

## **Chenab Fibres Limited**

### **Annual Report 1999**

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#### **Company Information**

<b>Chairman</b>	Haji Mohammad Saleem
<b>Chief Executive</b>	Mian Mohammad Latif
<b>Directors</b>	Mian Mohammad Javaid Iqbal Mr. Mohammad Naeem Mr. Mohammad Faisal Latif Mst. Sughran Begum Mst. Shahnaz Latif Mr. Mohammad Naeem Khalid. (Nominee ICP)
<b>Bankers/Financial Institutions</b>	Askari Commercial Bank Ltd. Habib Bank Limited The Bank of Punjab United Bank Limited
<b>Company Secretary</b>	Mr. Mohammad Arshad
<b>Auditors</b>	M. Yousuf Adil Saleem & Co., Chartered Accountants, Regency Arcade, Faisalabad.
<b>Legal Advisor</b>	Ch. Shahid Mehmood (Advocate)
<b>Registered Office</b>	Nishatabad, Faisalabad.
<b>Mills</b>	3rd Kilometer, Shorkot Road, Toba Tek Singh.

#### **Notice of Annual General Meeting**

Notice is hereby given that the 10th Annual General Meeting of the shareholders of CHENAB FIBRES LIMITED will be held at 11.00 a.m. on Thursday, the 30th March, 2000 at the Registered Office of the Company at Nishatabad, Faisalabad to transact the following business:-

##### **A. ORDINARY BUSINESS**

1. To confirm the minutes of the Last meeting.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 1999 together with Directors and Auditors Reports thereon.
3. To approve cash dividend @ 10% (Rs. 1 per share) on the ordinary share capital of the company as recommended by the Board of Directors, except shareholding of the Directors and their relatives/ friends.
4. To appoint auditors and fix their remuneration for the year 1999-2000. The retiring Auditors, M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.

5. To elect 9 Directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a term of 3 years commencing from March 30, 2000. The number of Directors of the Company to be elected, as fixed by the Board of Directors in their meeting held on 23rd February, 2000 is nine.

The following are the names of the retiring Directors:-

- |                                |   |
|--------------------------------|---|
| i) Haji Mohammad Saleem        | ii) Mian Mohammad Latif                       |
| iii) Mian Mohammad Javed Iqbal | iv) Mr. Mohammad Naeem                        |
| v) Mr. Mohammad Faisal Latif   | vi) Mst. Sughran Begum                        |
| vii) Mst. Shahnaz Latif        | viii) Mr. Mohammad Naeem Khalid (Nominee ICP) |

6. Any other matter with the permission of the Chair.

**By order of the Board**

Faisalabad  
08th March, 2000

**(MOHAMMAD ARSHAD)**  
**COMPANY SECRETARY**

**NOTES:**

1. Any person who seeks to contest elections to the office of Director of the Company shall file with the Company at its Registered Office, a notice of his/her intention to offer himself/herself for election not Later than 14 days before the date of the Annual General Meeting.
2. Share Transfer Books of the Company will remain closed from 24th, March, 2000 to 30th March 2000 (both days inclusive).
3. The members 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 reach the Company's Registered Office duly signed, stamped and witnessed not Later than 48 hours before the time of holding the meeting.
4. The shareholders who are not liable to pay Zakat at source, are requested to send their declaration and affidavit for claiming exemption from Zakat under Zakat Usr ordinance, 1980.
5. Shareholders are requested to notify immediately the change if any in their addresses.

**Directors' Report to the Shareholders**

With profound gratitude of Almighty Allah, I on behalf of the Board place before you the 10th Annual Report of your Company for the year ended 30th September, 1999.

**SALES**

The Sales Revenue has been earned at Rs. 585.301 million as against Rs. 524.682 million of the last year depicting thereby an increase of 11.55%.

