

## **Usman Textile Mills Limited**

### **Annual report 1999**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Mr. M. Kasim Hasham	Chairman
Mr. M. Hussain Hasham	Chief Executive
Mr. M. Ebrahim Hasham	Director
Mr. Khurram Kasim	Director
Mr. Ahmed Ebrahim	Director
Mr. Abdul Ghani Abdul Sattar	Director
Mr. S. Qamar Ali Zaidi	Director

##### **AUDITORS**

Hyder Bhimji & Co.

##### **BANKERS**

Muslim Commercial Bank Limited  
Habib Bank AG Zurich

##### **REGISTERED OFFICE & MILLS**

A/1 S.I.T.E. Manghopir Road, Karachi.

#### **NOTICE OF MEETING**

NOTICE is hereby given that the 52nd Annual General Meeting of the Company will be held at its Registered Office A/1, Sindh Industrial Trading Estate (S.I.T.E.) Manghopir Road, Karachi on Friday the 24th March, 2000 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the company held on 26th March 1999 and of the Extra Ordinary General Meeting held on May 5, 1999.
2. To receive, consider and adopt the audited Audited Accounts for the year ended 30th September 1999 and the Directors' and the Auditors' Report thereon.
3. To appoint auditors for the year 1999-2000 and fix their remuneration. The retiring Auditors Messers Hyder Bhimji & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

**By Order of the Board**  
**Q. A. Wadud**  
**Secretary**

Karachi, February 24, 2000

##### **Notes:**

1. The Share Transfer Books of the Company shall remain closed from March 14, 2000 to

March 27, 2000 (both days inclusive).

2. A member unable to attend the meeting and exercise personally his/her right to vote may appoint another member as proxy to attend and vote on his/her behalf.

3. The instrument of proxy and the power of attorney or other authority, under which it is signed, or a notarially certified copy of such power of attorney in order to be valid must be deposited at the Registered Office of the Company not later than 48 hours before the meeting and must be duly stamped and witnessed.

4. Members are requested to notify any change in their address immediately.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

### **For the year ended September 30, 1999.**

The Directors of your Company are pleased to present their 52nd Annual Report and Audited Accounts of the Company for the year ended September 30, 1999.

### **THE YEAR UNDER REVIEW**

During the period under review, the production activities remained suspended due to unfavourable conditions. The present economy still seems very gloomy and not a single new company was registered in the Stock Market which shows lack of investor's interest in the Textile Industry. Due to this scenario, the Company was unable to sell its undertakings during the year, inspite of the approval of the shareholders. Consequently, the liabilities could not be paid off completely and the mark-up on various loans continued, resulting in a loss. The Directors of the Company had to provide loans to the Company on soft terms to pay off some Bank Loans to avoid default.

### **Financial Results and Appropriations.**

The financial highlights, and the proposed appropriations for the year under review as compared to the previous year are as under:

	<i>1998-99</i>	<i>1997-98</i>
Operating profit / (loss)	(7,289,542)	(710,145)
Profit / (Loss) before taxation	(6,978,253)	2,105,302
Profit / (Loss) after taxation	(8,788,579)	891,532
Brought forward profit	502,000	168,378
Available for appropriation	(8,286,579)	502,000
Proposed dividend Nil (1998 - Nil )	0	0
Transferred from Revenue Reserve	4,500,000	0
Unappropriated Profit / (Loss) carried to balance Sheet	(3,786,579)	502,000

### **Dividends**

Unfortunately due to factors mentioned above, we have run into losses and are unable to declare any dividend.

### **Going Concern**

The Company has closed its production activities in to and has principally decided to dispose off the undertakings of the Company. It is also stated that the sale proceeds of the assets will be utilised, after repayment of all the liabilities, in making investment in order to generate revenue. Besides, the income will also continue accruing from the rentals of Company warehouses, as usual. Hence, the Company will continue to be a going concern.

### **Future Prospects**

Subsequent to the year under review, the Company has been able to sell part of its undertakings and has also paid off all its bank loans. The fixed administrative expenses have been curtailed and it is expected that the Company will be able to earn some income in the following year.

### **Pattern of Shareholding**

Pattern of Shareholding in prescribed form is included in this report.

### **Appointment of Auditors**

The Auditors Messrs Hyder Bhimji & Co. Chartered Accountants retire and offer themselves for

reappointment.

