

Allawasaya Textile & Finishing Mills Limited

Annual Report 1998

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BOARD OF DIRECTORS	Mian Mohammad Jamil, - Chairman
	Mian Maqbool Ahmad Sheikh - Chief Executive
	Mrs. Nusrat Jamil
	Mian Sarfraz Ahmad Sheikh
	Mian Tanvir Ahmad Sheikh
	Mian Tauqir Ahmad Sheikh
	Mian Farooq Ahmad Sheikh
	Miss. Zahra Fatima Jamil Mughal
SECRETARY	Muhammad Qasim
AUDITORS	Hameed Chaudhri & Co; Chartered Accountants H.M. House, 7-Bank Square, Lahore.
BANKERS	M/s Habib Bank Limited M/s Bank Al-Habib Limited
REGISTERED OFFICE & MILLS	Mumtazabad Industrial Area, Vehari Road, Multan.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the Company will be held on Thursday the 25th day of March, 1999 at 10.30 A.M. at the Registered Office of the Company, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the 40th Annual General Meeting held on 25th day of March, 1998.

To receive, consider and approve the Directors' Report, Auditors' Report and audited accounts of the Company for the year ended 30th September, 1998.

To appoint Auditors for the year 1998-99 and to fix their remuneration.

To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Multan
Dated: 03.03.1999

(MUHAMMAD QASIM)
SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from 18.03.1999 to 25.03.1999 (both dates inclusive).
2. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him/her. A proxy must be a member. Proxies in order to be valid must be received at the Company's Registered Office not less than 48 hours before the time of meeting.
3. The Share holders are requested to communicate to the Company immediately, any change in their addresses.

DIRECTORS' REPORT

In the name of Allah the most Beneficent the merciful

Dear Shareholders

Your Directors are pleased to present before you their 41st Annual Report on the affairs of your Company and its Financial results for the year ending 30.09.1998.

FINANCIAL RESULTS

The short cotton crop during the year coupled with the after effects of currency crises in the Far Eastern Markets adversely effected the Spinning Industry of the country especially the older units. The total local cotton crop for the year fetched 8.300 (M) bales against the targeted 10.000 (M) bales. Out of which 0.350 (M) bales of good quality cotton were exported which further aggravated the already short cotton supply position. The cotton prices saw new heights during the year which went over Rs. 2,700/- per maund but without any reciprocal increase in yarn prices. The increase in WAPDA Tarrifand cost of other inputs also increased the cost of production. All these factors caused a net loss of Rs. 24,454,995 to the Company.

ACCOUNTS:

The position of the Accounts of the Company for the year under report is summarized as under:

	Rupees
Sales (Net)	599,873,877
Cost of Sales	583,900,805
Gross Profit	15,973,072
Administrative and Selling Expenses	(14,765,614)
Operating Profit	1,207,458
Other Income	2,773,191
Financial and other miscellaneous charges	(25,399,644)
Worker's (Profit) Participation Fund	0
Worker's Welfare Fund	0
Profit/(Loss) for the year (Before Tax)	(21,418,995)
Provision for Taxation	3,036,000
Profit/(Loss) for the year (After Tax)	(24,454,995)

Unappropriated Profit (Brought Forward)	24,015,242
Unappropriated Profit/(Loss) Carried to Balance Sheet	(1,439,753)

OPERATIONS:

The operational performance of your Mills remained satisfactory during the year. It was operated for 1,073 shifts (1997: 1,086 Shifts). The overall actual production when converted to 20's count came to 7,906,896 kgs. The Plant was run at optimum level and 100.71% efficiency of the installed capacity was achieved.

The total exports were 1,509,151 kgs. of cotton yarn valuing Rs. 159,029,969.

The quantum of exports though decreased during the year mainly due to the crises in the Far Eastern Markets. However, your Company was able to maintain its exports.

DIVIDEND

The Company had distributed 12.50% Interim Dividend to its shareholders in view of Corporate Law Authority requirement. Due to net loss for the year, your Directors have decided not to give any further dividend for the year.

AUDITORS

Your Company's Auditors M/s Hameed Chaudhri & Company, Chartered Accountants, Lahore retire and being eligible offer themselves for re-appointment for the next year.

PATTERN OF SHAREHOLDING

Pattern of holding of the Shares by the Shareholders of the Company as on 30.09.1998 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is enclosed.

RELATIONS WITH LABOUR AND STAFF

Your Directors are pleased to report that relations with labour and staff of the Company remained cordial throughout the year.

ACKNOWLEDGEMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/s HABIB BANK LIMITED & M/s BANK AL-HABIB LIMITED and wish to record their sincere appreciation for the same and hope they will continue their support to the Company in future also.

