

Babri Cotton Mills Limited

Annual Report 1999

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COMPANY'S PROFILE

BOARD OF DIRECTORS

RAZA KULI KHAN KHATTAK
Chairman/Chief Executive

LT. GEN. (Retd.) ALI KULI KHAN KHATTAK
AHMAD KULI KHAN KHATTAK
MUHAMMAD AZHAR KHAN
MUSHTAQ AHMAD KHAN, FCA
MRS ZEB GOHAR AYUB KHAN
MRS SHAHNAZ SAJJAD AHMAD
MRS. SHAHEEN TARIQ KHALIL
DR. AMJAD WAHEED (NIT)
MUHAMMAD LATIF (SLIC)

SECRETARY

AMIN-UR-RASHEED
(Manager Corporate Affairs)

AUDITORS

HAMEED CHAUDHRI & CO.,
Chartered Accountants

BANKERS

NATIONAL BANK OF PAKISTAN
PAKISTAN INDUSTRIAL CREDIT &
INVESTMENT CORPORATION
HABIB BANK LIMITED
UNITED BANK LIMITED
ALLIED BANK OF PAKISTAN LTD.

REGISTERED OFFICE & MILLS

HABIBABAD, KOHAT
Phone (0922) 510063 - 512931,
Fax: (0922) 516335

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 29th Annual General Meeting of the shareholders of BABRI COTTON MILLS LIMITED will be held at Mills premises Habibabad, Kohat on Thursday, the 30th March, 2000 at 10.00 A.M. to transact the following business:-

1. To confirm the minutes of the Annual General Meeting held on 31 March, 1999.
2. To receive consider and adopt the annual audited accounts of the company for the year ended 30 September, 1999 together with the Directors' and Auditors' reports thereon.
3. To consider & approve the payment of dividend ~ 15% Rupee 1.50 per share for the year ended 30th September, 1999 as recommended by the Board of Directors of the company.
4. To appoint Auditors for the year ending 30th September, 2000 and to fix their remuneration.

5. To consider any other business which may be placed before the shareholders with the permission of the Chair.

By order of the Board

AMIN-UR-RASHEED

Company Secretary

&

Manager Corporate Affairs

KOHAT

Dated: 8th March, 2000

NOTES:

1. The Share Transfer Books of the company shall remain closed from 19th March, 2000 to 25th March, 2000. (both days inclusive) and no transfer shall be accepted for registration during this period.

2. Any Member entitled to attend and vote at this meeting shall be entitled to appoint any other person as his/her proxy to attend and vote in respect of him/her and Proxy instrument shall be received by the company not less than 48 hours before the meeting.

3. The transfer of shares received in order in the Registered Office of the company at the close of business hours on 18th March, 2000, will be considered in time for payment of dividend.

4. Shareholders are requested to notify the change of address, if any, immediately.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The directors of your company are pleased to present the 29th Annual Report with the balance sheet as on 30th September, 1999. The profit and loss for the year alongwith auditors' report is also being presented. We have great pleasure in informing you that net profit (after tax) of the company has increased by 116%. This improvement in profitability has been due to rise in the price of the yarn made by us and fall in the prices of the raw material used by us. For the year under review the net profit of the company was Rs. 13.116 million, when compared to the net profit of Rs. 6.061 million of the previous year. This can be considered a substantial improvement.

REVIEW OF TEXTILE INDUSTRY FOR THE YEAR 1998/99.

OFFICIAL export statistics released show a dismal performance by the country's textile industry with exports registering a drop of 11.29 percent from the previous fiscal year. In 1998-99, textile exports amounted to 4.89 billion dollars, down from 5.52 billion the previous year. Moreover, the textile business contributed to the overall slump in exports to the mammoth extent of 68 percent with foreign sales dropping across all sub-categories.

Cotton yarn, fabrics and ready-made garments took the biggest hit, with numbers declining in either value or quantity terms. Cotton yarn exports fell almost 20 percent in dollar terms to 931 million dollars while the quantity sold abroad also reflected a 9.5 percent decline. Cotton fabric exports on the other hand, managed to grow by nearly 5 percent but in value terms the year ended with a 13 percent drop. Similarly, ready-made garment exports rose 4 percent in quantity but fell almost 13 percent in dollar terms.

