
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Long term loans	6		
-----------------	---	--	--

From PICIC		22,588	19,725
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Supplier's credit	--	6,353
	22,588	26,078
	23,026	26,515

8. SHORT TERM FINANCES

Cash finances	8.1 & 8.2	112,129	202,997
Finance under export refinance scheme:			
Preshipment finances	8.1 & 8.3	688,160	104,655
Postshipment finances	8.1 & 8.4	--	136,236
		800,289	443,888

8.1 These finances form part of total credit facilities amounting to Rupees 1,630.65 million (1998: Rupees 1,551.5 million) available from commercial banks under mark-up arrangements.

8.2 Cash finances carry mark up at the rates ranging from 31.51 to 43.84 paisas per thousand per day. These are secured against first pari passu charge on present and future current assets of the company, and personal guarantees.

8.3 Proshipment finances carry mark-up at the rates ranging from 21.91 to 45.21 paisas per thousand per day. These are secured against lien on export bills, first pari passu charge on current assets of the company and personal guarantees.

8.4 Postshipment finances carry mark-up at the rates ranging from 21.91 to 36.98 paisas per thousand per day. These are secured against first pari passu charge on current assets of the company, lien on export bills and personal guarantees.

1999 1998
(Rupees in Thousand)

9. CREDITORS ACCRUED AND OTHER LIABILITIES

Creditors	54,705	31498
Income tax deducted at source	1,597	243
Exchange risk tee on long term loans	791	1,721
Mark-up on secured short term finances	--	204
	4,899	4,368
Cash finances	12,069	5,728
Preshipment finances	140	6,011
	17,108	16,107
Surcharge on custom debentures-Secured	110	166
Due to associated undertakings	189	--
Unclaimed dividend	3,322	1,479
Excise duty payable	7,826	7,826
Workers' profit participation fund (Note 9.1)	4,984	4,188
Accrued liabilities	14,612	12,382
	105,244	75,814

9.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as on 01 October	4,188	6,864
Interest provided during the year	265	172
	4,453	7,036
Payments made during the year		
To workers	2,472	2,435
To Government	725	3,518
	3,197	5,953

Un-claimed balances	1,256	1,083
Share of company's profit for the year	3,728	3,105
	-----	-----
	4,984	4,188
	=====	=====

9.2 The company retains worker's profit participation fund for its business operations till the date of allocation to workers. Interest is paid at the prescribed rate under the Act on funds utilized by the company till the date of allocation to workers.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

The income tax assessing officer rectified company's assessments for the accounting years 30th September 1993 to 30th September 1996 by re-proportioning the expenses relating to export and local sales, under section 156 of the Income Tax Ordinance, 1979. The additional demand raised by the assessing officer has not been accepted by the company and filed the appeal before the Commissioner of Income Tax (Appeals) which is still pending. Therefore, no provision for the revised tax amounting to Rupees 7 million has been made in the accounts.

Commitments

Letter of credit for capital expenditure are Rupees 39.42 million (1998' Nil) and other than capital expenditure are Rupees Nil (1998: Rupees 16.083 million).

11. OPERATING FIXED ASSETS

(Rupees in Thousand)

DESCRIPTION	C O S T		ACCUMULATED DEPRECIATION			DEPRECIATION		Rate %	
	As at 01 October 1998	Additions/ (Deletions)	As at 30 September 1999	As at 01 October 1998	As at Adjustments 30 September 1999	Book value as at 30 September 1999	Charge for the year		
Freehold land	14,859	6,119	20,978	--	--	20,978	--	--	
Building on fre Plant & machin	131,770 628,211	12,216 151,026 (65,110)	143,986 714,127	74,753 327,956	-- 37,836	81,676 322,618	62,310 391,509	6,923 32,498	10 10
Furniture, fixtures and equipments	24,303	6,623 (61)	30,865	13,134	22	14,887	15,978	1,775	10
Electric installa Transport and	15,518 9,848	-- 5,566 3,332)	15,518 12,082	9,036 4,214	-- 1,680	9,684 4,443	5,834 7,639	648 1,909	10 20
Computers	2,352	823 (631)	2,544	753	218	736	1,808	201	10
1999	826,861	182,373 (69,134)	940,100	429,846	39,756	434,044	506,056	43,954	
1998	776,544	58,605 (8,378)	826,861	388,709	2.11	429.85	397,015	43,244	
	=====	=====	=====	=====	=====	=====	=====	=====	