On behalf of the Board of Directors

Multan
Dated: 03.03.1999

MIAN MOHAMMAD JAMIL
Chairman

PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT 30th SEPTEMBER, 1998

Number of Shareholders	Shareholders		Total Shares held
	From	To	
112	1	100	6,508
35	101	500	10,249
7	501	1,000	5,550
24	1,001	5,000	64,393
17	5,001	10,000	153,241
8	10,001	15,000	104,496
6	15,001	20,000	99,271
2	20,001	25,000	45,048
3	25,001	30,000	87,307
2	30,001	35,000	64,630
1	35,001	40,000	37,209
1	40,001	45,000	43,228
-	45,001	50,000	0
-	50,001	75,000	0

1	75,001	80,000	78,870
-----			-----
219			800,000
=====			=====

Categories of Shareholders	Shares		
	Number	held	Percentage
Individuals	212	798,750	99.84
Financial Institutions	4	774	0.10
Others			
Corporate Law Authority	1	1	0.00
Deputy Administrator			
Abandoned Properties	1	425	0.05
Limited Companies	1	50	0.01
	-----	-----	-----
	219	800,000	100.00
	=====	=====	=====

PERFORMANCE OF PAST FIVE YEARS AT A GLANCE

(RUPEE IN 000)

Income	1998	1997	1996	1995	1994
Net Sales and Misc. Income	602,647	586,238	568,837	536,840	408,395
	=====	=====	=====	=====	=====
Profit Before Tax	(21,419)	3,577	10,898	(20,759)	2,662
Prior Period Items	0	0	(10,508)	0	0
	-----	-----	-----	-----	-----
	(21,419)	3,577	390	(20,759)	2,662
	-----	-----	-----	-----	-----
Taxation	3,036	6,552	0	2,562	4,019
Cash Dividend	1,000	0	0	0	0
Transferred (From)/to Reserves	(1,085)	0	1,552	0	0
	-----	-----	-----	-----	-----
	2,951	6,552	1,552	2,562	4,019
	-----	-----	-----	-----	-----
Carried to Unappropriated Profit	24,370	(2,975)	1,942	(23,321)	(1,357)
	=====	=====	=====	=====	=====

FINANCIAL INFORMATION

TOTAL ASSETS					
Fixed Assets (Net)	76,264	84,924	90,247	96,242	87,939
Investments					
Other Assets	369	369	369	67	67
Current Assets	67,474	87,109	62,494	60,227	56,065
	-----	-----	-----	-----	-----
	144,107	172,402	153,110	156,536	144,071
	-----	-----	-----	-----	-----
TOTAL LIABILITIES					
long Term Liabilities	5,457	5,939	14,544	24,750	17,201
Current Liabilities	129,421	131,779	100,907	94,517	66,280
	-----	-----	-----	-----	-----
	134,878	137,718	115,451	119,267	83,481
	-----	-----	-----	-----	-----
SHARES HOLDERS EQUITY					
	9,229	34,684	37,659	37,269	60,590
	=====	=====	=====	=====	=====
EQUITY PRESENTED BY:-					
Share Capital	8,000	8,000	8,000	8,000	8,000
Tax Holiday Reserves	2,669	2,669	2,669	2,669	2,669

Revenue Reserves	-	1,085	1,085	2,638	2,638
Unappropriated Profit	(1,440)	22,930	25,905	23,962	47,283
	-----	-----	-----	-----	-----
	9,229	34,684	37,659	37,269	60,590
	=====	=====	=====	=====	=====

(ANNEXURE II)

**COMPOSITION OF TOTAL
REVENUE & EXPENSES**

(RUPEE IN 000)

	1998		1997		1996		1995		1994	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
TOTAL REVENUE										
SALES - (NET)										
Yarn	595,695	98.85	581,543	99.20	563,891	99.13	532,222	99.14	406,054	99.43
Waste	4,179	0.69	3,993	0.68	4,795	0.84	3,667	0.68	1,793	0.44
MISC INCOME	2,773	0.46	702	0.12	150	0.03	950	0.18	528	0.13
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	602,647	100	586,238	100	568,836	100	536,839	100	408,375	100
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENSES										
Raw Material	437,939	72.67	425,630	72.60	407,018	71.55	436,314	81.27	308,187	75.46
Conversion Cost	145,962	24.22	106,356	18.15	112,473	19.77	84,006	15.65	70,688	17.30
Operating expenses	14,890	2.47	20,542	3.50	17,438	3.07	17,726	3.30	12,048	2.95
Financial Expenses	25,275	4.19	29,725	5.07	20,973	3.69	19,409	3.62	14,616	3.58
W.P.P.F.	-	-	214	0.04	36	0.01	-	-	147	0.03
Workers Welfare Fund	-	-	194	0.03	-	-	143	0.03	66	0.02
Prior Period Items	-	-	-	-	10,508	0.85	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net Profit Before Tax	(21,419)	(3.55)	586,238	100	568,836	100	536,839	100	408,394	100
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(ANNEXURE III)