The textile industry, for the last three years, has continuously been facing unprecedented crisis. Soaring Lint cotton prices, eroded competitiveness of local industry vis-a-vis suppliers of cheap products from India, China, South Korea and Bangladesh. Analysts attribute the abysmal performance by the textile industry to the world economic downturn. "When the world economy slows, commodity prices always decline." So we saw the drop in cotton yarn prices. Moreover, with oil prices at a record low, competing products like polyester staple fibre also came down in prices. This further impacted yarn prices.

But as prices dropped, a lower than expected cotton crop meant quantity was insufficient as well. The year 1998-99 which began with Government estimates of a crop as large as 11 million bales ended with revised estimates of less than a million bales on account of poor weather conditions in both the cotton growing provinces of Sindh and Punjab.

The textile industry was however, unable to take advantage of this increase in demand as it was faced with a more serious crisis arising out of the shortage of basic raw cotton. It became necessary to import approximately 2 million bales at exorbitant prices. In a falling market for textile product, the industry in 1997-98 and 1998-99 was forced to pay substantially high prices for raw materials.

As a consequence, the textile industry in Pakistan, which thrived on locally available raw material at prices 20 to 30 percent below the world market prices in 1997-98 and 1998-99 had to procure cotton at prices 15 to 20 percent above the total cost of yarn production. The above-narrated factors coupled with other constraints pushed up the cost of production with an unavoidable rise in yarn prices. It was a worldwide phenomenon and yarn prices also increased in some importing countries. In the domestic market, this increase in prices of yarn adversely affected the ancillary industry. This has eroded the competitiveness of the spinning sector at time when cheap suppliers of yarn are emerging from Central Asia, China and India.

LACK OF VALUE ADDITION.

There has been no significant movement within the spinning sub-sector towards value-added products. Low count yarn still dominates and constitutes 14 percent of total yarn output followed by medium count yarn 2.4 percent, superfine count yarn 1.2 percent and mixed yarn 1.5 percent. Unless the spinning sub-sector modernises and abolishes the easy production of low count yarn, no large gains in its export market share are possible. Now, with the initiation of free trade in cotton yarn, it is expected that spinners will switch to higher count yarn in order to exploit export opportunities.

Pakistan has won a significant share of Japanese cotton yarn market from Korea over the last ten years while China has maintained its relative share of that market. But this has hurt the sector in the value-added segment because Korea has been putting more emphasis on value-added textiles. Since Pakistan is Japan's largest supplier of cotton yarn, Japanese credit to Pakistan textile units and much needed technical assistance in balancing modernisation and replacement programmes.

NON-DEVELOPMENT OF WEAVING SECTOR

Textile spinning industry has grown rapidly in last ten years. Whereas in 1981-82, there were only 155 running units with yarn production of 430 million kgs, which increased to 353 units in 1998-99 and production of yarn increased to 1555 million kgs. However, the weaving capacity did not increase in the same proportion and over production of yarn could not be absorbed by local consumption.

Export quota restrictions is also a major impediment to the export earnings of Pakistan particularly for the weaving sector. This sector being new has not received its due share from the export quotas against performance of the old units. These new units get no performance quota and have to purchase their requirements for exports from the market after paying heavy premium.

This renders their prices in the world market uneconomical and on the other hand due to recession in Europe and America, the prices of cotton yarn dropped drastically during 1998-99 and consequently whereas the cost increased substantially, the selling prices went down.

INCREASE IN FINANCIAL COST

During the crisis period, the interest rate on borrowing increased substantially. In 1991, the rates were approximately 16 percent to 17 percent per annum which increased during the last 8 years upto 24 percent per annum. The levies of excise duty on loans also aggravated the situation and played its part in increasing the borrowing cost, on the other hand, turnover tax/Sales Tax was levied by the government. This resulted in high financial burden on all units.

The major factors for sickness of textile industry were as under ·

1. BMRs were not undertaken when they made huge profits, instead they preferred to increase production capacity. During this period quality of product and productivity suffered resulting in the setback on the export front. At this stage, the mill owners were forced to realize the need for BMR, but the cost of imported machines had become extremely high. Huge funds/loans were required from the banks and DFIs, which every mill could not afford to manage, resulting continued deterioration of the most of plants and equipments.

2. Value addition is essential but has not been realised from the beginning and this grave negligence has proved to be one of the obstacles in the continued profitable operation of

the mills

3. Soaring lint cotton prices have eroded competitiveness of local industry viz-a-viz suppliers of cheap products from India, China, South Korea and Bangladesh.