**FINANCIAL RESULTS**

There has been a profit of Rs. 15.150 million after taxation for the year under report and the Directors recommend its appropriation as under:-

	<i>Amount</i> <i>Rupees</i>
Profit/(Loss) for the year	19,672,159
Add/(Less): Taxation (Net)	(4,521,591)
	-----
Profit/(loss) after Taxation	15,150,568
Appropriation	
Proposed dividend @ 10%	1,931,800
Net profit/(Loss) after appropriation	13,218,768
Accumulated (Loss) Brought Forward	(24,861,931)
	-----
Accumulated (Loss) carried to Balance Sheet	(11,643,163)
	=====

**DIVIDEND**

In order to reduce the accumulated Loss sustained by he Company as much as possible the directors, their relatives and friends have considered it appropriate to forego again their share from the proposed dividend being recommended for the year under report extending their gesture for the Larger interest of the Company.

## **YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM**

All hardwares and softwares of the Company are now year 2000 compliant.

## **FUTURE PROSPECTS**

In view of good quality cotton crop and its availability on economical prices this year coupled with favourable marketing conditions the textile spinning industry is in the process of coming out from financial crisis prevailing since Long. If the conditions remain as such in years to come, it shall Inshallah, play a significant role in strengthening the economy of the country as it has contributed a Long time before in the past.

## **BOARD OF DIRECTORS**

Since the tenure of present Board of Directors is expiring on March 30, 2000 therefore, election of Directors shall take place accordingly for the next term of three years in the forthcoming Annual General Meeting.

## **PATTERN OF SHARE HOLDING**

The pattern of holding of shares is annexed.

## **ACKNOWLEDGMENT**

The Directors thank the bankers of the Company for extending their financial assistance during the year. The

Directors place on record appreciation for hard work and dedicated services rendered by the employees of the Company during this period.

**For and on behalf of  
BOARD OF DIRECTORS**

FAISALABAD  
March 8, 2000

**(MIAN MOHAMMAD LATIF)  
Chief Executive**

## **Auditors' Report to the Members**

We have audited the annexed balance sheet of Chenab Fibres Limited as at September 30, 1999 and the related profit and loss account and statement of changes in financial position (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 accounts 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 accounts and are further in accordance with accounting policies consistently applied except for the change referred in note 2.2 with which we concur;

(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 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 give a true and fair view of the state of the Company's affairs as at September 30, 1999 and of the profit and 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.

FAISALABAD  
March 8, 2000

**(M. YOUSUF ADIL SALEEM & CO.,)  
Chartered Accountants**

## **Balance Sheet as at September 30, 1999**

<b>CAPITAL &amp; LIABILITIES</b>	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>SHARE CAPITAL</b>			
<b>Authorised capital</b>			
10,000,000 Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid up capital			
7,500,000 Ordinary shares of Rs. 10/- each		75,000,000	75,000,000
Accumulated Loss		(11,643,163)	(24,861,931)
		-----	-----
		63,356,837	50,138,069
<b>LONG TERM LOANS</b>	3	154,146,943	145,965,024
<b>DEFERRED LIABILITIES</b>			
Custom levies	4	937,561	1,875,122
Financial charges	5	--	30,429,842
Staff retirement gratuity		2,170,217	--
		-----	-----
		3,107,778	32,304,964
<b>CURRENT LIABILITIES</b>			
Short term borrowings	6	20,502,063	5,241,568
Current portion of long term liabilities	7	24,786,150	17,251,784
Creditors, accrued and other liabilities	8	28,843,453	22,654,754
Taxation		5,549,253	4,212,552
Dividend	9	2,041,217	1,471,725
		-----	-----
		81,722,136	50,832,383
<b>CONTINGENCIES</b>	10	--	--
		-----	-----
		302,333,694	279,240,440
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets	11	210,507,491	222,508,212
Capital work in progress - Civic work		2,369,076	283,013
		-----	-----
		212,876,567	222,791,225
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	3,215,741	2,490,955
Stock in trade	13	31,739,781	14,946,651
Trade debts	14	30,967,886	12,081,612
Advances, deposits, prepayments and other receivables	15	21,072,164	25,610,137
Cash and bank balances	16	2,461,555	1,319,860
		-----	-----
		89,457,127	56,449,215
		-----	-----
		302,333,694	279,240,440
		=====	=====

NOTE: The annexed Notes from 1 to 30 form an integral part of these accounts.