FINANCIAL RATIOS

	1998	1997	1996	1995	1994	
Cost of Sales as % of Sales	%	97.34	90.85	91.35	97.09	92.89
Gross Profit as % of Sales	%	2166	9.15	8.65	2.91	7.11
Operating Profit as % of Sales	%	0.20	5.73	5.61	(0.37)	4.20
Net Profit Before Tax as % of Sales	%	(3.57)	0.61	0.07	(3.87)	0.65
Net Profit as % of Sales	%	(4.08)	(0.51)	0.07	(4.35)	(0.33)
Stock as % of Sales	%	4.40	8.93	5.53	7.39	7.42
Debtors as % of Sales	%	2.28	3.52	1.62	1.68	2.18
Current Ratio	:	66:34	60:40	62:38	61:39	54:46
Debt Equity Ratio	:	00:100	25:75	41:59	53:47	30:70
Total Debt Asset Ratio	:	47:53	44:56	43:57	37:63	37:63
Earning Per Share	Rs.	(30.57)	(3.72)	0.48	(29.15)	(1.70)
Break Up Value of Share	Rs.	11.54	43.35	47.07	46.59	75.74

(ANNEXURE IV)

**PROFIT AND LOSS ACCOUNT COMPARISON
AS PERCENTAGE OF SALES**

	1998	1997	1996	1995	1994
Net Sales	599,874	585,536	568,686	535,889	407,847
In Terms of Percentage	100	100	100	100	100
Cost of Sales	97.34	90.85	91.35	97.09	92.89
Gross Profit	2.66	9.15	8.65	2.91	7.11
Administrative & Selling Expenses	2.46	3.42	3.04	3.27	2.91
Financial Expenses	4.21	5.08	3.68	3.62	3.58
Misc. Expenses	0.02	0.09	0.03	0.03	0.04
W.P.P.F.	-	0.04	0.01	-	0.04
Workers' Welfare Fund	-	0.03	-	0.03	0.02
	6.69	8.66	6.76	6.95	6.59
Operating profit	(4.03)	0.49	1.89	(4.04)	0.52
Other Income	0.46	0.12	0.03	0.18	0.13
Prior Period Items	-	0.00	(1.85)	0.00	0.00
Net Profit Before Tax	(3.57)	0.61	0.07	(3.86)	0.65
Taxation	0.51	1.12	0	0.49	0.98
Net Profit After Tax	(4.08)	(0.51)	0.07	(4.35)	(0.33)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED as at 30 September, 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to 'the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account 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 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 30 September, 1998 and of the loss and the cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited subsequent to the balance sheet date in the

67,474,373	87,109,502
-----	-----
44,107,133	172,402,624
=====	=====

The annexed notes form an integral part of these accounts.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 1998**

	Note	1998 Rupees	1997 Rupees
SALES - Net	18	599,873,877	585,536,032
COST OF SALES	19	583,900,805	531,986,406
		-----	-----
GROSS PROFIT		15,973,072	53,549,626
ADMINISTRATIVE AND SELLING EXPENSES	20	14,765,614	20,017,492
		-----	-----
OPERATING PROFIT		1,207,458	33,532,134
OTHER INCOME	21	2,773,191	702,524
		-----	-----
		3,980,649	34,234,658
OTHER CHARGES			
Financial	22	25,275,360	29,725,423
Miscellaneous	23	124,284	524,430
Workers' (Profit)			
Participation Fund		0	214,000
Workers' Welfare Fund		0	193,650
		-----	-----
		25,399,644	30,657,503
		-----	-----
(LOSS)/PROFIT FOR THE YEAR- Before tax		(21,418,995)	3,577,155
PROVISION FOR TAXATION		3,036,000	6,552,183
		-----	-----
LOSS FOR THE YEAR		(24,454,995)	(2,975,028)
TRANSFER FROM IDBP LOANS AMORTISATION RESERVE	4	1,085,500	0
UNAPPROPRIATED PROFIT			
- Brought forward		22,929,742	25,904,770
		-----	-----
		24,015,242	25,904,770
APPROPRIATION:			
Interim dividend @ 12.50% (1997: Nil)		1,000,000	0
		-----	-----
		23,015,242	25,904,770
(ACCUMULATED LOSS) UNAPPROPRIATED		-----	-----
PROFIT - Carried to Balance Sheet		(1,439,753)	22,929,742
		=====	=====

The annexed notes form an integral part of these accounts.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 1998**