4. Use of man-made fibre like polyester and viscose should be encouraged and policies be formulated so that adequate supply of such fibre is ensured at competitive prices.

5. Quality is another basis in the mill operations. It starts from cotton fields and ends till the products are safely delivered in the hands of the customers. All other efforts and controls have no value unless total quality control at every stage and step of cotton growing, ginning, weaving, finishing and packing/packaging is effectively undertaken.

6. THE SIGNIFICANCE OF MANAGEMENT'S CONTRIBUTION MUST BE RECOGNISED IN THE SUCCESSFUL OPERATION OF THE INDUSTRY. MANY ORGANISATIONS F FOR MANY REASONS. BUT THE MOST COMMON REASON IS THE FAILURE ON THE PART OF THE MANAGEMENT.

IT IS COMMENDABLE THAT YOUR MANAGEMENT IN ALL DIFFICULT CIRCUMSTANCES IN THE TEXTILE INDUSTRY AS DETAILED ABOVE, HAS PRODUCED BEST QUALITY PRODUCTS IN THE MILLS, HAS LIQUIDATED ALL THE LONG TERM LOANS AND MODERNIZED THE MILLS PLANT & MACHINERY WITH ITS OWN CASH RESOURCES (WITHOUT OBTAINING ANY LOAN) WHICH HAS RESULTED INTO HIGHER PROFITABILITY OF THE COMPANY DURING THE YEAR UNDER REPORT.

FINANCIAL RESULTS

Total sales for the year under review were Rs. 304.380 million (1998 - Rs. 293.023 million). After payment of sales tax and commission of Rs. 43.174 million (1998- Rs. 34.502 million). The net sales were Rs. 261.206 million (1998 - Rs. 258.521 million) This nominal decrease in sales was due to changes in the production in the year 1999. The cost of sales was Rs. 228.823 million (1998 - Rs. 239.257 million), since the cost of sales decreased by 4.56% this further increased gross profits to Rs. 32.383million (1998 - Rs. 19.264 million). Hence gross profit percentage (%) to sales also improved from 7.45% FAIL 2.39%.

The company has earned an operating profit (including other incomes) of Rs. 23.892 million (1998 - Rs. 18.329 million). After adjustment of other charges (including the financial charges) Rs. 10.777 million (1998 - Rs. 12.267 million). The profit before taxation amounts to Rs. 13.116 million (1998- Rs. 6.061 million). After provision of Rs. 4.008 million for tax, net profit amounts to Rs. 9.107 million.

Since in 1998 the company had earned after providing Rs. 11.00 million for tax a net profit of Rs. 15.732 million, the earning per share in 1999 also increased to Rs. 4.55 from earning per share of Rs. 7.87 in 1998.

OPERATING PERFORMANCE

The company has an installed capacity of 26,640 spindles, complete with all back process. During the year it produced 1,352,557 kgs (1998 - 1,409,623 kgs) of super fine yarn of 72/80 counts. The average yarn spun in 1999 was of 72.5 counts (1998 - average 68.30 counts). When this average is converted in 20 counts the total production works out to 9,212,014 kgs (1998 - 8,894,226 kgs). The efficiency of the plant also improved to 98.90% from 98.85% of the previous year.

TOTAL PAYMENT OF LONG TERM LOANS OF THE COMPANY

It is matter of great satisfaction for us to inform you, that the company has repaid the balance amount of Long Term Loans Rs. Ten million on 30th June, 1999. The mortgage charges on the assets of the company have also been paid after 24 years i.e. since 1970 when the mill was installed in Kohat

DIVIDEND

Since the company has made exceptional profit, and we have been able to liquidate the accumulated loss of twenty two years, the directors are pleased to recommend payment of cash dividend of 15% to ordinary share holders, of the company.

Replies to Auditors observations:

Note 9.3

The deferred Tax liability has not been accounted for as in the opinion of your directors, no liability for deferred Tax is likely to crystallise in the foreseeable future (i.e. within next three years) due to expansion plans of the Company.

Note 13.1 & 14.2

We have not made any provision for diminution in the value of Long Term investments of the Company in its associated undertakings as in our opinion these investments are not for trading purpose at the stock exchange.