(MIAN MOHAMMAD LATIF)  
Chief Executive

(MOHAMMAD NAEEM)  
Director

**Profit & Loss Account  
for the year ended September 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Sales		584,530,279	523,877,028
Cost of goods sold		502,265,508	484,410,102
		-----	-----
Gross profit		82,264,771	39,466,926

Operating expenses			
Administration	19	9,822,534	5,713,078
Selling	20	1,834,200	2,589,956
		-----	-----
		11,656,734	8,303,034
		-----	-----
Operating profit		70,608,037	31,163,892
Other income	21	316,377	539,505
		-----	-----
		70,924,414	31,703,397
		-----	-----
Other charges			
Financial	22	50,216,878	33,273,284
Workers' Profit Participation Fund		1,035,377	--
		-----	-----
		51,252,255	33,273,284
		-----	-----
Net profit / (loss) for the year before taxation		19,672,159	(1,569,887)
Taxation	23		
Current		(2,922,000)	(2,623,062)
Prior years'		(1,599,591)	7,802,883
		-----	-----
		(4,521,591)	5,179,821
		-----	-----
Net profit for the year after taxation		15,150,568	3,609,934
Appropriation			
Proposed cash dividend @ 10% (1998 @ 7.5%)		1,931,800	1,471,725
		-----	-----
Net Profit after appropriation		13,218,768	2,138,209
Accumulated loss brought forward		(24,861,931)	(27,000,140)
		-----	-----
Accumulated loss carried forward		(11,643,163)	(24,861,931)
		-----	-----
Earnings per share - Basic	27	2.02	0.48
		=====	=====

The annexed notes from 1 to 30 form and integral part of these account.

(MIAN MOHAMMAD LATIF)  
Chief Executive

(MOHAMMAD NAEEM)  
Director

**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>	<i>Rupees</i>
<b>a) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before taxation	19,672,159	(1,569,887)
Depreciation	12,152,424	12,615,965
Gain on disposal of fixed assets	(167,400)	(66,688)
Financial charges	50,216,878	33,273,284
Provision for gratuity	2,170,217	--
	-----	-----
Operating profit before working capital changes	84,044,278	44,252,674
	-----	-----
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(724,786)	188,609
Stock in trade	(16,793,130)	(3,671,648)
Trade debts	(18,886,274)	9,983,958
Advances, deposits, prepayments and other receivables	4,537,973	(6,062,401)
Increase in current liabilities		
Creditors, accrued and other liabilities	1,860,336	6,686,185
	-----	-----
	(30,005,881)	7,124,703
	-----	-----
Cash generated from operations	54,038,397	51,377,377

Financial charges paid	(43,255,252)	(21,628,586)
Taxes paid	(3,184,890)	(2,769,898)
	-----	-----
Net cash generated from operating activities	7,598,255	26,978,893
	-----	-----
<b>b) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,695,366)	(8,747,302)
Proceeds from disposal of fixed assets	625,000	640,000
	-----	-----
Net cash used in investing activities	(2,070,366)	(8,107,302)
	-----	-----
<b>c) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of:		
Long term loans	(17,346,820)	(8,652,360)
Sponsors bridge finance	--	(4,475,000)
Deferred mark up	--	(2,400,000)
Custom levies	(937,561)	(937,561)
Redemption of redeemable capital	--	(2,897,576)
Increase in short term borrowings	15,260,495	1,253,308
Payment of dividend	(1,362,308)	--
	-----	-----
Net cash (used in) financing activities	(4,386,194)	(18,109,189)
Net increase in cash and bank balances (a+b+c)	1,141,695	762,402
Cash and bank balances at the beginning of the year	1,319,860	557,458
	-----	-----
Cash and bank balances at the end of the year	2,461,555	1,319,860
	=====	=====