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

Karachi:  
February 24, 2000

**M. Hussain Hasham  
Chief Executive**

## PATTERN OF SHAREHOLDING

<i>NUMBER OF SHARES HOLDERS</i>	<i>SHARES HOLDING</i>		<i>TOTAL SHARE HELD</i>	
927	1	TO	100	24,874
327	101	TO	500	88,105
136	501	TO	1000	100,734
105	1001	TO	5000	208,639
11	5001	TO	10000	71,990
1	10001	TO	15000	12,000
1	15001	TO	20000	18,900
1	20001	TO	25000	22,200
0	25001	TO	30000	0
0	30001	TO	35000	0
0	35001	TO	40000	0
1	40001	TO	45000	43,969
2	45001	TO	50000	96,228
3	50001	TO	100000	221,340
1	100001	TO	105000	102,500
0	105001	TO	150000	0
0	150001	TO	200000	0
0	200001	TO	250000	0
0	250001	TO	300000	0
1	300001	TO	350000	336,215
1	350001	TO	400000	390,708
1	400001	TO	450000	414,811
1	450001	TO	500000	474,137
1	500001	TO	550000	541,051
1	550001	TO	575000	557,879
-----			-----	
1522				3,726,280
=====			=====	

## CATEGORIES OF SHAREHOLDERS

	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
			<i>%</i>
1. Individual	1,486	3,511,947	94.25
2. Insurance Companies	3	68,881	1.85
3. Joint Stock Companies	14	128,613	3.45
4. Financial Insti ,	8	8,064	0.22
5. Charitable Institutions	6	1,165	0.03
6. Others	5	7,618	0.20
-----			-----
	1,532	3,726,288	100.00
=====			=====

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of USMAN TEXTILE MILLS LIMITED, as at September 30, 1999 and the related profit and loss account Cash Flow Statement together with the notes forming part thereof 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 state that;

The annexed accounts have been prepared on a going concern basis despite the facts that the production operation has been ceased and the undertaking of the Company is being disposed off. Thus the appropriateness of the going concern is dependent on the certain factors stated in Note i in the financial statements. Consequently no adjustment has been incorporated in these accounts recording gain or loss on realization of assets of the Company and classification of liabilities.

Subject to what is stated above, 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 were for the purpose of 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 Statement of Changes in Financial Position (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 subject to the appropriateness of the going concern assumption as stated above, give a true and fair view of the state of the Company's affairs as at September 30, 1999 and of the loss and the changes in Cash Flows for the year then ended; and

d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Hyder Bhimji & Company**  
**Chartered Accountants**

Karachi: February 24, 2000

## **BALANCE SHEET AS AT SEPTEMBER 30, 1999**

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(RUPEES)</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital	3	50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid up	4	37,262,880	37,262,880
Capital Reserve	5	12,420,960	12,420,960
Revenue Reserve		0	4,500,000
Unappropriated Profit/(Loss)		(3,786,579)	502,000
		-----	-----
		45,897,261	54,685,840
<b>Liabilities against Assets</b>	6	0	280,126
<b>Subject to Finance Lease</b>			
<b>Long Term Loan</b>	7	35,000,000	35,000,000
<b>Deffered Liabilities</b>		384,509	541,473
<b>Current Liabilities</b>			
Current Portion of:			
Liabilities against assets subject to finance lease	6	1,141,192	12,186,719
Long term loan	7	5,000,000	0
Short term running finance (secured)	8	25,518,865	73,467,364
Creditors, accrued and other liabilities	9	23,256,939	16,206,521

		54,916,996	101,860,604
<b>Contingencies and Commitments</b>	10	--	--
		136,198,766	192,368,043
<b>PROPERTY AND ASSETS</b>			
Operating Fixed Assets	11	105,709,595	106,024,992
<b>Long Term Investments</b>	12	27,000	27,000
<b>Long Term Deposits</b>	13	3,668,930	8,172,530
<b>Current Assets</b>			
Stores, spares and loose tools	14	5,526,117	4,200,574
Stock in trade	15	13,096,630	48,930,040
Trade debts	16	407,351	8,999,604
Advances, prepayments and other receivables	17	7,562,376	15,352,900
Cash and bank balances	18	200,767	660,403
		26,793,241	78,143,521
		136,198,766	192,368,043

The annexed notes form an integral part of these accounts.

Karachi: February 24, 2000.

