

Latif Jute Mills Limited

Annual Report 1999

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman	Mr. Yahya Ahmed Bawany
Vice Chairman	Mr. A. Karim M. Yahya
Chief Executive Officer	Mr. M. Tariq Bawany

Directors

Mr. Ghulam Muhammad M. Adamjee
Mr. Arif S. Gazi
Mr. Zakaria H. A. Sattar Maniya
Corn. (Retd.) M. Idrees Khan
Mr. Shahid Mehmood (Nominee of ICP)

COMPANY SECRETARY

Mr. Muhammad Suhail Hingora

AUDITORS

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

BANKERS

United Bank Limited
Crescent Investment Bank Limited
Citibank N.A.

REGISTERED OFFICE

Hub Chowki, Viii. Beirut, Tehsil Hub
Lasbella District, Balochistan.

CITY OFFICE

6, Nadir House, 3rd Floor,
I. I. Chundrigar Road,
Karachi.
Phone :2427806-9

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of LATIF JUTE MILLS LIMITED will be held at the Registered Office at Hub Chowki, Village Beirut, Tehsil Hub, Lashella District, Balochistan on Wednesday, December 22, 1999 at 12:30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 21 st Annual General Meeting held on December 26, 1998.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1999 together with Directors' and Auditors' Report thereon.
3. To declare bonus shares. The directors have recommended the issue of bonus shares @ 10%.
4. To elect 7 (seven) directors, as fixed by the board for a term of three years with effect from December 26, 1999 in place of retiring directors namely:

- i) Mr. Yahya Ahmed Bawany
- ii) Mr. A. Karim M. Yahya
- iii) Mr. M. Tariq Bawany
- iv) Mr. Ghulam Muhammad M. Adamjee
- v) Mr. Arif S. Gazi
- vi) Mr. Zakaria H. A. Sattar Maniya
- vii) Com. (Retd.) M. Idrees Khan

The retiring directors being eligible, have offered themselves for re-election.

- 5. To appoint Auditors for the year 1999-2000 and fix their remuneration.

SPECIAL BUSINESS

- 6. To consider the capitalization of Rs. 3.234 million by way of issue of 323,400 bonus shares of Rs. 10/- each.

OTHER BUSINESS

- 7. To transact any other business as may be placed before the meeting with the permission of the Chair.

Resolutions proposed to be moved at the General Meeting and the statement under section 160 of the Companies Ordinance, 1984 relating to the Special Business are being despatched along with Annual Report to the members.

By order of the board

KARACHI

Dated: November 19, 1999

Muhammad Suhail Hingora

Company Secretary

NOTES:

- i. The Share Transfer Books of the Company will remain closed from Wednesday, December 15, 1999 to Wednesday, December 22, 1999 (both days inclusive).
- ii. Transfer(s) received in order at City Office at Room No. 06, 3rd Floor, Nadir House, I.I. Chundrigar Road, Karachi by the close of business on Tuesday, December 14, 1999 will be treated in time for the purpose of entitlement of bonus shares.
- iii. Transport will be provided to the members of the Company. Pick-up point will be at Karachi Stock Exchange Building and departure time will be at 11:00 a.m. sharp on December 22, 1999.
- iv. Proxies in order to be valid must be received at City Office not later than 48 hours before the meeting.
- v. Any member who seeks to contest election to the office of director may file with the Company not later than fourteen days before the date of meeting, a notice of his intention to offer himself for election as director in terms of Section 178(3) of the Companies Ordinance, 1984.
- vi. Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring National Identity Card (NIC) along with their account number in CDS for verification.
- vii. Shareholders are requested to promptly notify the Company of any change in address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

ITEM # 6

As your directors recommend to issue bonus shares @ 10% that is ten shares for every hundred shares held, to consider and pass the following ordinary resolution.

RESOLVED THAT

i) a sum of Rs. 3,234,000 be reserved for issue of 323,400 ordinary shares out of the profit for the year ended June 30, 1999 and be capitalized for issue of ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members on December 14, 1999 in proportion of 10 bonus shares for every 1 00 shares held that is @ 10% and that such new shares shall rank pari passu in all respects with the existing shares of the Company.

ii) fractional entitlements be consolidated into whole shares and sold in the stock exchange and proceeds be distributed among shareholders in accordance with their entitlements.

iii) for the purpose of giving effect to the above matter, the directors be and are hereby authorized to give such directions as may be necessary and to settle any question or difficulties that may arise in regard to the distribution of the said shares as they think fit.