11.1 Depreciation charge for the year has been allocated as follows:

	1999	1998
	(Rupees in Thousand)	
Cost of Sales	42,045	41,836
Administrative, selling and general expenses	1,909	1,408
	-----	-----
	43,954	43,244
	=====	=====

11.2 Detail of operating fixed assets disposed off during the year is as follows:

DESCRIPTION	COST	ACCUMULATED BOOK		SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
		DEPRECIATION	VALUE			
VEHICLES						
Suzuki Swift (LXG4389) Motor	373	75	298	373	Negotiation	Mr. G.H. Moeen, Lahore.
CG-125 (LOD-5852)	35	27	8	20	Negotiation	Mr. Amjad Hussain Company's Employee.
Suzuki Alto (LOV-6456)	240	142	98	188	Negotiation	Mr. Imran Baig, Lahore.
Honda Civic (LOW-5045) Mot	708	418	290	445	Negotiation	Mr. M. Shoaib, Lahore.
CD-70 (LOQ3287)	35	26	9	27	Negotiation	Mr. Bashir Ahmad Lahore.
Nissan Pickup (LOT-2279)	470	316	154	295	Negotiation	Mr. Fazal Hussain Lahore.
Suzuki Swift (LOG-3309)	377	75	302	367	Negotiation	Mrs. Shereen Tariq Lahore.
Suzuki Alto (LXG-7416)	288	58	230	262	Negotiation	Mr. Hamid Ullah Khan Company's Employee.
Motor Cycle Honda CD70 (LO	58	29	29	30	Negotiation	Mr. Buland Akhtar Company's Employee.
Motor Cycle Honda CD70 (LO	60	29	31	31	Negotiation	Mr. Zubair Mustafa Company's Employee.
Motor Cycle Honda CD70 (LX	60	12	48	50	Insurance Clai	Security General Insurance Co. Ltd.
Suzuki Bolan (LOW-5264)	277	164	113	160	Negotiation	Mr. Adil Mahmood Lahore
Motor Cycle Yamaha 100 (LOJ-	34	27	7	23	Negotiation	Mr. M. Ishaq Company's Employee.
Fork lifter Model (1989)	317	283	34	250	Negotiation	Mr. Majeed Alam Lahore.
OFFICE EQUIPMENTS						
Air Conditioner	37	21	16	2	Negotiation	Tauseef Brothers.
Micro wave oven	11	1	10	11	Negotiation	Nishat Chunian Limited.
Mobile phone	13	--	13	13	Negotiation	Searl International.
Main Server	559	192	367	367	Insurance Clai	Adamjee Insurance Company Limited.
16 Port Hub	10	1	9	9	Insurance Clai	Adamjee Insurance Company Limited.
HP 4 Laser Jet Printer	62	25	37	36	Insurance Clai	Adamjee Insurance Company Limited.
PLANT & MACHINERY						
4 Cards CM K-3	3,734	2,220	1,514	2,200	Negotiation	Hasan Spinning Mills Limited
6 Cards Huwa	5,601	3,331	2,270	2,700	Negotiation	Khawaja Spinning Mills Limited.
2 Cards Huwa	1,867	1,110	757	900	Negotiation	Kohat Textile Mills Limited.
2 Cards H uwa	1,867	1,110	757	900	Negotiation	Din Textile Mills Limited
10 Cards Huwa	9,335	5,551	3,784	4,500	Negotiation	Service Industries Limited
2 Cards Huwa	1,867	1,110	757	900	Negotiation	Crescent Sugar Mills Limited.
1 Blow Room & 2 Scutchef	10,650	6,065	4,584	2,725	Negotiation	Ahmad Hassan Textile Mills Limited Idrees Textile Mills Limited Ejaz Spinning Mills Limited
8 Cross Roll Cards	8,862	5,047	3,815	9,775	Negotiation	Nishat Mills Limited.
4 Graf Cards	3,768	2,463	1,305	1,500	Negotiation	Akram Industries Limited.
1 Blow Room & 3 Scutchef	12,210	7,981	4,229	4,254	Negotiation	Ayesha Textile Mills Limited. Hajra Textile Mills Limited.
3 Graf Cards	2,826	1,847	979	600	Negotiation	Crescent Sugar Mills Limited.