**M. Hussain Hasham**  
Chief Executive

**M. Ebrahim Hasham**  
Director

**PROFIT AND LOSS ACCOUNT**  
**for the year ended September 30, 1999**

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(RUPEES)</i>	
<b>SALES</b>	(19)	35,811,512	185,135,000
Cost of sales	(20)	37,432,229	176,639,271
<b>GROSS PROFIT</b>		(1,620,717)	8,495,729
Administrative expenses	(21)	5,283,018	7,364,947
Selling expenses	(22)	385,807	2,398,837
		5,668,825	9,763,784
<b>OPERATING LOSS</b>		(7,289,542)	(1,268,055)
Financial Charges	(23)	(11,413,028)	(18,719,091)
Other Income	(24)	11,724,317	21,645,343
Workers' Profit Participation Fund		--	(110,805)
		311,289	2,815,447
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		(6,978,253)	1,547,392
Taxation	(25)	1,810,326	1,213,770
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(8,788,579)	333,622
Accumulated Profit B / F		502,000	168,378
Available for appropriation		(8,286,579)	502,000
Transfer from Revenue Reserves		4,500,000	0

Unappropriated Profit/(Loss) carried to balance sheet	(3,786,579)	502,000
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Note: The annexed notes forms an integral part of these accounts.

**M. Hussain Hasham**  
Chief Executive

**M. Ebrahim Hasham**  
Director

Karachi: February 24, 1999.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) for the year ended September 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>(RUPEES)</i>	
<b>Cash Flow From Operating Activities</b>		
Net profit/(loss) before taxation	(6,978,253)	2,663,212
Adjustments for:		
Depreciation	244,637	9,985,759
Amortisation - deferred cost	0	2,633,617
Financial charges	11,413,028	18,719,091
Profit on sale of fixed assets	(61,737)	(8,910,280)
Provision for gratuity	(156,964)	(879,310)
	11,438,964	21,548,877
<b>Profit before working capital changes</b>	4,460,711	24,212,089
Effects on cash flow due to working capital changes		
(Increase) / Decrease in Current Assets		
Store, spares & loose tools	(1,325,543)	(394,548)
Stock in trade	35,833,410	(15,695,293)
Trade debts	8,592,253	13,333,484
Advances, deposits & prepayments	6,288,224	(2,910,272)
	(49,388,344)	5,666,629
Increase/(Decrease) in Current Liabilities		
Creditors, accrued & other liabilities	7,050,418	3,425,625
Short Term Running Finance	(47,948,499)	8,415,784
	(40,898,081)	11,841,409
<b>Cash Generated from Operations</b>	12,950,974	30,386,869
Financial charges paid	(12,049,080)	(19,091,975)
Sale proceeds on sale of fixed assets	152,497	9,904,680
Income Tax paid	308,026	(2,509,890)
<b>Net cash from operating activities</b>	1,362,417	18,689,684
Cash flow from investing activities		
Purchase of fixed assets	0	(6,164,301)
Long term deposits & deferred cost	4,503,600	(353,600)
<b>Net cash from/(used in) investing activities</b>	4,503,600	(6,517,901)
<b>Cash flow from financial activities</b>		
Repayment of lease liabilities	(11,325,653)	(11,158,773)
Receipt/(Payment) of long term loan	5,000,000	(605,775)
	(6,325,653)	(11,764,548)

Net increase/(decrease) in cash & cash equivalents	(459,636)	407,235
Cash & cash equivalents at the beginning of the year	660,403	253,168
	-----	-----
Cash & cash equivalents at the end of the year	200,767	660,403
	=====	=====

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

### **1. THE COMPANY AND ITS OPERATIONS**

Usman Textile Mills Limited is a public limited company incorporated on 10th March 1947 and quoted on Karachi Stock Exchange in Pakistan. The Company is engaged in sales and manufacture of cotton yarn and cotton fabrics.

The Company has already closed its spinning and weaving units due to adverse business conditions and in order to reduce further losses to the company it has been principally decided to sell off the undertakings of the Company at the earliest available opportunity. In this regard the Company has also passed a special resolution to dispose off the undertaking of the Company

The financial statements do not incorporate the loss or gain which may arise from the disposal of various asset in view of non-availability of the market realisable value. It is however expected that the Company will be able to earn substantial gain on the disposal of the entire fixed assets. The proceeds on disposal of assets will be utilised in making repayment of all the liabilities of the Company and the balance funds will be utilised in order to generate income.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 ACCOUNTING CONVENTION**

These accounts have been prepared under the historical cost convention.

#### **2.2 STAFF RETIREMENT BENEFITS**

The Company operates an unfunded gratuity scheme for its employees and provision is made annually to cover the obligations under the scheme.