The directors are interested in this business to the extent of their entitlement of bonus shares as shareholders.

CHAIRMAN/DIRECTORS' REPORT TO THE SHAREHOLDERS

Assalam-O-Alaikum

PREAMBLE

With profound gratitude to the Almighty Allah, the directors of your Company welcome you to the 22nd Annual General Meeting and have the pleasure to present before you the brief analysis of financial results alongwith the audited accounts of the Company for the year ended June 30, 1999.

FINANCIAL RESULTS

Your directors are pleased to share the results with the members as follows:

	Rupees
Profit after taxation	9,280,960
Provision for taxation	(5,065,923)
Profit after taxation	4,215,037
Unappropriated profit brought forward	103,371
Profit available for appropriation	4,318,408
Appropriations	
Proposed bonus shares @ 10%	3,234,000
Transfer to general reserve	1,000,000 (4,234,000)

Unappropriated profit carried forward	84,408
	=====
Earning per share	1.30

The recession in the country continued which adversely affected all sods of life. This year the sales has decreased from Rs. 298.270 million to Rs. 245.901 million (i.e. about 17.55%), on the other hand the cost of goods sold has decreased only by 8.73% i.e. from Rs. 191.299 million to Rs. 174.605 million. Production has also gone down slightly from 7,394 tons to 6,737 tons (i.e. about 8.88%) due to lack of demand. These all have resulted in a remarkable shrink in gross profit. The reduction in sales and cost of sales is mainly attributed to the following factors:

- decrease in finished goods prices
- increase in sales tax rate from 12.5% to 15%
- increase in raw jute prices.
- increase in cash margin for opening of letter of credit
- continuous devaluation of Pak rupee

Despite the unfavorable economical environment, your Company made profit by taking the strict cost measures and having maintained fixed casts at the last year's level.

FUTURE PROSPECTS

New government's 7-points agenda of purposeful national reconstruction has given the hope that the country will be leading towards improving its economic viability and reducing its vulnerability to external shocks; establishing a policy framework which encourages private enterprise.

Your directors are hopeful about the future in view of various positive steps taken by the present government and anticipate some relief measures which are expected to revive the economy in general. The recessionary trend is not expected to last longer and expectations are high for positive developments in political and social life, however, it will take some time before the market reverts to normality.

BONUS SHARE

Your directors have decided to recommend bonus issue and to capitalize a sum of Rs. 3.234 million out of the profit of the Company by issuing 323,400 ordinary shares of Rs. 10/- each as fully paid up shares in the ratio of one bonus share for very ten ordinary shares held by the members on December 15, 1999 that is 10%.

AUDITORS

The present auditors M/s. M. YOUSUF ADIL SALEEM & CO. Chartered Accountants have retired and are eligible to offer themselves for re-appointment for the year 1999 - 2000 on the remuneration to be fixed by the directors.

PATTERN OF SHARE HOLDING

Pattern of shareholding is attached with the report, as required by the section 236 of the Companies Ordinance, 1984.

EARNING PER SHARE

The earning per share after taxation is Rs. 1.30 against Rs. 11.11 last year.

MILLENNIUM BUG

Your directors are fully aware of the enormity of the problem arising from date related issues in the 21st century. It is a matter of great comfort and satisfaction that the management had foreseen the importance and sensitivity of Y2K problem well before time and have had upgraded all hardware and software packages accordingly.

ACKNOWLEDGMENT

The directors of your Company would like to place on record the excellent human relation that they enjoy with the staff and worker, who continue to perform their duties with zeal and devotion and without whose efforts these results would have not been possible.

On behalf of the board

YAHYA AHMAD BAWANY
Chairman

Dated: November 19, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of LATIF JUTE MILLS LIMITED as at June 30, 1999 and the related profit and loss account and the 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 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 (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 June 30, 1999 and of the profit and the changes in financial position for the year then ended; and

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

M. YOUSUF ADIL SALEEM & CO.,
Chartered Accountants.

Karachi: November 19, 1999.