	1998 Rupees	1997 Rupees
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES (note "A")	2,248,303	(15,057,830)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4,320,033)	(4,529,904)
Proceeds from disposals of fixed assets	6,000,000	920,000
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	1,679,967	(3,609,904)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of:		
- Finances under mark-up arrangements	(1,138,812)	(1,085,500)
- Long term loans/Demand Finance	(8,000,000)	(13,866,060)
- Customs debentures	(2,626,393)	0
- Loans from directors	0	(400,000)
- Loans from relatives of directors	(350,000)	(970,000)
Short term finances - Net	12,098,426	32,352,353
Dividend paid	(989,252)	0
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(1,006,031)	16,030,793
	-----	-----
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	2,922,239	(2,636,941)
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	2,713,611	5,350,552
CASH AND CASH EQUIVALENTS	-----	-----
- At the end of the year	5,635,850	2,713,611
	=====	=====

The annexed note "A" forms an integral part of this statement.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

NOTE "A"

	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the year		
- Before taxation	(21,418,995)	3,577,155
Adjustments for:		
Depreciation	8,877,976	9,990,834
Deferred liability for gratuity - Net	(428,766)	3,107,054
Workers' Welfare fund	0	193,650
Gain on disposals of fixed assets	(2,672,581)	(699,974)
Financial charges	25,275,360	29,725,423
	-----	-----
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	9,632,994	45,894,142

(increase)/Decrease in current assets		
Stores and spares	(537,284)	(276,690)
Stock- in - trade	25,862,695	(20,846,577)
Trade debtors	6,944,356	(11,376,021)
Advances, deposits, prepayments and other receivables (excluding taxes paid and receivable against sale of vehicle)	(2,658,677)	8,304,180
Increase/(Decrease)in creditors, accruals and other liabilities (excluding accrued financial charges)	3,093,770	(6,728,169)
	-----	-----
	32,704,860	(30,923,277)
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	42,337,854	14,970,865
Income tax paid	(6,278,722)	(4,820,898)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	36,059,132	10,149,967
Financial Charges paid	(33,810,829)	(25,207,797)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-----	-----
	2,248,303	(15,057,830)
	=====	=====

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director

Notes to the Accounts

For the year ended 30 September, 1998.

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1958 as a Private Company. It was converted into a Public Company in 1965. Its shares/are quoted on Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn.

Finishing Plant of the Company was closed in 1978 due to its obsolete machinery.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rate fluctuations on foreign currency loans as referred to in notes 2.2 and 2.5.

2.2 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange ruling on the balance sheet date except where exchange rates are booked which are translated at the contracted rates.

Exchange gains/losses on principal loans are capitalised as part of cost of plant and machinery acquired out of the proceeds of such loans. Other exchange gains / losses are taken to profit and loss account.

2.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its eligible employees. Provision is made annually to cover obligation under the scheme.

2.4 Taxation

Provision for current taxation is made at current rates of taxation after taking into account available tax credits and brought forward losses.

The Company does not account for deferred taxation arising on major timing differences due to reasons stated in note 10.3.

2.5 Tangible fixed assets, and depreciation thereon

Fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of certain plant and machinery consists of historical cost and exchange rate fluctuations on foreign currency loans utilised for acquisition thereof.

Depreciation on operating fixed assets is charged by applying Reducing Balance Method to write-off the cost and capitalised exchange differences over the estimated remaining useful life of assets. Current rates of depreciation are stated in note 12.

No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gains/losses on disposals of fixed assets are taken to profit and loss account.

Normal maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

2.6 Stores and spares

These are valued at moving average cost.

Retired machinery is stated at written down value.

2.7 Stock - in - trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	- At lower of cost and net realisable value.
Work - in - process	- At estimated manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste and salvage stock	- At net realisable value.

Cost in relation to finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads. Cost in relation to raw materials represents annual average cost.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to effect such sales.

2.8 Revenue recognition

- Direct sales are accounted for when goods are delivered to customers and invoices raised. Sales through agents are booked on intimation from the agents.
- Export sales are booked on shipment basis.
- Export rebate is accounted for on receipt basis.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	1998	1997
Note	Rupees	Rupees

499,900 ordinary shares of Rs. 10 each issued for cash	4,999,000	4,999,000
300,100 ordinary shares of Rs. 10 each issued as bonus shares	3,001,000	3,001,000
	-----	-----
	8,000,000	8,000,000
	=====	=====

4. RESERVES

Capital			
Tax holiday reserves		2,668,746	2,668,746
Revenue			
IDBP loan amortisation reserve			
Opening balance	4.1	1,085,500	1,085,500
Transfer to appropriation account		1,085,500	0
		-----	-----
		0	1,085,500
		-----	-----
		2,668,746	3,754,246
		=====	=====

4.1 This reserve was created in accordance with the terms of loan agreements with IDBP.

During the year, balance of finances under mark-up arrangements obtained from IDBP (note 5) has been fully repaid. Accordingly, balance of this reserve has been transferred to appropriation account.

5. FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

Industrial Development Bank of Pakistan (IDBP)

Finance No.

0069-J-6		0	872,250
0069-K-3		0	266,562
		-----	-----
		0	1,138,812
Less: Current portion grouped under current liabilities		0	1,085,500
		-----	-----
		0	53,312
		=====	=====

5.1 The purchase price of these two finances aggregated Rs. 8.684 million whereas sale price aggregated Rs. 13.720 million.

5.2 Summary of terms is as follows:

Finance No.	Nos.	Installments		Mark up rate applied (per annum)
		Commencing From	Amount Rupees	
0069-J-6	16 Bi-annual	31 March, 1991	589,794	6%
0069-K-3	32 Quarterly	31 March, 1991	109,540	16%

The Company is, however, charged the difference of purchase and sale price in the installments due as mark-up for the year.

5.3 These finances were secured by a first charge on fixed assets, hypothecation of fixed assets, a floating charge on fixed properties and demand promissory notes.

5.4 The outstanding balance of these finances has been fully repaid during the year.

6. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	1998 Rupees	1997 Rupees
Finances under mark-up arrangements	5	0	1,085,500
Demand Finance/Long term loans	6.1	0	8,000,000
Customs debentures	6.2	0	2,626,393
		-----	-----
		0	11,711,893
		=====	=====

6.1 Habib Bank Limited m Demand Finance

- a) It was repayable in five equal half yearly installments commencing 30 June, 1996.
- b) It carried markup @ Rs 0.48 per thousand rupees per day calculated on daily product basis.
- c) It was secured against second charge on fixed assets and personal guarantees of all the working directors of the Company.
- d) The outstanding balance of these debentures has been fully repaid during the year.

6.2 Customs Debentures - Secured

- a) These were issued in favour of the Central Excise and Land Customs Department against deferred balance of Customs Duties and Sales Tax payable on imported Plant and Machinery. These were redeemable in two lumpsum installments i.e. on 16 October, 1997 and 12 January, 1998 respectively.
- b) These were secured against guarantees issued by IDBP and carry surcharge @ 14% per annum.
- c) The outstanding balance of these debentures has been fully repaid during the year.

7. LOAN FROM RELATIVES OF DIRECTORS - Unsecured

These loans were interest free. The outstanding balance of these loans has been fully repaid during the year.

8. SHORT TERM FINANCES - Secured

Finance facilities obtained from the commercial banks under mark-up arrangements aggregated Rs. 285.5 million (1997: Rs. 190.5 million). Facilities available for opening letters of credit and issue of letters of guarantee aggregated Rs. 30.0 million (1997: Rs. 20.0 million) and Rs. 15.0 million (1997: Rs. 10.0 million) respectively. These are secured against pledge/hypothecation of stocks, hypothecation of stores and spares, charge on fixed assets, lien on documents of title to the goods and personal guarantees of the directors. These carry mark-up ranging from Re. 0.4657 to Re. 0.5000 per thousand rupees calculated on daily products.

These facilities are expiring on various dates by 31 December, 1998.

9. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	Note	1998 Rupees	1997 Rupees
Due to Associated Undertakings		0	630,000
Creditors		7,211,608	3,260,289
Advance payments		2,201,163	211,659
Accrued liabilities			
including directors' meeting			
fee Rs. 22,000 (1997: Rs. 22,000)		5,805,102	9,135,131
Mark-up on demand finance		4,455	353,280
Surcharge on customs debentures		0	103,537
Mark up on short term finances		3,750,807	11,829,755

Excise duty on bank borrowings		1,116	5,275
Tax deducted at source		100,000	88,513
Sales tax (Net of refundable			
Nil (1997: Rs. 258,216)	9.1	1,759,429	889,716
Workers' (Profit) Participation Fund	9.2	285,984	254,208
Zakat payable		200,000	0
		-----	-----
		21,319,664	26,761,363
		=====	=====

	1998	1997
	Rupees	Rupees

9.1 This is secured against bank guarantees.

9.2 Workers' (Profit) Participation Fund

Opening balance	254,208	35,740
Interest for the year	31,776	4,468
	-----	-----
Amount utilised by the Company	285,984	40,208
Contribution for the year	0	214,000
	-----	-----
	285,984	254,208
	=====	=====

10. PROVISION FOR TAXATION

Opening balance	8,256,489	3,468,129
Add: Provision made during the year	3,036,000	3,446,000
Current	0	3,106,183
	-----	-----
Prior years	3,036,000	6,552,183
	11,292,489	10,020,312
	-----	-----
Less: Payments/adjustments	0	1,763,823
	-----	-----
	11,292,489	8,256,489
	=====	=====

10.1 Income tax assessments of the Company have been finalised up to the Accounting Year ended 30 September, 1995 (Assessment Year 1996-97).