11.3 Deletion includes adjustment of custom duty claims amounting to Rupees 2.524 million (1998: Rupees 4.737 million) received during the year,

1999 **1998**
(Rupees in Thousand)

12. CAPITAL WORK IN PROGRESS

Civil works	107	8,532
Plant & Machinery	--	69,059
	-----	-----
	107	77,591
	=====	=====

13. EQUITY INVESTMENTS

Quoted

Muslim Commercial Bank Limited
2,796,000 (1998: 2,796,000) fully paid ordinary
shares of Rupees 10/- each

120,945 120,945

Unquoted

Security General Insurance

Company Limited

525,000 (1998: 525,000) fully paid ordinary

shares of Rupees 10/- each

Equity held 10.50%

(Chief Executive-Syed Jawad Gilani)

Break-up value is Rupees 11.59 per share as per

audited accounts of December 31, 1998

	5,250	5,250
	-----	-----
	126,195	126,195
	=====	=====

13.1 Market value of the quoted investment as on September 30, 1999 was Rupees 61.931 million (1998: Rupees 58.44 million).

14. STORES, SPARES AND LOOSE TOOLS

Stores	6,618	7,252
Spare parts	19,137	13,515
Loose tools	145	145
	-----	-----
	25,900	20,912
	=====	=====

15. STOCK-IN-TRADE

Raw material	209,967	29,804
Work-in- process	23,693	32,438
Finished goods	13,109	11,144
Waste stock	6,256	2,687
	-----	-----
	253,025	76,073
	=====	=====

16. TRADE DEBTS-CONSIDERED GOOD

Local sales - Unsecured	926	20,689
Export sales - Secured		
Against letters of credit	46,711	--
Against forward sale contracts	71,899	216,713
	-----	-----
	118,610	216,713
	-----	-----
	119,536	237,402
	=====	=====

17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**Loans and advances-Considered good**

To Employees	350	270
To Suppliers / contractors	3,721	21,512
Letter of credit	156,373	8,408
Income tax	82,454	19,796
Sales tax refundable	37,247	1,582
Margin on bank guarantees	649	1,350
Short term prepayments	--	31
Due from associated undertakings	17.1	
Nishat Mills Limited	--	6,898
D.G. Khan Cement Company Ltd.	4,965	4,028
	-----	-----
	4,965	10,926

Other receivables

Imported cotton claims receivable	5,630	--
Profit on bank deposits	946	--
Insurance claim and miscellaneous receivable	790	421
	-----	-----
	293,125	64,296
	=====	=====

17.1 Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 38.75 million (1998: Rupees 55.32 million).

18. CASH AND BANK BALANCES

Cash in hand	135	166
Cash with Banks		
In current accounts	42,701	13,883
In deposit accounts	36,458	--
	-----	-----
	79,159	13,883
	-----	-----
	79,294	14,049
	=====	=====

19. SALES

Own production:

Yarn		
Export	1,031,127	940,027
Local	458,276	466,709
	-----	-----
	1,489,403	1,406,736

Waste

Export	61,032	76,411
Local	31,523	28,883
	-----	-----
	92,555	105,294

Purchased goods

Export	14,158	2,003
Local	26,580	1,669
	-----	-----
	40,738	3,672

	-----	-----
	1,622,696	1,515,702
Less:		
Commission to selling agents	14,101	19,284
	-----	-----
	1,608,595	1,496,418
	=====	=====

20. COST OF SALES

Raw material consumed	20.1	1,046,991	990,480
Salaries, wages and other benefits		62,217	55,668
Gratuity		1,659	2,122
Fuel and power		110,722	119,481
Packing materials		21,080	19,683
Stores, spare parts and loose tools		33,900	24,012
Insurance		2,114	3,034
Other factory overheads		12,292	7,459
Depreciation		42,045	41,836
		-----	-----
		1,333,020	1,263,775

Work-in-process

Opening inventory		32,438	22,790
Closing inventory		23,693	32,438
		-----	-----
		8,745	(9,648)

Cost of goods manufactured

		1,341,765	1,254,127
--	--	-----------	-----------

Finished goods-Own production

Opening inventory		13,831	15,378
Closing inventory		19,365	13,831
		-----	-----
		(5,534)	1,547

Cost of goods purchased for resale

Export	16,316	1,647
Local	26,580	1,670
	-----	-----
	42,896	3,317
	-----	-----
	1,379,127	1,258,991
	=====	=====

20.1 RAW MATERIAL CONSUMED

Opening stock	29,804	60,028
Purchase during the year	1,227,154	960,256
	-----	-----
	1,256,958	1,020,284
Closing stock	209,967	29,804
	-----	-----
	1,046,991	990,480
	=====	=====

21. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries and other benefits	5,410	5,196
Gratuity/provident fund contributions	82	265
Clearing and forwarding	34,657	43,137
Legal and professional	372	486
Insurance	828	995
Travelling and conveyance	3,742	2,481
Vehicles running and maintenance	733	739
Entertainment	126	196
Fee and subscription	630	618
Audit fee	130	130
Advertisement	129	124
Postage, telephone and telegrams	4,133	3,126
Electricity and gas charges	459	447
Printing and stationery	466	432
Miscellaneous	2,481	1,178
Depreciation	1,909	1,408
	-----	-----
	56,287	60,958
	=====	=====

22. OTHER INCOME

Dividend income	4,893	3,444
Sale of scrap	1,826	1,574
Mark-up on advances to associated undertakings	52	2,498
Mark-up on advances	21,307	
Gain on disposal of fixed assets	7,058	608
Excise Duty Refund	994	--
Profit on bank deposits	4,978	86
Processing income	594	194
	-----	-----
	41,702	8,404
	=====	=====

23. FINANCIAL AND OTHER CHARGES**Financial**

Surcharge on Custom debentures	129	190
Interest on Long term loans	4,661	7,833
Exchange risk fee on suppliers' credit	219	567
Interest on Workers' profit participation fund	265	172
Mark-up on Advances	--	1,708
Mark-up on Advances from Associated undertakings	481	--
Mark-up on Short term finances		

Cash/other short term finances	48,815	42,112
Preshipment finances	67,080	34,203
Postshipment finances	12,980	28,779
	-----	-----
	128,875	105,094
Finance charges on liabilities against assets subject to finance lease	--	1,563
Bank charges and commission	6,087	6,000
	-----	-----
	140,717	123,127
Others		
Worker's profit participation fund	3,728	3,105
	-----	-----
	144,445	126,232
	=====	=====

24. PROVISION FOR TAXATION

Current year	9,019	11,897
Prior year	2,302	--
	-----	-----
	11,321	11,897
	=====	=====

24.1 Current year's provision represents the income tax due under section 80CC of the Income Tax Ordinance, 1979. In view of available tax losses, no provision for current and deferred tax is required except income tax due under section 80CC. The tax losses to be carried forward as on 30 September 1999 are estimated at Rupees 120.481 million (1998: Rupees 93.686 million).

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The company purchased from and sold to associated undertakings materials, goods and services in the aggregate sum of Rupees 0.43 million (1998: Rupees 4.46 million) and Rupees 39.05 million (1998: Rupees 144.40 million) respectively. The company also purchased from and sold to associated undertakings fixed assets amounting to Rupees 65.78 million and Rupees 9.78 million respectively. These purchases/sales were made at market prices.

25.1 Mark up is paid/charged on balances due to/from associated undertakings at the rate of paisas 43 per Rupees 1,000 per day.

26. NUMBER OF EMPLOYEES

	1999	1998
Number of employees at year end	1,277	1,233

27. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits to directors and executives of the company are as follows:

	1999	1998
	(Rupees in Thousand)	
EXECUTIVES		
Remuneration	2,999	3,497
House rent	1,350	1,046
Conveyance	--	35
Utilities	150	92
	-----	-----
	4,499	4,670
	-----	-----
Number of persons	17	10
	=====	=====

27.1 No remuneration or meeting fee was paid to directors and chief executive during the period under reference. The company has also provided transport to Executives.

28. EARNING PER SHARE

	1999	1998
Net profit for the year (Rupees in thousand)	59,117	46,744
Number of ordinary shares	24,005,205	24,005,205

Earning per share (Rupees) - Basic 2.46 1.95

29. STATEMENT OF CHANGES IN EQUITY

	(Rupees in Thousand)			
	Share Capital	General Reserve	Unappropriated Profit	Total
Balance as at 01 October 1997	240,052	134,111	463	374,626
Profit for the year	--	--	46,744	46,744
Proposed dividend	--	--	(36,008)	(36,008)
Transfer to general reserve	--	10,000	(10,000)	--
Balance as at 30 September 199	240,052	144,111	1,199	385,362
Profit for the year	--	--	59,117	59,117
Proposed dividend	--	--	(48,010)	(48,010)
Transfer to general reserve	--	12,000	(12,000)	--
Balance as at 30 September 199	240,052	156,111	306	396,469