BALANCE SHEET AS AT JUNE 30, 1999

	Note	1999 Rupees	1998 Rupees
SHARE CAPITAL			
Authorised			
5,000,000 (1998 3,000,000)			
Ordinary shares of Rs. 10/= each		50,000,000	30,000,000
Issued, subscribed and paid up			
Capital reserve	3	32,340,000	29,400,000
General reserve	4	3,234,000	2,940,000
Unappropriated profit	5	11,000,000	10,000,000
		84,408	103,371
		-----	-----
		46,658,408	42,443,371
LONG TERM LOANS			
	6	--	9,922,815
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	7	9,923,325	466,767
DEFERRED LIABILITIES			
Staff gratuity		5,510,913	5,610,675
Taxation	8	2,500,000	1,500,000
		-----	-----
		8,010,913	7,110,675
CURRENT LIABILITIES			
Short term bank borrowings	9	48,650,425	21,278,353
Current portion of long term loans		2,587,500	5,892,246
Current portion of lease liabilities		3,923,924	160,621
Creditors, accrued and other liabilities		11,632,803	12,696,000
Taxation		4,065,923	1,321,900
		-----	-----
		70,860,575	41,349,120
CONTINGENCIES AND COMMITMENTS			
	11	-----	-----
		135,453,221	101,292,748
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating assets		67,627,100	56,154,076
Capital work in progress		--	261,000
Civil work		-----	-----
		67,627,100	56,415,076
LONG TERM DEPOSITS			
	13	2,025,772	201,445

CURRENT ASSETS

Stores, spares and loose tools	14	9,785,670	8,899,419
Stock in trade	15	43,175,623	20,133,165
Trade debtors-unsecured-considered good		1,361,205	2,894,208
Loans and advances	16	7,303,383	6,219,836
Deposits	17	153,746	4,815,745
Marketable securities	18	1,087,040	--
Other receivables	19	749,753	750,207
Cash and bank balances	20	2,183,929	963,647
		-----	-----
		65,800,349	44,676,227
		-----	-----
		135,453,221	101,292,748
		=====	=====

M. TARIQ BAWANY

Chief Executive Officer and Director

ARIF S. GAZI

Director

The annexed notes from 1 to 34 form an integral part of these accounts.

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

	Note	1999 Rupees	1998 Rupees
Sales		245,900,978	298,270,415
Sales tax and other deductions	21	(32,076,706)	(33,890,521)
		-----	-----
Net sales		213,824,272	264,379,894
Cost of goods sold	22	(174,604,586)	(191,298,934)
		-----	-----
Gross profit		39,219,686	73,080,960
Operating expenses			
Administration	23	14,789,514	15,662,576
Selling	24	5,648,141	7,840,370
		-----	-----
		(20,437,655)	(23,502,946)
		-----	-----
Operating profit		18,782,031	49,578,014
Other income	25	912,453	1,260,706
		-----	-----
		19,694,484	50,838,720
Other charges			
Financial	26	9,806,449	10,033,919
Workers' profit participation fund		497,420	2,040,240
Provision for diminution in value of investment		109,655	--
		-----	-----
		(10,413,524)	(12,074,159)
		-----	-----
Profit for the year before taxation		9,280,960	38,764,561

Taxation		
Current	3,500,000	1,321,900
Prior year's	565,923	--
Deferred	1,000,000	1,500,000
	-----	-----
	(5,065,923)	(2,821,900)
	-----	-----
Profit after taxation	4,215,037	35,942,661
Unappropriated profit/(Loss) brought forward	103,371	(22,899,290)
	-----	-----
Profit available for appropriation	4,318,408	13,043,371
Appropriations		
Proposed issue of bonus shares (1998-@ 10%)	3,234,000	2,940,000
Transferred to general reserve	1,000,000	10,000,000
	-----	-----
	(4,234,000)	(12,940,000)
	-----	-----
Unappropriated profit carried forward	84,408	103,371
	=====	=====
Earning per share	1.30	11.11

The annexed notes from 1 to 34 form an integral part of these accounts.

M.TARIQ BAWANY
Chief Executive Officer and Director

ARIF S. GAZI
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
	Rupees	Rupees
A. CASH FROM OPERATING ACTIVITIES		
Profit before taxation	9,280,960	38,764,561
Adjustment for		
Depreciation	7,565,162	5,733,880
Provision for gratuity	--	473,554
Payment for gratuity	(99,762)	(736,260)
Financial charges	9,806,449	10,033,919
Gain on disposal of fixed assets	(623,253)	(210,706)
	-----	-----
Operating profit before working capital changes	25,929,556	54,058,948
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(886,251)	(624,268)
Stock in trade	(23,042,458)	7,317,775
Trade debtors	1,533,003	4,186,943
Loans and Advances	1,194,853	(2,464,818)

Deposits	4,661,999	353,409
Other receivables	454	293,172
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,832,468)	(14,918,727)
	-----	-----
Cash from operations	7,558,688	48,202,434
Financial charges paid	(9,037,178)	(12,517,323)
Tax paid	(3,600,303)	(608,563)
	-----	-----
Net cash (used in) / from operating activities	(5,078,793)	35,076,548
	-----	-----