Note 14.1 & 14.3

It is reported that 115,300 shares of JDM Textile Mills Limited have been received from NBP, Treasury Division, Karachi, subsequent to the date of balance sheet.

APPOINTMENT OF AUDITORS

The company's auditors M/s Hameed Chaudhri & Co., Chartered Accountants, H.M. House, 7-Bank Square, Lahore retire and offer themselves for re-appointment for the next financial year.

ACKNOWLEDGMENT

The new board or directors (elected in April 1999) acknowledge with thanks the effort and co-operation of the team of management and the labour. It also appreciates the tradition of good relations between them going back to twenty years.

For the future the directors expect that with further investment in new machinery and import of fine quality of cotton, the company will keep on making progress and earn higher profits.

We also express our gratitude to the financial institutions i.e. National Bank of Pakistan, United Bank Limited and the PICIC for their co-operation and financial help to the company; specially during the difficult times that the company passed through .during last twenty nine years.

For & on behalf of the Board of Directors

RAZA KULI KHAN KHATTAK
Chairman

Dated: February 28, 2000

**PATTERN OF SHAREHOLDING
AS ON 30 SEPTEMBER; 1999**

Form - 34
The Companies Ordinance 1984
(Section 236)

NUMBER OF SHAREHOLDER	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1060	1	100	30,738
322	101	500	83,503
102	501	1,000	78,594
114	1,001	5,000	293,171
27	5,001	10,000	189,696
12	10,001	15,000	146,583
1	15,001	20,000	15,300
2	20,001	25,000	43,900
1	25,001	30,000	28,351
1	35,001	40,000	38,768
1	45,001	50,000	49,338
1	65,001	70,000	67,400

1	100,001	105,000	103,936
1	125,001	130,000	125,654
1	150,001	155,000	151,612
1	550,001	555,000	553,456
-----	-----	-----	-----
1,648	TOTAL:		2,000,000
=====	=====	=====	=====

Categories of Shareholders

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	1618	913,923	45.70
Investment Companies	1	28,351	1.42
Insurance Companies	4	54,538	2.73
Joint Stock Companies	11	831,693	41.59
Financial Institutions	11	144,805	7.24
Provincial Government Administrator	1	12,187	0.61
Abandoned properties	1	1,503	0.08
Modaraba Companies	1	13,000	0.65
	-----	-----	-----
TOTAL	1,648	2,000,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of BABRI COTTON MILLS LIMITED as at 30 September, 1999 and the related Profit and Loss Account and the 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, except for the fact that provision for diminution value of investments aggregating Rs. 2.170 million (notes 13.1. & 14.2) has not been made in these accounts and the contents of notes 9.3 and 14.3 and the extent to which these may affect the annexed accounts, respectively give a true and fair view of the state of the Company's affairs as at 30 September, 1999 and of the profit and cash flows for the year then ended; and

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

LAHORE
March 7, 2000

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT 30 SEPTEMBER, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SHARE CAPITAL AND RESERVE			
Authorised capital 5,000,000,ordinary shares of Rs. 10 each		50,000,000	50,000,000
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Issued, subscribed and paid-up capital 2,000,000 ordinary shares of Rs. 10 each issued for cash	3	20,000,000	20,000,000
Capital Reserve	4	6,000,000	6,000,000
Unappropriated Profit/(Accumulated loss)		1,278,570	(4,828,907)
		27,278,570	21,171,093
<hr/>			
SURPLUS ON REVALUATION OF FIXED ASSETS	5	35,838,096	35,838,096
<hr/>			
DEFERRED LIABILITIES			
Provision for gratuity		7,527,531	6,529,973
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CURRENT LIABILITIES			
Current portion of long term loan	6	0	10,000,000
Short term finances Creditors, accruals and other liabilities	7	49,920,342	52,184,564
Workers' welfare fund	8	23,810,403	47,503,869
Provision for taxation	9	239,000	0
Dividends	10	5,285,000	2,651,735
		3,306,453	306,580
		82,561,198	112,646,748
<hr/>			
CONTINGENCIES AND COMMITMENTS	11	153,205,395	176,185,910
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FIXED CAPITAL EXPENDITURE			
Operating fixed assets Stores held for capital expenditure	12	89,840,199	94,411,049
		1,051,072	1,097,811
		90,891,271	95,508,860
LONG TERM INVESTMENTS	13	2,531,100	2,531,100
DEPOSIT FOR INVESTMENTS	14	1,498,900	1,498,900
LONG TERM ADVANCES	15	144,898	84,785
LONG TERM DEPOSITS AND DEFERRED COSTS	16	61,780	101,263
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CURRENT ASSETS			
Stores, spares and loose tools	17	4,288,630	4,525,270
Stock-in-trade	18	39,339,677	58,510,266
Trade debtors	19	49,600	4,216,240
Advances, deposits, prepayments and other receivables	20	12,867,761	8,419,091
Cash and bank balances	21	1,531,778	790,135
		58,077,446	76,461,002
		153,205,395	176,185,910
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The annexed notes form an integral part of these accounts.