(MIAN MOHAMMAD LATIF)  
Chief Executive

(MOHAMMAD NAEEM)  
Director

## Notes to the Accounts for the year ended September 30, 1999

### 1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated on November 05, 1989 in Pakistan under the Companies Ordinance, 1984 and quoted at stock exchanges in Pakistan. The principal business of the Company is manufacturing and sale of yarn. The mills is Located at Tehsil and District Toba Tek Singh in the province of Punjab.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 ACCOUNTING CONVENTION

These accounts have been prepared under "historical cost convention" modified by certain exchange differences as mentioned in Note 2.4.

#### 2.2 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme covering all its employees. Provision is made to cover the liability under the scheme. Gratuity was accounted for on payment basis till September 30, 1998. The management decided to make provision for gratuity payable for more appropriate presentation.

#### 2.3 TAXATION

##### Current

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

##### Deferred

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

#### 2.4 OPERATING ASSETS

Operating assets, except freehold land, are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Exchange differences in respect of foreign currency loans obtained for acquisition of operating assets are incorporated in the cost of the relevant assets.

Depreciation is charged applying the reducing balance method at the rates specified in the operating assets note, except plant and machinery and electric installations, which are depreciated on straight line method over their economic serviceable life taken at 25 years. Depreciation on additions during the year is charged on the basis of whole year. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income and when incurred, major renewals and improvements are capitalised. Gains and Losses on disposal of assets are included in current income.

## 2.5 CAPITAL WORK IN PROGRESS

All costs/expenditure connected with specific assets, are carried under this head. These are transferred to specific assets as and when assets are available for intended use.

## 2.6 STORES, SPARES AND LOOSE TOOLS

These are valued at moving average cost.

## 2.7 Stock in trade

These are valued at lower of cost and net realisable value. Cost has been determined as follows.

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Waste is valued at net realisable value.

## 2.8 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates ruling at the balance sheet date, except those covered under forward exchange contract which are translated at contracted rate. Exchange differences except as mentioned in note 2.4 are included in the current income.

## 2.9 Trade debts

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

## 2.10 Revenue Recognition

Sales are recorded on despatch of goods.

## 3. LONG TERM LOANS - SECURED

	<i>Banking Companies</i>					<i>Financial Institution</i>		<i>1999 Rupees</i>	<i>1998 Rupees</i>
	<i>Demand Finances</i>					<i>Generator</i>	<i>LMM</i>		
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>				
Opening balance	70,119,000	37,590,443	33,833,000	15,504,000	--	1,409,521	223,283	158,679,247	167,331,607
Transferred during the year	--	--	--	--	36,663,105	--	--	36,663,105	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Paid during the year	70,119,000	37,590,443	33,833,000	15,504,000	36,663,105	1,409,521	223,283	195,342,352	167,331,607
	7,792,000	3,759,100	--	969,000	3,663,105	940,332	223,283	17,346,820	8,652,360
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Payable within one year shown under current liabilities	62,327,000	33,831,343	33,833,000	14,535,000	33,000,000	469,189	--	177,995,532	158,679,247
	7,792,000	3,759,100	3,383,300	4,845,000	3,600,000	469,189	--	23,848,589	12,714,223
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	54,535,000	30,072,243	30,449,700	9,690,000	29,400,000	--	--	154,146,943	145,965,024
	=====	=====	=====	=====	=====	=====	=====	=====	=====
No. of installments	20	20	20	16	82	6	--		
Payment rest	Half yearly	Haft yearly	Half yearly	Quarterly	Monthly	Half yearly	--		
Date of first installment	Feb. 20, 1998	Feb. 20, 1999	Feb. 20, 2000	Jun. 30, 1999	Jun. 30, 1996	May 30, 1997	--		
Mark up/interest rate per annum	16%	16%	16%	16%	14%	16%	7%		
Sub note	3.1	3.1	3.1	3.1	3.1	3.2	--		

3.1 These represent demand finances created against installments of supplier's credit, exchange risk cover fee and related financial charges.