B. CASH FROM INVESTING ACTIVITIES

Long term deposit paid	(1,824,325)	--
Proceeds from disposal of fixed assets	1,377,000	230,000
Fixed capital expenditure	(19,530,932)	(20,455,610)
	-----	-----
Net cash used in investing activities	'(19,978,257)	' (20,225,610)
	=====	=====

C. CASH FROM FINANCING ACTIVITIES

Long term loans obtained	395,070	8,388,930
Repayment of long term loans	(13,622,631)	(16,143,208)
Lease finance obtained	14,655,250	660,900
Repayment of lease liability	(1,435,389)	(104,945)
	-----	-----
Net cash used in financing activities	(7,700)	(7,198,323)
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(25,064,750)	7,652,615
Cash and cash equivalents at the beginning of the year	(20,314,706)	(27,967,321)
	-----	-----
Cash and cash equivalents at the end of the year	(45,379,456)	(20,314,706)
	=====	=====

Cash and cash equivalents

Cash and bank	2,183,929	963,647
Short term bank borrowing	(48,650,425)	(21,278,353)
Marketable securities	1,087,040	--
	-----	-----
	(45,379,456)	(20,314,706)

M.TARIQ BAWANY
Chief Executive Officer and Director

ARIF S. GAZI
Director

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

1. Status and Activities

It is a Public Company Limited by shares incorporated in Pakistan on July 14, 1977 and quoted on stock exchange at Karachi. The Company is engaged in the manufacture and sale of jute products. The Mills is located near Hub Industrial Trading Estate in the Province of Baluchistan.

2. Significant Accounting Policies

2.1 Accounting convention

These accounts have been prepared under the 'historical cost convention' modified by capitalisation of exchange differences.

2.2 Taxation

Current

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

Deferred

The Company accounts for 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.

2.3 Staff retirement benefits

The Company operates a funded contribution provident fund scheme for its employees. Equal contributions is made by employees and the employer. Up to December 31, 1997 Mills workers were covered under an unfunded gratuity scheme.

2.4 Operating assets

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

Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note. On plant and machinery depreciation was charged on the basis of percentage of capacity utilisation upto June 30, 1989. However, from accounting year beginning from July 01, 1989 full depreciation is charged on plant and machinery also.

Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major -renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Accounting for leases

The Company accounts for the assets acquired under finance lease by recording the assets

The Company accounts for the assets acquired under finance lease by recording the assets and related liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the assets over their estimated useful life in

view of certainty of ownership of the assets at the end of lease period.

2.6 Stores, spares and loose tools

These are valued at weighted average cost.

2.7 Stock in trade

These are valued at lower of average cost and net realisable value applying the following basis:

Raw material at average cost.

Material in transit at cost accumulated upto the date of balance sheet.

Work in process at average manufacturing cost.

Finished goods at average manufacturing cost.

Waste at net realisable value.

Average cost in relation to work in process and finished goods signifies average manufacturing cost including related direct overheads. Net realizable value signifies the selling prices prevailing in the market less selling expenses incidental to sale.

2.8 Trade debts

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

2.9 Marketable securities

Marketable securities are stated at lower of cost or market value on aggregate portfolio basis.

2.10 Rates of exchange

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange difference in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of relevant assets. All other exchange differences are included in current income.

2.11 Revenue recognition

Sales are recorded on despatch of goods.

3. Issued, subscribed and paidup capital

1999 (No. of shares)	1998	1999 Rupees	1998 Rupees
2,940,000	2,940,000	29,400,000	29,400,000
	Ordinary share of Rs. 10/- each fully paid in cash		
294,000	--Ordinary share of Rs. 10/- each issued during the year as fully paid bonus shares	2,940,000	--
-----	-----	-----	-----
3,234,000	2,940,000	32,340,000	29,400,000

4. Capital Reserve

(Reserve for issue of bonus shares)

	1999 Rupees	1998 Rupees
Opening balance	2,940,000	--

Utilized for issue of fully paid bonus shares	(2,940,000)	--
Transferred from profit and loss appropriation account for proposed issue of bonus shares	3,234,000	2,940,000
	-----	-----
	3,234,000	2,940,000
	=====	=====

5. General Reserve

Opening balance	10,000,000	--
Transferred from profit and loss appropriation account	1,000,000	10,000,000
	-----	-----
	11,000,000	10,000,000
	=====	=====