#### **2.3 TAXATION**

##### **CURRENT**

Provision for current taxation is computed in accordance with the provision of the Income Tax Ordinance 1979.

##### **DEFERRED**

The Company accounts for deferred taxation on all timing differences by using liability method. However deferred taxation is not provided if it can be established that the timing differences are not likely to reverse in the foreseeable future

#### **2.4 FIXED CAPITAL EXPENDITURE**

Operating fixed Assets are stated at cost less accumulated depreciation, except for land and capital work in progress, which are stated at cost Depreciation on operating Fixed assets is charged to profit and loss account on reducing balance method at the rates specified in the fixed assets note whereby the cost of an assets will be written off over its estimated useful life.

Depreciation on plant and machinery used for part of the year has been charged on pro-rata basis. On plant and machinery addition, the depreciation is charged from the date of their installation and on other assets from the date of their purchase.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any are retired. Gains and losses on disposal of assets are included in income currently.

##### **2.4.1 ASSETS SUBJECT TO FINANCE LEASE**

Assets subject to finance lease are stated at the lower of present value of minimum lease

payments under the lease agreement and the fair value of the assets. The related obligation of the lease are accounted for as liabilities.

Assets acquired under finance lease are depreciated over the useful life of the assets on reducing balance method at the rates specified in the fixed assets note whereby the cost of an asset will be written off over its estimated useful life.

## 2.5 INVESTMENTS

These are stated at cost.

## 2.6 DEFERRED COST

These are amortized over a maximum period of five years from the year of deferment.

## 2.7 STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools are valued on the basis of average cost method.

## 2.8 STOCK IN TRADE

Finished goods are stated at the lower of cost and estimated net realisable value. Raw materials are valued at average cost. Cost of work-in-process includes direct cost of materials and overheads. Net realisable value signifies the estimated selling price in ordinary course of business less cost necessary to be incurred in order to make the sale.

## 2.9 TRADE DEBTS

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery, if any

## 2.10 REVENUE RECOGNITION

Sales are recognised when goods are delivered to customers.

	<i>1999</i>	<i>1998</i>
	<i>(RUPEES)</i>	
<b>3. AUTHORISED CAPITAL</b>		
5,000,000 Ordinary shares of Rs.10/- each.	50,000,000	50,000,000
	=====	=====
<b>4. ISSUED, SUBSCRIBED AND PAID UP</b>		
Ordinary shares of Rs.10/- each		
3,234,469 fully paid in cash	32,344,690	32,344,690
491,819 Ordinary shares of Rs 10/- each		
Issued as fully paid bonus shares	4,918,190	4,918,190
	-----	-----
	37,262,880	37,262,880
	=====	=====
<b>5. CAPITAL RESERVES</b>		
Peremium on issue of Right Shares	12,420,960	12,420,960
	=====	=====
<b>6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payment	12,186,719	23,625,618
Repayment during the year	(11,045,527)	(11,158,773)
	-----	-----
	1,141,192	12,466,845
Current portion shown under current liabilities	1,141,192	12,186,719
	-----	-----
	0	280,126
	=====	=====

This represents assets obtained under finance lease from Askari Leasing Ltd. The Company has purchased the assets from the leasing company by making all the rentals due as well as the adjustment of security deposits subsequently on 25 Oct, 1999

## 7. LONG TERM LOAN (UNSECURED)

From Associated Undertaking

Pakistan Molasses Company

40,000,000      35,000,000



Current portion shown under	5,000,000	0
Current liabilities	35,000,000	35,000,000

This has been rescheduled and is repayable in 14 equal half yearly instalments commencing from October 1999. The loan carries interest @ 10% per annum. However in view of the adverse business condition of the Company the associated undertaking has acceded to the request made in October 1997 by the Company for not charging interest on the above loan.

#### 8. SHORT TERM RUNNING FINSECURED)

Muslim Commercial Bank Limited	8.1	7,289,092	35,479,149
Habib Bank AG Zurich	8.2	--	11,599,358
Bank Al Habib	8.3	18,229,773	26,388,857
		25,518,865	73,467,364

8.1 The arrangements is secured by way of hypothecation/pledge of finished goods, lien on letter of credits and personal guarantee of directors. The total arrangement available amounts to Rs 8.00 million (1998: Rs 103.00 million).

8.2 The arrangements is secured by way of hypothecation of finished goods, lien on letter of credits, personal guarantee of directors and personnel shares of directors. The total arrangement available amounts to Rs' Nil (1998 Rs: 30.000 million).