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

30.1 Financial Assets and Liabilities

	(Rupees in Thousand)				
	Financial Instruments	Interest/Mark-up Bearing		Non-Interest/Mark-up Bearing	
		Within One Year	One Year To Five Years	Within One Year	One Year to Five Years
1999					
FINANCIAL ASSETS					
Long term investments	126,195	--	--	--	126,195
Advances to employees	136	--	--	136	--
Long term deposits	582	--	--	--	582
Trade debts	119,636	--	--	119,536	--
Due from associated undertaki	4,965	4,965	--	--	--
Other receivables	7,366	--	--	7,366	--
Cash and bank balances	79,294	36,458	--	42,836	--
	338,074	41,423	--	169,874	126,777
FINANCIAL LIABILITIES					
Custom debentures	875	438	437	--	--
Long term loans	22,588	22,588	--	--	--
Finances under mark-up arrangements	800,289	800,289	--	--	--
Creditors, accrued and other liabilities	105,244	5,173	--	100,071	--
Dividend	48,010	--	--	48,010	--
Letters of credit	39,420	--	--	39,420	--
	1,016,426	828,488	437	187,501	--

30.2 Effective Interest/Mark-up Rates

The company's exposure to interest/mark-up effective rates on its financial assets and financial liabilities are summarised as follows:

	1999 Percentage
Financial assets	
Cash with bank on deposit accounts	16
Due from associated undertakings	15.50
Financial liabilities	
Custom debentures	14

Long term loans	14
Short term finances	8 to 16.5
Due to associated undertakings	15.50

30.3 Credit Risk

The company believes that it is not exposed to major concentration of credit risk. Further, the company controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis.

30.4 Fair Value of Financial Instruments

The carrying value of financial assets and liabilities approximates their Fair values as reflected in the financial statements except long term investment which is stated at cost. (Note 13).

30.5 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company has obtained forward cover to manage foreign currency risk (Note 16).

	1999	1998
31. PLANT CAPACITY AND ACTUAL PRODUCTION		
Total number of spindles installed	39,840	39,840
Rated capacity converted into 20/s count (Kgs.)	13,247,312	12,779,255
Actual production converted into 20/s count (Kgs.)	13,050,406	12,587,526
Number of shifts worked per day	3	3
Total number of shifts worked during the year	1,093	1,093

31.1 Reason For Low Production

The under-utilization of available capacity is due to stoppage and maintenance.

32. CORRESPONDING FIGURES

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

FORM - 34**THE COMPANIES ORDINANCE, 1984****PATTERN OF HOLDING OF SHARES HELD BY THE MEMBERS****AS AT SEPTEMBER 30, 1999**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
875	1	100	42673
1454	101	500	314945
435	501	1000	327673
202	1001	1500	253234
120	1501	2000	219863
64	2001	2500	144754
62	2501	3000	170868
30	3001	3500	98544
26	3501	4000	98189
18	4001	4500	77923
21	4501	5000	100943
12	5001	5500	63003
14	5501	6000	82085
10	6001	6500	64003
6	6501	7000	41456
7	7001	7500	50742
4	750	8000	31072
8	800	8500	65962
3	850	9000	26569
3	900	9500	28400
4	950	10000	40000
26	1000	15000	322109
21	1500	20000	369509
10	2000	25000	226926

4	2500	30000	107879
2	3000	35000	66561
3	3500	40000	113163
4	4000	45000	167139
4	4500	50000	190182
5	5000	55000	260434
2	5500	60000	113390
1	6000	65000	64942
1	11000	115000	110900
1	12000	125000	123500
1	17000	175000	171267
1	205001	210000	205810
1	230001	235000	234033
1	290001	295000	294050
1	340001	345000	341026
2	415001	420000	830668
1	515001	520000	518914
1	640001	645000	643612
1	765001	770000	765450
1	3550001	3560000	3557302
1	5385001	5390000	5386758
1	6475001	6480000	476780

3475	24005205
------	----------

Categories of Shareholders	Number of Shareholders	Shares Held	% Percentage
Individuals	3416	5819706	24.24
Investment Companies	6	668347	2.78
Insurance Companies	5	744398	3.10
Joint Stock Companies	18	12751335	53.12
Financial Institutions	9	3874251	16.14
Modaraba Companies	7	56790	0.24
Foreign Companies	10	64071	0.27
Co-op. Societies	4	26307	0.11
	3475	24005205	100.00