MUHAMMAD AZHAR KHAN
Director

RAZA KULI KHAN KHATTAK
Chief Executive

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SALES - Net	22	261,206,009	258,520,725
COST OF SALES	23	228,822,598	239,257,247
		-----	-----
GROSS PROFIT		32,383,411	19,263,478
ADMINISTRATIVE AND SELLING EXPENSES	24	8,491,003	6,751,112
		-----	-----
OPERATING PROFIT		23,892,408	12,512,366
OTHER INCOME	25	0	5,816,436
		-----	-----
		23,892,408	18,328,802
OTHER CHARGES			
Financial - Net	26	9,182,220	12,002,018
Miscellaneous	27	271,299	219,167
Workers' (Profit) Participation fund	8.1	722,694	30,867
Workers' Welfare Fund		239,000	0
Donation to Waqf-e-Kuli Khan Trust		361,347	15,434
		-----	-----
		10,776,560	12,267,486
		-----	-----
PROFIT before extraordinary items and taxation		13,115,848	6,061,316
EXTRAORDINARY ITEM	6.2	0	11,000,000
		-----	-----
PROFIT before taxation		13,115,848	17,061,316
PROVISION FOR TAXATION	9		
Current		3,945,000	1,340,000
Prior years		63,371	(10,700)
		-----	-----
		4,008,371	1,329,300
		-----	-----
PROFIT - after taxation		9,107,477	15,732,016
APPROPRIATION -			
- Proposed dividend @ 15%(1998:Nil)		3,000,000	0
		-----	-----
		6,107,477	15,732,016
		-----	-----
ACCUMULATED LOSS - Brought forward		(4,828,907)	(20,560,923)
UNAPPROPRIATED PROFIT/(ACCUMULATED Loss)		-----	-----
- Carried to Balance Sheet		1,278,570	(4,828,907)
		=====	=====
		(Rupees)	
	29	4.55	7.87
		=====	=====

Earnings per share

The annexed notes form an integral part of these accounts.

MUHAMMAD AZHAR KHAN
Director

RAZA KULI KHAN KHATTAK
Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 1999**

*1999
Rupees* *1998
Rupees*

NET CASH INFLOW FROM OPERATING ACTIVITIES	(note 'A')	23,321,764	55,149,054
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans repaid		(10,000,000)	(15,000,000)
Short term finances - net		(2,264,222)	(33,182,376)
Financial charges paid		(9,259,458)	(12,405,607)
Dividend paid		(127)	0
		-----	-----
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES		(21,523,807)	(60,587,983)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,151,368)	(2,772,182)
Sale proceeds of fixed assets		9,505,401	7,278,774
Dividend received		0	243,375
Long term deposits		500,000	0
		-----	-----
NET CASH (OUTFLOW)/IN FLOW FROM INVESTING ACTIVITIES		(556,314)	4,749,967
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,241,643	(688,962)
CASH AND CASH EQUIVALENTS			
- At the beginning of the year		290,135	979,097
		-----	-----
CASH AND CASH EQUIVALENTS - At the end of the year (note 'B')		1,531,778	290,135
		=====	=====

The annexed note 'A' and 'B' form an integral part of this statement.