8.3 The arrangements is secured by way of hypothecation of finished goods, lien on letter of credits, personal guarantee of directors. The total arrangement available amounts to Rs 20.00 million (1998: Rs 40.00 milliore)

Markup on above facailities ranges from 47 to 51 paisa per 1000/- rupees per day

**1999**                      **1998**  
**(RUPEES)**

#### 9. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Creditors For Goods		3,405,634	7,746,879
Accrued expenses		187,588	1,166,466
Due to Associated Undertaking & Director	9.1	13,534,810	3,360,769
Markup on Short term running finance		1,764,817	0
Advance from Customers		1,265,896	11,828
Workers' Profit Participation Fund	9.2	165,741	141,659
Workers' Welfare Fund		6,188	6,188
Unclaimed dividend		2,926,265	3,772,732
		23,256,939	16,206,521

9.1 This represents short term borrowing from the directors of the company and from a associated company. The loan from Director carries markup @ 14.00% per annum The associated company has acceded to the request made in October 1997 by the Company for not charging interest on the above loan.

#### 9.2 WORKERS' PROFIT PARTICIPATION FUND

At the beginning of the year		141,659	463,644
Allocation for the yea		0	110,805
Markup charged		24,082	0
		165,741	574,449
Paid during the year		0	432,790
Balance as at September 30		165,741	141,659

## 10 CONTINGNENTS

10.1 There is a contingent liability of Rs 7,347,042 in respect of Excise Duty payable under the Production Capacity Rules for the capacity period. Against this, the Company has submitted counter claim to the Central Board of Revenue amounting to Rs 5,132,555 for the accounting year 1967-68 to 1970-71 and for October 1971. The Company has deposited Rs 800,000 with the Central Excise Department and for the balance disputed amount of Rs 6,547,042 the Company has submitted a bank guarantee against which the directors have submitted their personnel saving certificate with the bank. The matter is still pending for finalization by the Central Board of Revenue. The Company has not acknowledged the same a liability as the Company is confident that this liability will not crystalise.

10.2 The company has preferred an appeal before the higher authorities in respect of the demand of Rs. 200,000 imposed by the Central Board of Revenue.

10.3 There is a contingent liability in respect of supplementary bill raised by KESC. Initially, the Electric Inspector decided the matter in favour of the Company clearing all the liability. However, the Secretary, Ministry of Power and Irrigation, Government of Sindh, in appeal by KESC gave a decision and created the demand of Rs 855,500 against the Company for which the Company filed the suit for relief in the Honorable High Court of Sindh where the matter is still pending. In the meantime the matter has been settled with KESC according to which Rs 427,750 has been paid out of Rs 855,500. The balance is pending subject to receiving of Clearance Certificate and adjustment of security deposits of Rs 632,584.

10.4 There is a demand of Rs 28,764,453 in respect of order passed by The Collector (Appeal), Central Excise and Sales Tax, Karachi being the Sales Tax alongwith additional tax and penalty for the period from July 1996 to June 1998. The Company has filed an appeal before The Custom, Excise and Sales Tax Appellate Tribunal, Karachi Region against this order. The matter is still pending before the Appellate Tribunal for decision. However to take full benefit of the amnesty under SRO 1349(1)99 and 1377(1)99 the company has deposited under protest a sum of Rs 10,901,336 being the principal amount in full and 25% of additional tax and penalties to avoid increase of additional tax @ 5% per month. Legal opinion is given by the Company Legal Adviser that there are good chances that this liability will not crystalize, in which eventuality the amount deposited will be refunded back as provided in the above two SRO's