The Company has filed appeals with Commissioner of Income Tax (Appeals) against certain add-backs made by the Assessing Officer for the Assessment Years' 1995-96 and 1996-97. Provision for the demands raised by the Tax Department, however, has been made in these Accounts. The appeals are pending for decision.

10.2 Provision for Corporate Assets Tax levied under Finance Act, 1991 amounting Rs. 0.625 million (including Rs.0.125 million on account of additional tax) has not been made in these accounts. However, the Company has deposited the full amount with the Government Treasury and booked this amount under Advances as "Corporate Assets Tax Paid Under Protest" (note 16).

10.3 Deferred tax liability on timing differences as at 30 September, 1998 worked out Rs. 13.560 million (1997: Rs. 13.419 million) approximately. The increase during the year was Rs. 0.141 million (1997: decrease Rs. 2.801 million). Provision for deferred tax has not been made in these accounts as in the opinion of the management, no deferred tax liability is likely to crystallise in the foreseeable future due to balancing and modernisation plans of the Company.

11. CONTINGENCIES AND COMMITMENTS

11.1 Counter guarantees given by the Company to its bankers (excluding those stated in notes 9.1) outstanding as at 30 September, 1998 were for Rs. 0.100 million (1997: Rs. 0.100 million).

11.2 Refer contents of notes 10.2.

11.3 Commitments for capital expenditure outstanding as at 30 September, 1998 were for Rs. 7.283 million (1997: NIL).

12. OPERATING FIXED ASSETS-Tangible

PARTICULARS	COST			As at 30 September, 1998	Rate %	DEPRECIATION			NET BOOK VALUE AS AT 30 SEPTEMBER 1998	
	As at 30 September, 1997	Additions during the year	Disposals during the year			To 30 September, 1997	For the year	On Disposals		To 30 September, 1998
Land - Freehold	787,834	0	0	787,834		0	0	0	0	787,834
Buildings on freehold land	9,069,496	691,163	0	9,760,659	10	5,799,466	396,119	0	6,195,585	3,565,074
Plant and machinery	173,572,597	3,547,320	3,926,453	173,193,464	10	100,667,271	7,431,429	1,788,089	106,310,611	66,882,853
Tubewell	106,006	0	0	106,006	10	96,783	922	0	97,705	8,301
Electric installations	1,264,306	65,410	0	1,329,716	15	821,178	76,281	0	897,459	432,257
Workshop equipment	160,909	0	0	160,909	10	135,992	2,492	0	138,484	22,425
Tools and equipment	151,401	0	0	151,401	10	111,294	4,011	0	115,305	36,096
Laboratory equipment	5,026,896	0	3,542,080	1,484,816	10	2,758,308	57,442	1,847,915	967,835	516,981
Weighing scales	561,588	0	0	561,588	10	350,445	21,114	0	371,559	190,029
Arms and ammunition	8,457	0	0	8,457	10	5,682	277	0	5,959	2,498
Office equipment	866,184	0	0	866,184	15	562,669	45,527	0	608,196	257,988
Furniture and fixture	762,768	0	0	762,768	10	379,141	38,363	0	417,504	345,264
Vehicles	8,658,866	16,140	1,029,551	7,645,455	20	4,385,119	803,999	759,661	4,429,457	3,215,998
	-----	-----	-----	-----		-----	-----	-----	-----	-----
Rupees	200,997,308	4,320,033	8,498,084	196,819,257		116,073,348	8,877,976	4,395,665	120,555,659	76,263,598
	=====	=====	=====	=====		=====	=====	=====	=====	=====
1997 Rupees	197,437,312	4,887,815	1,327,819	200,997,308		107,190,307	9,990,834	1,107,793	116,073,348	84,923,960

12.1 Disposals of fixed assets

Particulars	Cost	Accumulated depreciation	Book Value	Sale proceeds	Gain	Sold through negotiations to:
Plant and machinery One set Uset Tester & two sets Uster Auto Sorter's	3,542,080	1,847,915	1,694,165	3,000,000	1,305,835	Ahmad Hassan Textile Mills Limited, Multan.
One set Drawing Frame	3,926,453	1,788,089	2,138,364	3,000,000	861,636	Maqbool Textile Mills Limited, Multan. (an associated undertaking)
	-----	-----	-----	-----	-----	
Vehicle Nissan Patrol	7,468,533	3,636,004	3,832,529	6,000,000	2,167,471	
	-----	-----	-----	-----	-----	
Rupees	1,029,551	759,661	269,890	775,000	505,110	Pakistan General Insurance Co. Limited, Lahore.
	-----	-----	-----	-----	-----	
	8,498,084	4,395,665	4,102,419	6,775,000	2,672,581	
	=====	=====	=====	=====	=====	