These are secured against equitable mortgage on Company's fixed assets ranking pari passu with the charge created in respect of demand finance (Refer Note 3.2), deferred custom Levies (Refer Note 4), and short term borrowings (Refer Note 6). These are further secured by personal guarantee of directors and pledge of shares belonging to directors of the Company.

3.2 This represents the loan created by a bank against import of diesel generating set.

This is secured against equitable mortgage on Company's fixed assets ranking pad passu with the charge created in respect of demand finances (Refer Note 3.1), deferred custom levies (Refer Note 4) and short term borrowings (Refer Note 6).

This is further secured by personal guarantee of directors and pledge of shares belonging to directors of the Company.

	<i>1999</i> <i>RUPEES</i>	<i>1998</i> <i>RUPEES</i>
<b>4. DEFERRED CUSTOM LEVIES - SECURED</b>		
Opening balance	2,812,683	3,750,244
Paid during the year	937,561	937,561
	-----	-----
	1,875,122	2,812,683
Payable within one year shown under current liabilities	937,561	937,561
	-----	-----
	937,561	1,875,122
	=====	=====

4.1 This represents deferred custom duty on ring spinning frames payable in five equal yearly installments commenced from November 05, 1996.

This is secured against bank guarantee. The guarantee is counter secured against first equitable mortgage on fixed assets of the Company ranking pad passu with the charge created in respect of long term loans (Refer Note 3) and short term borrowings (Refer Note 6). This is further secured by personal guarantee of directors of the Company.

This is subject to interest @ 14% per annum.

<b>5. DEFERRED FINANCIAL CHARGES - SECURED</b>		
Opening balance	34,029,842	26,461,316
deferred during the year	2,633,263	9,968,526
	-----	-----
	36,663,105	36,429,842
Transferred to long term loan on conversion into regular demand finance loan	(36,663,105)	--
	-----	-----
	--	36,429,842
Paid during the year	--	2,400,000
	-----	-----
	--	34,029,842
Payable within one year shown under current liabilities	--	3,600,000
	-----	-----
	--	30,429,842
	=====	=====

This represent the grace period mark up on demand finances from I to IV freezed on re-scheduling of long term loans. The liability has been converted from freezed mark up to regular demand finance loan subject to mark up from February 01, 1999.

	<i>Limit</i> <i>Million</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>6. SHORT TERM BORROWINGS</b>			
Secured			
Under mark up arrangements			
Banking Companies Cash finances (6.1)	170	20,502,063	5,241,568
		=====	=====

6.1 These are secured against pledge/hypothecation of stocks and equitable mortgage on assets of the Company ranking pari passu with the charge created in respect of long term loans (Refer Note 3) and deferred custom levies (Refer Note 4). These are further secured by personal guarantee of directors of the Company.



Mark up rate ranges between 18% to 20% per annum.

## 7. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans	(Note 3)	23,848,589	12,714,223
Deferred custom levies	(Note 4)	937,561	937,561
Deferred financial charges	(Note 5)	--	3,600,000
		-----	-----
		24,786,150	17,251,784
		=====	=====

## 8. CREDITORS, ACCRUED & OTHER LIABILITIES

Creditors		8,999,668	11,241,268
Advance from customers		61,144	26,714
Accrued charges		6,595,164	6,819,806
Interest/mark up on secured Long term loans		7,587,647	3,328,411
Short term borrowings		361,174	292,047
Sales tax		4,081,020	739,963
Workers' profit participation fund (8.1)		1,035,377	--
Other		122,259	206,545
		-----	-----
		28,843,453	22,654,754
		=====	=====