## 11. FIXED ASSETS - at cost less accumulated depreciation

### 11.1 The Following is A Statement Of The Operating Fixed Assets

	<i>Cost</i> <i>01.10.97</i>	<i>Addition/</i> <i>(Deletion)</i>	<i>Transfers</i>	<i>Cost</i> <i>30.09.98</i>	<i>Accumulated</i> <i>Depreciation</i>	<i>W.D.V</i> <i>30.09.97</i>	<i>Depreciation</i> <i>For The Year</i>	<i>Rate</i>
Lease Hold Land	98,715	--	--	98,715	--	98,715	--	--
Building On Lease								
Hold Land	28,662,020	--	1,462,500	30,124,520	17,405,303	12,719,217	--	10
Plant & Machinery	82,837,005	--	1,351,433	84,188,438	40,280,776	43,907,662	--	10
Electric &								
Gas Instalation	14,898,785	--	2,926,850	17,825,635	8,368,889	9,456,746	--	10
Tools & Equipment	9,200,293	--	1,506,836	10,707,129	3,632,400	7,074,729	--	10
Sliver Cans	1,904,400	--	--	1,904,400	976,663	927,737	--	10
Furniture & Fixtures	1,509,356	--	--	1,509,356	987,885	521,471	--	10
Motor Vehicle	3,067,683	(370,900)	--	2,696,783	1,918,235	778,548	194,637	20
Generators	2,376,033	--	29,684,521	32,060,554	9,043,076	23,017,478	50,000	10
	144,554,290	(370,900)	36,932,140	181,115,530	82,613,227	98,502,303	244,637	

### 11.2 Assets Subject to Finance Lease

Power House	34,073,871	--	(34,073,871)	--	--	--	--	--
Laboratory								
Equipments	2,858,269	--	(2,858,269)	--	--	--	--	--
Plant & machinery	8,500,000	--	--	8,500,000	1,292,708	7,207,292	--	10
	45,432,140	--	--	8,500,000	1,292,708	7,207,292	--	

1999 Rupees	189,986,430	(370,900)	36,932,140	189,615,530	83,905,935	105,709,595	244,637	
1998 Rupees	185,200,450	6,164,301 (1,378,321)	189,986,430	83,961,438	106,024,992	9,985,459	--	

**1999**                      **1998**  
**(RUPEES)**

Depreciation Charge for the year has been allocated as follows

Cost of sales	0	9,666,532
Administration & General	244,637	318,927
	-----	-----
	244,637	9,985,459
	=====	=====

Note: The production activities are stopped due to heavy production losses. Therefore depreciation on related assets is not charged during the year. Had the company charge depreciation on these assets the operating loss would have increased by Rs 8,742,276.

**1999**                      **1998**  
**(RUPEES)**

### 11.3 DISPOSAL OF FIXED ASSETS (BY NEGOTIATION)

<i>Particulars</i>	<i>Cost Depreciation</i>	<i>Accumulated Value</i>	<i>Book Proceeds</i>	<i>Sales</i>	<i>Sold to</i>
Motor Vehicle	154,400	141,137	13,362	75,000	Mr M Tasaduq Hussain Karachi
Motor Vehicle	216,500	139,003	77,497	77,497	Mr Iqbal Gauba Karachi
	-----	-----	-----	-----	
Total	370,900	280,140	90,760	152,497	
	=====	=====	=====	=====	

### 12. LONG TERM INVESTMENTS.

12.1 In Joint Stock Company - Quoted Pakistan Insurance Corporation Ltd 1,342 Ordinary Shares of Rs 100 each

24,000                      24,000

12.2 National Defence Saving Certificates (Deposited with Central Excise & Customs).

3,000                      3,000

-----

27,000                      27,000

=====

The aggregate market value of the above quoted investment as at September 30, 1999 was Rs. 483,249 (1998: Rs.513,284/- )

### 13. LONG TERM DEPOSITS & DEFFERED COST

Excise duty on Cotton yarn capacity	2,160,009	2,160,009
Other Deposits	1,508,921	6,012,521
	-----	-----
	3,668,930	8,172,530
	=====	=====

### 14. STORES, SPARES AND LOOSE TOOLS

Spares	4,974,688	3,649,145
Loose tools	4,392	4,392
Packing Material	479,633	479,633
Stationery material	67,404	67,404
	-----	-----
	5,526,117	4,200,574

**15. STOCK IN TRADE**

Finished Goods	13,096,630	48,930,040
	-----	-----
	13,096,630	48,930,040
	=====	=====

**1999**                      **1998**  
**(RUPEES)**

**16 TRADE DEBTS**

(UNSECURED)

Considered Good	407,351	8,999,604
Considered Doubtful	495,669	495,669
	-----	-----
Provision for doubtful debts	903,020	9,495,273
	495,669	495,669
	-----	-----
	407,351	8,999,604
	=====	=====

**17 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

ADVANCES:

To suppliers	0	1,734,574
To staff	651,693	583,593
	-----	-----
	651,693	2,318,167
	=====	=====

PREPAYMENTS:

Excise Duty & Sales Tax	2,950,777	6,605,240
Prepaid Expenses	0	18,500
Letter of Credit	0	874,391
	-----	-----
Rebate Receivables	2,950,777	7,498,131
Income Tax refund	265,604	340,000
	3,694,302	5,196,602
	-----	-----
	7,562,376	15,352,900
	=====	=====