12.2 Depreciation for the year has been allocated as follows:

1998 1997

	Rupees	Rupees
Cost of sales	7,989,810	8,825,902
Administrative expenses	888,166	1,164,932
	-----	-----
	8,877,976	9,990,834
	=====	=====

12.3 Additions to plant and machinery include exchange fluctuation loss of Nil (1997: Rs.357,911) capitalised during the year.

13. STORES AND SPARES

Stores	1,850,979	1,679,611
Spares	2,230,190	1,864,274
Retired Machinery	13,888	13,888
	-----	-----
	4,095,057	3,557,773
	=====	=====

The Company does not hold any stores and spares for specific capitalisation.

14. STOCK IN TRADE

Raw material	4,127,800	7,739,543
Work - in - process	4,050,500	5,138,627
Finished good		
Yarn	17,873,000	38,829,842
Waste	259,151	510,134
	-----	-----
	18,132,151	39,339,976
Salvage stock	100,000	55,000
	-----	-----
	26,410,451	52,273,146
	=====	=====

15. TRADE DEBTOR'S - Considered good

Secured against export bills	0	10,326,066
Unsecured	13,658,210	10,276,500
	-----	-----
	13,658,210	20,602,566
	=====	=====

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Unsecured - Considered good

	Note	1998 Rupees	1997 Rupees
Due from Associated Undertaking		29,102	0
Due from directors		4,390	4,390
Advances to employees		331,153	146,566
Margin Deposits		393,642	229,553
Excise duty deposits		518	518
Advance payments		3,120,469	1,035,122
Income tax refundable		43,795	43,795
Income tax paid/deducted at source		11,780,745	5,502,023
Letters of credit		90,338	0
Prepayments		243,178	275,901
Octroi refundable		106,743	99,935
Corporate asset tax			
- Paid under protest	10.2	624,603	624,603
Others	16.2	906,129	0

-----	-----
17,674,805	7,962,406
=====	=====

16.1 Directors, Executives and Associated Undertakings

a) Maximum aggregate amounts due from the Associated Undertakings and Directors at any month end during the year were Rs. 29,102 (1997: Nil) and Rs. 4,390 (1997: Rs. 4,390) respectively.

b) During the year, the Company has sold fixed assets of Rs. 2.138 million (1997: Nil) to an Associated Undertaking (note 12.1).

c) Interest has not been charged/paid on the balances of Associated Undertakings as these have arisen due to normal trade dealings.

16.2 These include Rs. 775,000 receivable against sale of vehicle.

17. CASH AND BANK BALANCES

	Note	1998 Rupees	1997 Rupees
In hand		33,951	167,521
At banks on current accounts	17.1	5,601,899	2,546,090
		-----	-----
		5,635,850	2,713,611
		=====	=====

17.1 These include foreign currency balances of U.S. \$57,387 (1997: U.S. \$13,272) which has been converted into Pak Rupees at the official exchange rate prevailing on the balance sheet date i.e. 1 U.S. \$ = Rs. 45.9500 (1997: Rs. 40.4795).

18. SALES - Net

Yarn			
Local		496,299,168	366,538,223
Export		159,029,969	254,983,667
		-----	-----
		655,329,137	621,521,890
Waste		4,701,400	4,417,690
		-----	-----
		660,030,537	625,939,580
Less:			
Sales tax		55,666,730	35,699,763
Export development surcharge		378,910	470,895
Commission		4,111,020	4,144,019
Discount		0	88,871
		-----	-----
		60,156,660	40,403,548
		-----	-----
		599,873,877	585,536,032
		=====	=====

19. COST OF SALES

	Note	1998 Rupees	1997 Rupees
Raw material consumed	19.1	437,939,268	425,630,517
Salaries, wages and benefits		29,862,620	32,911,415
Stores consumed		13,766,703	9,915,476