### 8.1 Workers profit participation fund

Opening balance		--	411,630
Interest on fund utilised in the Company's business		--	28,927
		-----	-----
		--	440,557
Amount paid to workers on behalf of the fund		--	439,310
Deposited in government treasury		--	1,247
		-----	-----
		--	440,557
Allocation for the year		1,035,377	--
		-----	-----
		1,035,377	--
		=====	=====

## 9. DIVIDEND

Proposed	(9.1)	1,931,800	1,471,725
Unclaimed		109,417	--
		-----	-----
		2,041,217	1,471,725
		=====	=====

9.1 The directors, their family members and associates have foregone their share of dividend.

## 10. CONTINGENCIES

The Company is claiming exemption from levy of import duties of Rs. 1.920 million (1998 - 1.920 million) on import of Humidification Plant. Company's petitions are pending before the Honourable Lahore High Court.

## 11. OPERATING ASSETS

S. No.	PARTICULARS	Cost at October 01, 1998	Addition/ (Deletion)	Cost at September 30, 1999	Accumulated depreciation at September 30, 1999	Written down value at September 30, 1999	Depreciation for the year	RATE %
1.	Freehold land	3,326,162	--	3,326,162	--	3,326,162	--	--
2.	Building on freehold land	50,299,660	--	50,299,660	28,858,937	21,440,723	2,382,303	10
3.	Plant and machinery	277,254,319	560,590	277,814,909	106,876,584	170,938,325	8,546,916	--
4.	Electric installations	15,340,256	8,104	15,348,360	6,515,819	8,832,541	441,627	--
5.	Factory equipment	9,232,018	6,600	9,238,618	4,726,423	4,512,195	501,355	10
6.	Furniture, fixture and office equipment	1,194,977	31,281	1,226,258	620,287	605,971	67,330	10
7.	Vehicles	2,171,490	2,728 (715,000)	1,459,218	607,644	851,574	212,893	20
		-----	-----	-----	-----	-----	-----	-----
	Rupees	358,818,882	609,303 (715,000)	358,713,185	148,205,694	210,507,491	12,152,424	
		=====	=====	=====	=====	=====	=====	=====
	1998 Rupees	351,299,593	8,464,289	358,818,882	136,310,670	222,508,212	12,615,965	

(945,000)

**11.1. Depreciation for the year  
has been allocated as under:**

Cost of goods manufactured	11,872,201	12,162,176
Administration	280,223	453,789
	-----	-----
	12,152,424	12,615,965
	=====	=====

**11.2 Detail of Disposal of fixed assets**

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceeds</i>	<i>Gain</i>	<i>Purchaser</i>
Vehicle (Rupees)	715,000	257,400	457,600	625,000	167,400	Insurance claim, Adamjee Insurance Co., Ltd. P-834, Bilal Plaza, Liaqat Road, Faisalabad.
1998 Rupees	945,000	371,688	573,312	640,000	66,688	
	=====	=====	=====	=====	=====	

**12. STORES, SPARES AND LOOSE TOOLS**

Stores	1,418,945	1,124,128
Spares	1,713,568	1,292,384
Loose tools	83,228	74,443
	-----	-----
	3,215,741	2,490,955
	=====	=====

**13. STOCK IN TRADE**

Raw material	20,279,928	5,253,523
Work in process	5,552,372	5,626,863
Finished goods	5,753,433	3,947,649
Waste	154,048	118,616
	-----	-----
	31,739,781	14,946,651
	=====	=====

**14. TRADE DEBTS**

Local - unsecured considered good (14.1)	30,967,886	12,081,612
	=====	=====

14.1 It includes Rs. 19,839/149/- (1998 - Rs. 9,414,389/-) due from an associated undertaking.

Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 20,062,209/- (1998 - Rs. 31,230,441/-).