**18. CASH AND BANK BALANCES**

In hand	2,460	194
With banks		
In Current Accounts	198,307	660,209
	-----	-----
	200,767	660,403
	=====	=====

**1999**                      **1998**  
**(RUPEES)**

**19 SALES**

SALE OF YARN

Local	21,796,695	74,658,159
Export	1,844,482	14,074,857
	-----	-----
	23,641,177	88,733,016

SALE OF FABRICS

Local	8,294,001	41,160,926
Export	6,022,255	56,917,168
	-----	-----
	14,316,256	98,078,094
	-----	-----
Sale of waste	0	611,188
	-----	-----

	37,957,433	187,422,298
LESS		
Commission	499,469	1,953,707
Sales tax (relating to previous years)	1,646,452	333,591
	-----	-----
	2,145,921	2,287,298
	-----	-----
	35,811,512	185,135,000
	=====	=====

**20. COST OF SALES**

Materials Consumed	0	140,705,249
Packing Materials Consumed	0	2,557,519
Stores and spares Consumed	0	6,491,057
Salaries, Wages and Amenities	0	10,868,034
Rent, Rates and Taxes	0	570,029
Water, Power and Fuel	0	11,683,421
Insurance	0	1,098,564
Dyeing and Processing expenses	1,864,423	14,648,374
Other Manufacturing Expenses	0	1,778,138
Export rebate	(265,604)	(2,436,181)
Depreciation	0	9,666,832
	-----	-----
	1,598,819	197,631,036
	-----	-----
Work in Process: Opening	0	2,121,152
Closing	0	0
	-----	-----
<b>COST OF GOODS MANUFACTURED</b>	1,598,819	199,752,188
Finished Goods Opening	48,930,040	25,817,123
Closing	(13,096,630)	(48,930,040)
	-----	-----
	37,432,229	176,639,271
	=====	=====

**1999**                      **1998**  
**(RUPEES)**

**21. ADMINISTRATIVE EXPENSES**

Salaries and Amenities	2,482,913	3,732,545
Director's Remuneration	44,000	417,000
Communication	134,395	616,158
Taxes, Fees and Subscription	599,726	196,457
Legal and Professional Charges	352,000	96,500
Printing and Stationery	62,425	302,097
Repairs and Maintenance	71,102	110,081
Auditors' Remuneration	45,000	45,000
Vehicle Maintenance	152,150	571,795
Travelling and Conveyance	74,338	426,658
Entertainment	14,618	157,087
Charity and Donation	0	7,500
Others	27,679	367,142
Insurance	336,752	--
Water, Power and Fuel	641,283	--
Depreciation	244,637	318,927
	-----	-----
	5,283,018	7,364,947
	=====	=====

**21.1 AUDITOR'S REMUNERATION**

Audit fee	40,000	40,000
Out of Pocket Expenses	5,000	5,000
	-----	-----
	45,000	45,000
	=====	=====

**22. SELLING EXPENSES**

Advertisement and Publicity	75,965	110,865
Export Expenses	160,027	935,188
Export Freight	149,815	1,352,784
	-----	-----
	385,807	2,398,837
	=====	=====

**23. FINANCIAL EXPENSES**

Markup on redeemable capita	0	26,250
Mark up on short term running finance	8,753,839	14,843,551
Mark up on short term loan from directors	149,041	--
Markup to suppliers	182,345	--
Mark-up on Finance Lease	890,803	2,917,775
SBP Penalty on Export Refinance Loan	1,198,243	0
Markup on WPPF	24,082	931,515
Bank charges and Commission	214,675	931,515
	-----	-----
	11,413,028	19,650,606
	=====	=====

**24. OTHER INCOME**

Dividend income	13,420	13,420
Storage revenue	11,649,160	11,706,865
Profit on sales of fixed Assets	61,737	99,665
Capital Gain (on sale of portion of land)	0	8,990,615
Less Commissin on sale of land	0	(180,000)
Net Capital Gain	0	8,810,615
Sale of scrap	0	1,014,778
	-----	-----
	11,724,317	21,645,343
	=====	=====

**1999                      1998**  
**(RUPEES)**

**25. TAXATION**

Current	237,455	955,418
Prior period	1,572,871	258,352
	-----	-----
	1,810,326	1,213,770
	=====	=====