6. Long Term Loans

	Crescent Investment Bank Ltd.	Ebra Investment Co. (Channel Island) Ltd.	Associated undertaking	1999 Rupees	1998 Rupees
Opening balance	3,536,431	4,711,630	7,567,000	15,815,061	23,569,339
Exchange loss capitalized	--	395,070	--	395,070	821,930
Obtained during the year	--	--	--	--	7,567,000
	-----	-----	-----	-----	-----
Paid during the year	3,536,431 (3,536,431)	5,106,700 (2,519,200)	7,567,000 (7,567,000)	16,210,131 (13,622,631)	31,958,269 (16,143,208)
	-----	-----	-----	-----	-----
Installments due within one year show under current liability	--	2,587,500	--	2,587,500	15,815,061
	-----	-----	-----	-----	-----
....	--	--	--	--	9,922,815
	=====	=====	=====	=====	=====
Sub Note	61	6.20	6.30		

6.1 It was subject to interest @ 19% per annum.

6.2 The loan is in foreign currency, interest free and secured against personal guarantee of directors. It is repayable in five equal yearly installments of US\$ 50,000/= each from November 28, 1995 at the prevailing rate of exchange on the date of payment.

6.3 This was interest free and unsecured loan.

7. Liabilities against assets subject to finance lease

	1999 Rupees	1998 Rupees
Operating balance	627,388	70,833
Acquired during the year	14,655,250	661,500
	-----	-----
Paid during the year	15,282,638 (1,435,389)	732,333 (104,945)
	-----	-----
Payable within one year shown	13,847,249	627,388

under current liabilities	(3,923,924)	(160,621)
	-----	-----
	9,923,325	466,767
	=====	=====

The Company has acquired machinery and vehicles from leasing companies. Purchase option is available to the Company on payment of last installment and on surrender of deposit at the end of lease period.

The total lease rentals due under lease arrangements are payable in equal monthly installments under various lease agreements. Financing rates ranges between 21% to 22% per annum.

The future minimum lease payments to which the Company is committed at June 30, 1999 are as under:-

Year ending June 30,	Rupees	
2000	6,010,337	
2001	5,964,942	
2002	3,856,278	
2003	485,280	
2004	404,400	

Financial charges allocated to future period	16,721,237	
	(2,873,988)	

	13,847,249	
	=====	

8. Deferred taxation	1999 Rupees	1998 Rupees
	1,500,000	1,500,000
	1,000,000	--
	-----	-----
	2,500,000	1,500,000
	=====	=====

9. Short term bank borrowings	Limit (Million)		
Secured - under markup arrangements			
Running finance (9.1)	11.9	11,299,488	2,508,345
Cash finances (9.2)	25.0	24,900,000	17,534,869
Promissory notes discounted (9.3)	16.8	12,450,937	--
Financing of imports (9.4)	15.0	--	1,235,139
		-----	-----
		48,650,425	21,278,353
		=====	=====

9.1 It is secured against personal collateral securities of Directors and is subject to mark up @ 14% to 16% per annum.

9.2 These are secured against hypothecation and pledge of raw jute and book debts and are subject to markup @ 18.25 per annum.

9.3 These are secured against first equitable mortgage of factory land and floating charge and hypothecation on all assets of the Company, promissory note and personal guarantee of a director. The loans are subject to markup @ 15.50% to 20% per annum.

9.4 The Company has also unutilized facility against FIM from a schedule bank for Rs. 15 million.

	1999 Rupees	1998 Rupees
10. Creditors, accrued and other liabilities		
Creditors	3,443,411	1,650,358
Advance from customers	--	564,269
Due to director (10.1)	1,000,000	--
Accrued charges	5,046,226	5,510,272
Mark up on long term loans	--	27,996
Mark up on shod term bank borrowings	978,276	383,824
Lease finance charges	174,819	--
Withholding taxes	--	32,707
Sales tax	--	1,550,21 6
Provident fund	492,651	936,118
Workers' profit participation fund (10.2)	497,420	2,040,240
	-----	-----
	11,632,803	12,696,000
	=====	=====

10.1 It is interest free temporary advance.

10.2 Workers' profit participation fund

Opening balance	2,040,240	--
Interest paid on the fund utilized in the Company's business	170,020	--
	-----	-----
	2,210,260	--
Allocation during the year	497,420	2,040,240
	-----	-----
	2,707,680	2,040,240
Paid during the year	(2,210,260)	--
	-----	-----
	2,040,240	497,420
	=====	=====