Packing materials	8,581,746	9,462,659
Fuel and power	61,706,654	61,317,506
Repair and maintenance	898,971	678,852
Insurance	859,081	937,603
Depreciation	7,989,810	8,825,902
	-----	-----
	561,604,853	549,679,930
Adjustment of work in process		
Opening	5,138,627	4,750,052
Closing	(4,050,500)	(5,138,627)
	-----	-----
	1,088,127	(388,575)
	-----	-----
Cost of goods manufactured	562,692,980	549,291,355
Adjustment of finished goods	39,339,976	22,035,027
Opening stock		
Closing stock	(18,132,151)	(39,339,976)
	-----	-----
	21,207,825	(17,304,949)
	-----	-----
	583,900,805	531,986,406
	=====	=====
19.1 Raw materials consumed		
Opening stock	7,739,543	4,586,490
Purchases	432,617,430	426,747,585
Local taxes	1,303,299	1,636,246
	-----	-----
	441,660,272	432,970,321
Less:		
Closing stock	4,127,800	7,739,543
	-----	-----
	437,532,472	425,230,778
Cotton cess	406,796	399,739
	-----	-----
	437,939,268	425,630,517
	=====	=====

20. ADMINISTRATIVE AND SELLING EXPENSES

	1998	1997
	Rupees	Rupees
Administrative:		
Directors' meeting fee	1,000	3,000
Salaries and benefits	3,131,566	3,631,828
Vehicles' running and maintenance	1,027,086	1,072,196
Travelling and conveyance - Including directors' Rs. 34,358 (1997: Rs. 97,162)	38,783	104,717
Printing and stationery	237,161	239,888
Communication	1,273,828	1,595,595
Rent, rates and taxes	189,149	159,910
Electricity and gas	669,915	714,455
Repair and maintenance	284,628	190,398
Subscription	132,988	319,471
Advertisement	21,414	38,536
Entertainment	73,971	69,942
Depreciation	888,166	1,164,932
Others	61,167	32,866
	-----	-----
	8,030,822	9,337,734
Selling:		
Local taxes	0	270,705
Export expenses	6,734,792	10,381,187

Freight, forwarding and others	0	27,866
	-----	-----
	6,734,797	10,679,758
	-----	-----
	14,765,614	20,017,492
	=====	=====

21. OTHER INCOME

	1998	1997
	Rupees	Rupees
Sale of salvage (including Rs. 45,000 adjustment of salvage stock)	100,610	2,550
Gain on disposal of fixed assets	2,672,581	699,974
	-----	-----
	2,773,191	702,524
	=====	=====

22. FINANCIAL CHARGES

Interest/mark-up on:		
Finances under mark-up arrangements	546,352	532,249
Demand finance/long term loans	785,895	2,667,116
Workers' (Profit) Participation Fund	31,776	4,468
Short term finances	22,939,736	24,352,479
Surcharge on customs debentures	277,293	289,362
Excise duty on bank borrowings	0	1,206,838
Bank charges, guarantee commission and commission on letters of credit	694,308	672,911
	-----	-----
	25,275,360	29,725,423
	=====	=====

23. MISCELLANEOUS CHARGES

Auditors' remuneration		
Audit fee	45,000	45,000
Legal and professional (other than Auditors')	74,284	74,880
Donations (without directors' and their spouses' interest)	5,000	317,420
Additional sales tax on wastes - Prior years'	0	92,130
	-----	-----
	124,284	524,430
	=====	=====

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The details of payments/provisions made during the year are as follows:

Particulars	Chief Executive		Working Directors		Executive	
	1998	1997	1998	1997	1998	1997
Managerial remuneration	160,000	160,000	288,000	288,000	160,000	92,670
House rent	72,000	72,000	129,600	129,600	72,000	41,701
Utilities	8,000	8,000	163,586	129,986	8,000	21,210
	-----	-----	-----	-----	-----	-----
Rupees	240,000	240,000	581,186	547,586	240,000	155,581
	=====	=====	=====	=====	=====	=====
No. of persons	1	1	2	2	1	0

24.1 In addition to above, meeting fee of Rs. 1,000 (1997:Rs. 3,000) has been paid to two (1997 :Three) non-working directors.

24.2 Chief Executive and working directors are also provided with Company maintained cars and telephone at their residences.

24.3 The Executive is also provided with Company maintained car and free housing at Company's colony.

25. PRODUCTION CAPACITY

	1998	1997
No. of spindles installed and worked	28,192	28,192
No. of shifts worked	1,073	1,086
Capacity of yam at 20's count		
on the basis of utilisation	- Kgs. 7,850,790	7,945,900
Production of yarn at 20's count	- Kgs. 7,906,896	8,083,818

It is difficult to describe precisely the production capacity in spinning units since it fluctuates widely depending on various factors, such as count of yarn spun, spindle speed, twist and raw materials used, etc. it would also vary according to the pattern of production adopted in a particular year.

26. FIGURES

- in the accounts are rounded-off to the nearest rupee;
- of the previous year are re-arranged wherever necessary for the purpose of comparison.

Mian Mohammad Jamil
Chairman

Mian Maqbool Ahmad Sheikh
Chief Executive

Mian Tanvir Ahmad Sheikh
Director