**26. PLANT CAPACITY AND PRODUCTION**

Rotors installed	1,080	1,080
Rotors operated during the year	NIL	1,080
Installed capacity after conversion into 10 count.	3,018,000 Kgs.	3,018,000 Kgs.
Actual production after conversion into 10 count.	NIL	1,976,240 Kgs.
No. of shifts worked per day.	NIL	
Looms installed.	24	24
Looms operated during the year	NIL	23
Installed capacity based on 60 picks.	3,090,000	3,090,000
	Sq. Mtr.	Sq. Mtr.
Actual production based on 60 picks.	NIL	900,751 Sq. Mtr.
No. of shifts worked per day.	NIL	3

**REASON FOR NO PRODUCTION**

The reason for no production is due to closure of Spinning Department wef June 27, 1998 and Weaving Department wef August 13, 1998. The closure of mill was necessary to reduce heavy financial losses.

**27. DEFERRED TAXATION**

The deferred tax liability on account of material timing difference is Rs 1,717,443 which has

not accounted for as the same is not likely to reverse in the foreseeable future

## 28. EARNING PER SHARE

Profit/(Loss) after taxation (Rs)	(4,378,916)	891,532
No of ordinary shares issued and subscribed at the end of the year	3,726,288	3,726,288
Earning per share	0	0.24

## 29. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVE</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>
Number of persons	1	1	2	2	1	5
Meeting Fee	0	0	0	0	0	0
Managerial remuneration and allowances	0	225,000	44,000	264,000	30,000	1,359,935
Rent, utilities						
Leave passage						
Medical expenses						
Other expenses	2,000	116,952	151,371	1,483,480	0	241,622
	-----	-----	-----	-----	-----	-----
Rupees	0	341,952	195,371	1,747,480	300,000	1,601,557
	=====	=====	=====	=====	=====	=====

## 30. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Company issues financial instruments mainly to finance its operations in addition to the financial instruments, trade debts and trade creditors arise directly from the company's operations.

The company finances its operation primarily by a mixture of issued share capital, and long & short term loans. The company borrows funds usually at fixed rates of interest/mark-up.

### a. Interest rate risk management

Since the company borrows funds usually at fixed interest/mark-up rates, the risk arising is minimal.

### b. Foreign exchange risk management

Foreign currency risk arises where financial instruments contains receivables & payables in foreign currency. All these transactions are covered through forward foreign exchange cover.

### c. Concentration of credit risk

The company considers that it is not expose to major concentration of credit risk. The company, however, is exposed to credit related losses in the event of non-performance by counter parties to financial instruments but does not expect any counter parties to fail to meet the obligation.

### d. Fair Value of Financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

## 31. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Unappropriated Profit</i>	<i>Total 1999</i>	<i>Share Capital</i>	<i>Unappropriated Profit</i>	<i>Total 1998</i>
Balance at September 30,	37,262,880	17,422,960	54,685,840	37,262,880	17,089,350	54,352,230
Net Profit/(Loss) for the year	--	(8,788,579)	(8,788,579)	--	333,610	333,610

Balance at	-----	-----	-----	-----	-----	-----
September 30,	37,262,880	8,634,381	45,897,261	37,262,880	17,422,960	54,685,840
	=====	=====	=====	=====	=====	=====

### 32. FINANCIAL ASSETS & LIABILITIES

	<i>INTEREST/MARKUP BEARING</i>			<i>NON INTEREST/MARKUP BEARING</i>			<i>Total A+B</i>
	<i>Less than One year</i>	<i>More than one year</i>	<i>A</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>B</i>	
<b>Financial Assets</b>							
Investments	0	27,000	27,000	0	0	0	27,000
Long Term Deposit	0	0	0	0	3,668,930	3,668,930	3,668,930
Loans & advances	0	0	0	0	7,562,376	7,562,376	7,562,376
Cash & bank balance	0	0	0	0	200,767	200,767	200,767
	-----	-----	-----	-----	-----	-----	-----
<b>Financial Liabilities</b>							
Liabilities agt' assets	0	1,141,192	1,141,192	0	0	0	1,141,192
Subject to finance lease	0	0	0	0	0	0	0
Long term finance	0	40,000,000	40,000,000	0	0	0	40,000,000
Short term finance, creditors Accrued & other Liabilities	0	25,518,865	25,518,865	0	23,256,939	23,256,939	48,775,804
	-----	-----	-----	-----	-----	-----	-----

Effective interest rate for the monetay financial assets and liabilities are montined in the respective notes to the accounts.