11. Contingencies and Commitments

Contingencies

Corporate assets tax, not acknowledged pending in appeal

500,000	500,000
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Commitments

Outstanding letters of credit for purchase of raw material and stores

20,905,594	18,366,000
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12. Operating assets

Cost at	Addition/	Cost at	Accumulated	Depreciation	Accumulated	Written Down	Dep-
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Particulars	July 01, 1998	(Disposals) during the year	June 30, 1999	Depreciation at July 01, 1998	of the year/ (Adjustments)	Depreciation at June 30, 1999	Value at June 30, 1999	Rate %
Company owned								
Freehold land	399,675	(72,182)	327,493	--	--	--	327,493	--
Building on freehold land	19,778,345	1,787,458	21,565,803	8,492,217	653,679	9,145,896	12,419,907	5
Labour quarters on freehold land	3,234,547	--	3,234,547	1,122,099	105,622	1,227,721	2,006,826	5
Plant and machinery	85,592,591	860,900	86,453,491	46,783,561	3,966,993	50,750,554	35,702,937	10
Electric fittings and Installation	3,233,059	--	3,233,059	2,588,735	64,432	2,653,167	579,892	10
Furniture and fixture	315,532	--	315,532	180,463	13,507	193,970	121,562	10
Office equipment	599,998	281,895	881,893	230,186	65,170	295,356	586,537	10
Fire fighting equipment	249,078	--	249,078	173,411	7,567	180,978	68,100	10
Vehicles	3,838,031	1,990,386 (1,121,654)	4,706,763	2,057,723	617,826 (440,089)	2,235,460	2,471,303	20
Rupees	117,240,856	4,920,639 (1,193,836)	120,967,659	61,628,395	5,494,796 (440,089)	66,683,102	54,284,557	
Under lease								
Vehicles	677,020	4,749,140	5,426,160	135,404	1,058,151	1,193,555	4,232,605	20
Machinery	--	10,122,153	10,122,153	--	1,012,215	1,012,215	9,109,938	10
Rupees	117,917,876	19,791,932 (1,193,836)	136,515,972	61,763,799	7,565,162 (440,089)	68,888,872	67,627,100	
1998 Rupees	97,815,264	20,194,612 (92,000)	117,917,876	56,102,624	5,733,880 (72,706)	61,763,800	56,154,076	

12.1 Additions to lease assets include Rs. 216,043/- borne by the Company.

	1999 Rupees	1998 Rupees
Cost of goods manufactured	5,810,509	5,097,301
Administration expenses	1,754,653	636,579
	7,565,162	5,733,880

12.3 The amount of depreciation shod provided over the years on plant and machinery upto June 30, 1989 due to charge of depreciation on the basis of capacity utilisation is Rs. 12,925,404/-.

12.4 Detail of disposal of fixed assets - By negotiation

Particular	Original Cost	Accumulated Depreciation	Written down value	Sales Proceed	Particulars of Buyers
Freehold land	72,182	--	72,182	500,000	Haji Muhammad Azam

				S/o. Par Deen Qaam Mangal Sakina Mouza Pathra Tehsil Hub Kalama
Vehicle	528,154	355,089	173,065	256,000 Imran Altaf S/o. Altaf Hussain C-19, Block No. 06, Gulshan-e-Iqbal Karachi.
Vehicle	168,500	--	168,500	150,000 Adnan S/o. Arif Khalid Bin Waleed Road, Maniya Society, Karachi.
Vehicle	425,000	85,000	340,000	471,000 Imran Ibrahim -----275, Block-B, Adamjee Nagar, Karachi.
Rupees	1,193,836	440,089	753,747	1,377,000
1998 Rupees	92,000	72,706	19,294	230,000

	1999 Rupees	1998 Rupees
--	----------------	----------------

13. Long term deposits

Leasing companies	1,533,775	--
Central depository company	100,000	--
Other	391,997	201,445
	-----	-----
	2,025,772	201,445
	=====	=====

14. Stores, spares and loose tools

Stores	1,695,210	1,762,825
Spares	7,997,087	7,041,139
Loose tools	93,373	95,455
	-----	-----
	9,785,670	8,899,419
	=====	=====

15. Stock in trade

Raw material	10,406,399	4,601,001
Work in process	5,355,773	4,098,999
Finished goods	27,389,847	11,421,563
Waste	23,604	11,602
	-----	-----
	43,175,623	20,133,165
	=====	=====