**15. ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

Considered good		
Advances		
Suppliers	221,479	4,556,835
Employees	284,035	238,918
Income tax	10,760,607	7,405,496
Deposits		
Security deposits	208,050	208,050
Guarantee margin	1,936,503	1,936,503
Other	--	288,000
Prepayments	184,837	66,251
Other receivables	105,380	3,107,201
Income tax refundable	7,371,273	7,802,883
	-----	-----
	21,072,164	25,610,137
	=====	=====

**16. CASH AND BANK BALANCES**

Cash in hand	465,943	353,532
Cash with banks in current accounts	1,995,612	966,328
	-----	-----
	2,461,555	1,319,860
	=====	=====

	=====	=====
<b>17. SALES</b>		
Yarn		
Local	576,717,788	493,672,540
Export	5,466,341	28,066,727
	-----	-----
	582,184,129	521,739,267
	=====	=====
Waste		
Local	3,117,043	2,942,923
	-----	-----
	585,301,172	524,682,190
Less: Commission	(770,893)	(805,162)
	-----	-----
	584,530,279	523,877,028
	=====	=====

**18. COST OF GOODS SOLD**

Cost of goods manufactured (18.1)	504,106,724	482,489,796
Finished goods		
Opening stock	4,066,265	5,986,571
Closing stock	(5,907,481)	(4,066,265)
	-----	-----
	(1,841,216)	1,920,306
	-----	-----
	502,265,508	484,410,102
	=====	=====

**18.1 Cost of goods manufactured**

Raw material consumed (18.1.1)	398,016,184	381,744,170
Packing material	7,637,888	7,195,652
Salaries wages and benefits (18.1.2)	17,630,780	15,627,726
Store and spares	8,192,735	6,857,850
Fuel and power	56,815,393	56,564,140
Repairs and maintenance	1,873,189	989,466
Insurance	978,793	1,026,907
Depreciation	11,872,201	12,162,176
Other	1,015,070	1,010,880
	-----	-----
	504,032,233	483,178,967
	=====	=====

Work in process		
Opening stock	5,626,863	4,937,692
Closing stock	(5,552,372)	(5,626,863)
	-----	-----
	74,491	(689,171)
	-----	-----
	504,106,724	482,489,796
	=====	=====

**18.1.1. Raw material consumed**

Opening stock	5,253,523	350,740
Purchases including purchase expenses - net	413,042,589	386,646,953
	-----	-----
	418,296,112	386,997,693
Closing stock	(20,279,928)	(5,253,523)
	-----	-----
	398,016,184	381,744,170
	=====	=====

18.1.2. This include gratuity of Rs. 934,432/- relating to previous years.

**19. ADMINISTRATION EXPENSES**

Salaries and benefits (19.1)	4,454,476	3,495,627
Postage and telephone	399,639	414,217
Vehicles, running and maintenance	169,273	115,836
Travelling and conveyance	35,493	59,019
Printing and stationery	162,900	271,468
Entertainment	167,743	186,526
Fees and subscriptions	54,925	142,900
Legal and professional	233,700	32,300
Rent, rates and taxes	199,553	141,106
Audit fee	50,000	20,000
Repairs and maintenance	235,100	67,222

Unrealised claim written off	3,032,000	--
Depreciation	280,223	453,789
Insurance	156,547	138,006
Other	190,962	175,062
	-----	-----
	9,822,534	5,713,078
	=====	=====

19.1 This include gratuity of Rs. 784,846/- relating to previous year's.

## 20. SELLING EXPENSES

Carriage and freight	1,338,600	1,982,914
Clearing and forwarding	14,976	82,101
Export development surcharge	13,667	69,871
Other	466,957	455,070
	-----	-----
	1,834,200	2,589,956
	=====	=====

## 21. OTHER INCOME

Sale of scrap	134,024	381,169
Gain on disposal of fixed assets	167,400	66,688
Balance written back - net	14,953	91,648
	-----	-----
	316,377	539,505
	=====	=====

## 22. FINANCIAL CHARGES

Interest/mark up on:		
Long term loans	28,387,690	21,606,957
Short term borrowings	20,641,983	10,331,208
Workers' profit participation fund	--	28,927
Bank charges, excise duty and commission	1,187,205	1,306,192
	-----	-----
	50,216,878	33,273,284
	=====	=====

## 23. TAXATION

### Current

The assessment of the Company has been finalised upto accounting year ended September 30, 1997.