16. Loans and advances**Considered good**

Due from employees	1,327,081	510,172
Suppliers/expenses	1,109,212	2,387,404

Income Tax	3,539,055	1,260,655
Letters of credit margin, fee and expenses	1,328,035	1,929,453
Other	--	132,152
	-----	-----
	7,303,383	6,219,836
	=====	=====

17. Deposits

Trade deposits	142,470	4,749,595
Security deposits	11,276	66,150
	-----	-----
	153,746	4,815,745
	=====	=====

18. Marketable securities

(Fully paid Ordinary shares of Rs. 10/-each)

	No. of Shares		
Fauji Fertilizer Company Limited	3,000	155,210	--
Hub Power Company Limited	12,000	167,820	--
Crescent Investment Bank Limited (including 340 bonus share)	2,340	16,300	--
Pakistan Industrial Leasing Corp. Limited	5,000	30,750	--
Orix Investment Bank Limited	116,500	653,715	--
Dhan Fibres Limited	25,000	99,500	--
Union Bank Limited	5,000	64,800	--
Pakistan Industrial Credit and Investment Corporation Limited	1 ,,000	8,600	--
		-----	-----
		1,196,695	--
Provision for diminution in value of investment		(109,655)	--
		-----	-----
Market value		1,087,040	--
		=====	=====

19. Other receivables**Considered good**

Octroi receivable	252,147	1,199,218
Written off	(15,517)	(587,761)
	-----	-----
	236,630	611,457
Sales tax receivable	513,123	--
Other	--	138,750
	-----	-----
	749,753	750,207
	=====	=====

20. Cash and bank balances

Cash in hand	1,548,441	753,773
Cash at banks in current accounts	635,488	209,874
	-----	-----
	2,183,929	963,647
	=====	=====

21. Sales tax and other charges

Sales Tax	32,010,889	33,570,942
-----------	------------	------------

Brokerage and commission	65,817	319,579
	-----	-----
	32,076,706	33,890,521
	=====	=====
22. Cost of goods sold		
Opening stock- finished goods	11,433,165	5,486,621
Cost of goods manufactured (22.1)	190,584,872	197,245,478
	-----	-----
	202,018,037	202,732,099
Closing stock - finished goods	(27,413,451)	(11,433,165)
	-----	-----
	174,604,586	191,298,934
	=====	=====
22.1 Cost of goods manufactured		
Raw material (22.1.1)	100,877,618	105,358,763
Salaries, wages and benefits	34,741,715	36,171,644
Piling, spinning, weaving and packing	25,112,285	22,615,813
Stores and spares	8,718,768	8,228,859
Power, fuel and water	12,767,407	13,034,299
Repairs and maintenance	3,091,668	4,344,870
Insurance, rent, rates and taxes	721,676	741,446
Depreciation	5,810,509	5,097,301
	-----	-----
	191,841,646	195,592,995
Work in process		
Opening stock	4,098,999	5,751,482
Closing stock	(5,355,773)	(4,098,999)
	-----	-----
	(1,256,774)	1,652,483
	-----	-----
	190,584,872	197,245,478
	=====	=====
22.1.1 Raw material consumed		
Opening stock	4,601,001	16,212,837
Purchases-net of sales	106,683,016	93,746,927
	-----	-----
	111,284,017	109,959,764
Closing Stock	(10,406,399)	(4,601,001)
	-----	-----
	100,877,618	105,358,763
	=====	=====
	1999	1998
	Rupees	Rupees
23. Administration expenses		
Directors' remuneration and meeting fee	1,544,250	585,700
Staff salaries and benefits	5,974,831	4,377,544
Telephone and postage	666,537	536,356
Vehicles running and maintenance	1,599,590	1,143,435
Rent, rates and electricity	305,731	300,263
Travelling and conveyance	628,411	625,307

Printing and stationery	344,141	262,489
Legal and professional	124,500	259,500
Fees and subscription	286,885	125,273
Auditor's remuneration (23.1)	42,000	40,000
Insurance	405,138	201,758
Repairs and maintenance	180,536	536,137
Advertisement	52,634	49,119
Newspapers and periodicals	43,849	40,667
Entertainment	172,828	93,002
Depreciation	1,754,653	636,579
Balances written off	--	5,290,572
Donation (23.2)	663,000	539,200
Others	--	19,675
	-----	-----
	14,789,514	15,662,576
23.1 Auditor's remuneration		
Audit fee	40,000	40,000
Other services	2,000	
	-----	-----
	42,000	40,000
	=====	=====

23.3 One of the director Mr. Yahya Ahmed Bawany is trustee of Begum Aisha Bawany Trust to whom donation of Rs. 400,000/- has been paid.

24. Selling Expenses

Staff salaries and benefits	589,678	526,440
Cartage and octroi	4,915,850	6,560,576
Insurance	77,937	162,401
Other	64,676	590,953
	-----	-----
	5,648,141	7,840,370
	=====	=====

25. Other Income

Gain on disposal of fixed assets	623,253	210,706
Scrap sale	36,000	1,050,000
Profit on dealing in listed securities	253,200	--
	-----	-----
	912,453	1,260,706

26. Financial Charges

Interest/Mark up on		
Long term loans	231,894	1,257,986
Short term borrowings	7,323,016	8,741,441
Financial charges on leased assets	949,644	17,581
Bank charges, excise duty and commission	171,689	634,299
Interest on provident fund and gratuity	565,116	39,202
interest on workers profit participation fund	170,020	--
Exchange loss	395,070	821,930
	-----	-----
	9,806,449	11,512,439

Prior period markup waived by foreign lender	--	(1,478,520)
	-----	-----
	9,806,449	10,033,919
	=====	=====

27. Earning per share

There is no dilutive effect on the basic earning per share of the company which is based on:

Profit after taxation	Rs.	4,215,037	35,942,661
Weighted average number of Ordinary shares		3,234,000	3,234,000
Earning per share	Rs.	1.30	11.11

Earning per share of the previous year has been restated due to issuance of 294,000 bonus shares during the year.

28. Taxation

Assessments have been finalized upto assessment year 1998-99, accounting year ended on June 30, 1998.

Deferred tax liability works out to Rs. 6.6 million against which provision of Rs. 2.5 million has been made in the account.

29. Payment to Chief Executive and Directors

	Chief Executive	Directors	1999 Rupees	1998 Rupees
Meeting fee	1,000	5,000	6,000	6,500
Remuneration	390,000	1,148,250	1,538,250	579,200
	-----	-----	-----	-----
	390,000	1,148,250	1,544,250	585,700
	=====	=====	=====	=====
No. of persons				
Meeting fee	1	5		7
Remuneration	1	4		2

Chief Executive and 4 directors are provided with free use of Company maintained cars the monetary value of which is Rs. 401,822/- (1998 Rs. 222,022/-).

	1999	1998
	Rupees	Rupees

30. Aggregate transactions with associated undertakings

Purchase of vehicles	284,000	1,350,000
Purchase of machinery	--	12,267,000
Share of administration expenses	--	29,516
Markup paid on short term borrowing	5,972	1,169,672

31. Capacity and production

Number of looms	114	114
Number of spindles	3,256	3,256

Annual total capacity - M. Tons	8,000	8,000
Actual production - M. Tons	6,737	7,394
Reason for short fall:		
Load shedding of power and lack of demand		

32. Financial instruments and related disclosure

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. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

Interest rate risk

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

Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fairvalue.

33. Owner's equity

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

34. General

34.1 Figure have been rounded off nearest to Rupee.

34.2 Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

M. TARIQ BAWANY

Chief Executive Office and Director

ARIF S. GAZI

Director

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH JUNE, 1999

No. of Shareholders	From	No. of Shares of Rs. 10/- each held		To	Size of Holding Shares of Rs. 10/- each
	327	1	--	200	37,282
	122	201	--	500	36,158
	70	501	--	1000	47,456
	36	1001	--	2000	49,180
	7	2001	--	3000	16,016
	4	3001	--	4000	13,750
	3	4001	--	5000	13,574
	19	5001	--	10000	140,364
	2	10001	--	15000	24,090
	7	15001	--	20000	107,800
	11	20001	--	25000	248,490

	2	25001	--	30000	55,420
	6	30001	--	40000	202,620
	3	40001	--	50000	140,800
	6	50001	--	75000	352,660
	2	75001	--	100000	159,500
	1	100001	--	150000	107,910
	1	150001	--	200000	191,290
	4	200001	--	350000	1,289,640
	-----	-----	-----	-----	-----
	633				3,234,000
	=====	=====	=====	=====	=====

Shareholders Category	No. of Shareholders	No. of Share Rs. 10/- each	Percentage of issued Capital
Individuals	592	1,334,398	41.26
Investment Companies	12	324,000	10.02
Joint Stock Companies	12	980,118	30.31
Financial Institutions	2	143,110	4.43
Others :-			
Charitable Institutions	1	55,000	1.70
CDC (Various A/Cs)	14	397,374	12.29
	-----	-----	-----
	633	3,234,000	100.00
	=====	=====	=====