### Deferred

Tax effect of major timing differences, after adjustment of available tax losses, work out to Rs. 6.62 million (1998 - Rs. 9.38 million). No provision for deferred taxation has been made in these accounts as the timing differences are not likely to reserve in the foreseeable future.

## 24. REMUNERATION TO DIRECTORS AND EXECUTIVES

	<i>1999</i>	<i>1998</i>
	<i>RUPEES</i>	<i>RUPEES</i>
	<i>Executive</i>	<i>Executive</i>
Remuneration	405,678	187,205
House rent allowance	230,322	100,795
	-----	-----
	636,000	288,000
	-----	-----
Number of person	1	1

No remuneration is paid or other facility provided to the chief executive and directors by the Company.

## 25. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	423,505,168	354,719,425
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## 26. CAPACITY AND PRODUCTION

Number of spindles installed	19,200	19,200
Number of spindles worked	19,200	19,200
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs.)	5,933,000	5,933,000
Actual production of yarn after conversion into 20/s count (Kgs.)	5,728,683	5,477,474

Reason for short fall: Temporary closure for maintenance.

**27. EARNINGS PER SHARE - BASIC**

Net profit for the year (Rupees)	15,150,568	3,609,934
	=====	=====
Weighted average number of Ordinary shares	7,500,000	7,500,000
Earnings per share (Rupees)	2.02	0.48
		=====

**28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Major customer of the Company is an industrial unit of an associated undertaking. The Company is not exposed to any significant risk of recoverability.

**Interest rate risk**

Interest rates risk arises from the possibility that changes in interest rate will effect the value of financial instruments. The Company is not exposed to any significant interest rate risk.

**Fair values of financial assets and liabilities**

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

**29. OWNERS' EQUITY**

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

**30. GENERAL**

- Figures have been rounded off to the nearest Rupee.

- Corresponding figures have been rearranged and regrouped wherever necessary for the purpose of comparison.

- The Company employed 505 (1998-490) employees at the end of the year.

(MIAN MOHAMMAD LATIF)  
Chief Executive

(MOHAMMAD NAEEM)  
Director

**Form '34'****Pattern of Holdings of the Shares****PATTERN OF HOLDINGS OF THE SHARES****HELD BY THE SHAREHOLDERS AS AT SEPTEMBER 30, 1999**

<i>Share Holders</i>	<i>Shareholding From</i>	<i>To</i>	<i>Total Shares</i>
1084	1	500	484,400
39	501	1000	37,700
49	1001	5000	123,500
10	5001	10000	89,900
6	10001	15000	79,000
2	15001	20000	34,000
1	20001	25000	22,100
1	25001	30000	30,000
1	35001	40000	37,500
2	80001	85000	163,800
1	95001	100000	100,000
1	150001	175000	162,500
1	200001	225000	211,300
1	250001	275000	261,000
1	275001	300000	277,500
1	375001	400000	382,500
2	650001	675000	1,318,000
1	700001	725000	723,300
1	850001	875000	858,500
1	1025001	1050000	1,045,000

1	1050001	1075000	1,058,500
-----			-----
1207			7,500,000
=====			=====

Note: The Slabs not applicable, have not been shown.

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	1,197	6,143,700	81.92%
Investment Companies	2	1,046,700	13.95%
Modaraba Companies	1	500	0.01%
Private Limited Companies	7	309,100	4.12
-----			-----
Total	1,207	7,500,000	100%
=====			=====