MUHAMMAD AZHAR KHAN
Director

RAZA KULI KHAN KHATTAK
Chief Executive

NOTE 'A'

	1999	1998
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation and extra-ordinary item	13,115,848	6,061,316
Adjustments for:		
Depreciation	5,668,745	6,207,749
(Gain)/Loss on disposals of fixed assets - net	5,158	(5,490,276)
Dividend income	0	(243,375)
Provision for staff gratuity - Net	997,558	590,544
Deferred costs amortised	39,483	39,483
Financial charges	9,259,458	12,405,607
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES - Before working capital changes	29,086,250	19,571,048
(Increase)/Decrease in current assets		
Stores, spares and loose tools	236,640	(462,296)
Stock in trade	19,170,589	14,757,844
Trade debtors	4,166,640	(4,176,240)
Advances, deposits, prepayments and other receivables (excluding income taxes and current portion of long term advances)	(4,122,280)	(533,256)
(Decrease)/Increase in creditors, accruals and other liabilities (excluding accrued financial charges)	(23,454,466)	26,941,935
	-----	-----
	(4,002,877)	36,527,987
	-----	-----
CASH INFLOW FROM OPERATING		

ACTIVITIES - Before taxation	25,083,373	56,099,035
Taxes paid	(1,669,096)	(1,101,843)
CASH INFLOW FROM OPERATING	-----	-----
ACTIVITIES - After taxation	23,414,277	54,997,192
Net (increase)/decrease in long term advances	(92,513)	151,862
NET CASH INFLOW FROM OPERATING	-----	-----
ACTIVITIES	23,321,764	55,149,054
	=====	=====

NOTE 'B'**CASH AND CASH EQUIVALENTS**

Cash and bank balances	1,531,778	790,135
Current portion of long term deposits	0	(500,000)
	-----	-----
	1,531,778	290,135
	=====	=====

MUHAMMAD AZHAR KHAN
Director

RAZA KULI KHAN KHATTAK
Chief Executive

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

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 26 October, 1970 as a Public Company. Its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in manufacture and sale of yarn.

1.1 Compliance with International Accounting Standards (IASs).

These accounts, except for the contents of notes 9.3, 13.1 and 14.2 comply with IASs, where applicable, in all materials respects.

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 and revaluation of freehold land as referred to in notes 2.3 and 2.5.

2.2 Taxation

Current :

Provision for current taxation is made at current rates of taxation on taxable income for the year, if any. Tax credits and brought forward losses are recognised for arriving at taxable income for the year.

Deferred :

The Company does not account for deferred taxation arising due to major timing differences due to reasons stated in note 9.3.

2.3 Foreign currency translations

Assets and liabilities in foreign currency, if any, are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date except those covered under foreign exchange contracts which are translated at the contracted rates.

Exchange gains/losses on principal loans are transferred to the cost of plant and machinery acquired out of the proceeds of these loans.

2.4 Staff retirement benefits

The Company operates an un-funded Gratuity Scheme for all its employees. Provision is made annually to cover obligation under the Scheme.

2.5 Tangible fixed assets and depreciation

Fixed assets, except freehold land, are stated at cost less accumulated depreciation. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost. Cost of some items of plant and machinery consists of historical cost and exchange fluctuations effects on foreign currency loans capitalised during prior years. Borrowing costs have also been capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings.

Depreciation on operating fixed assets is charged applying Reducing Balance Method to write-off the cost and capitalised exchange fluctuations over 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 disposal of fixed assets are taken to Profit and Loss Account.

Normal repairs and replacements are taken to Profit and Loss Account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

2.6 Long term Investments

These are stated at cost.

2.7 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over their useful life not exceeding five years.

2.8 Stores, spares and loose tools

These are valued at annual average cost except items-in-transit which are valued at cost accumulated to the balance sheet date.

2.9 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	At lower of annual average
At mills	cost and market price.
In transit	At cost accumulated to balance sheet date
Work-in-process	At cost.
Finished goods	At lower of cost and net realisable value.
Waste	At net realisable value.

Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

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

2.10. Revenue recognition

Sales through agents are booked on intimation from agents whereas direct sales are booked on despatch of goods.

3. SHARE CAPITAL

Pakistan Industrial Credit and Investment Corporation Limited had option, during subsistence of its long term loan stated in note 6, to convert this into fully paid Ordinary Shares of the Company at any time or from time to time. The amount so converted, however, was not to exceed 20% of the amount of loan or the balance of loan outstanding at the time of exercise of such option, whichever was less. The amount of option worked-out Nil as at 30 September, 1999 (1998: Rs. 2.0 million).

4. CAPITAL RESERVE

This represents share premium received ~ Rs. 6 per share on 1,000,000 Right Shares issued by the Company.

5. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book value produced by revaluation of freehold land as detailed in note 12.1.

6. CURRENT PORTION OF LONG TERM LOAN

6.1 This interest-free loan was created during the financial year 1996-97 in accordance with terms Of Settlement Package approved by Pakistan Industrial Credit and Investment Corporation Limited (PICIC).

6.2 Loan liabilities waived-of by PICIC were accounted for as Deferred Credit. The balance of this Credit was fully transferred to Profit and Loss Account during the previous year.

6.3 This loan was secured by a first charge by way of an equitable mortgage of immovable properties, hypothecation of all plant and machinery, a floating charge on other assets and demand promissory note.

6.4 The outstanding balance of this loan was fully repaid during the year.

7. SHORT TERM FINANCES

Utilised under Mark-up Arrangements - Secured

These cash finances have been obtained against sanctioned facilities of Rs. 115.0 million (1998: Rs. 115.0 million) from a Commercial Bank. These carry mark-up ranging from Re.0.48 to Re. 0.52 per thousand Rupees per day.

These facilities have expired on 30 September, 1999 and renewal of these facilities are in process.

These arrangements are secured against pledge of stock-in-trade, a first registered charge on stock-in-trade, book debts and other assets of the Company and personal guarantees of all the Directors except nominees of the Development Finance institutions.

Facilities available for opening letters of credit aggregate Rs. 5.0 million (1998: Rs. 5.0 million) and are secured by documents of title to goods.

8. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Due to Associates (c)		7,067,189	3,730,298
Advance payments		1,306,349	3,859,063
Creditors		3,290,094	3,441,406
Bills payable		0	27,492,802
Accrued liabilities		9,044,251	7,944,719
Excise duty on secured long term loans		316,524	616,524
Sales tax payable		1,636,727	0
Interest free security deposits			
- repayable on demand		74,500	62,000
Income tax deducted at source		2,000	20,115
Workers' (Profit) Participation Fund	8.1	722,694	117,451
Waqf-e-Kuli Khan Trust		345,557	210,275
Others		4,518	9,216
		-----	-----
		23,810,403	47,503,869
		=====	=====

8.1 Worker's (profit) participation fund

Opening balance	117,451	774,215
Interest on amount utilised by the Company	11,624	66,472
	-----	-----
	129,075	840,687
	129,075	754,103
	-----	-----

Less - Payments made during the year	129,075	754,103
	-----	-----
	0	86,584
Contribution for the year	722,694	30,867
	-----	-----
	722,694	117,451
	=====	=====

9. PROVISION FOR TAXATION Net

	1999	1998
	Rupees	Rupees
Opening balance	2,651,735	2,574,788
Provided during the year		
Current year	3,945,000	1,340,000
Prior years	63,371	(10,700)
	4,008,371	1,329,300
	6,660,106	3,904,088
Less: Adjustments against completed assessments	1,375,106	1,252,353
	5,285,000	2,651,735

9.1 Income tax assessments of the Company have been finalised upto the Income year ended 30 September, 1997 (Assessment Year 1998-99)

9.2 Current year's provision for taxation represents tax payable under section 80-D of the Income Tax Ordinance, 1979.

9.3 Tax effects of major timing differences as at 30 September, 1999 worked out Rs. 6.776 million [1998: Rs. 7.309 million] (Credit). Decrease during the year was Rs. 0.533 million. (1998: Increase Rs. 1.476 million) Provision for deferred tax has not been made in these accounts, as in the opinion of the management no liability for deferred tax is likely to crystallise in the foreseeable future due to modernisation/replacement plans of the Company.

10. DIVIDENDS

	1999	1998
	Rupees	Rupees
Unclaimed	306,453	306,580
Proposed	3,000,000	0
	-----	-----
	3,306,453	306,580
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

11.1 Two employees of the Company have filed a case in Labour Court, Peshawar for reinstatement of their services. The matter is pending for adjudication.

11.2 Commitments against irrevocable letters of credit were outstanding for Rs. 7.166 million (1998: Nil)

12. OPERATING FIXED ASSETS -Tangible

PARTICULARS	COST/REVALUATION				DEPRECIATION					BOOK VALUE	
	As at 30 September, 1998	Additions	Revaluation adjustment	Disposals	As at September 1999	Rate % 1999	To 30 September, 1998	For the year	On Disposals	To 30 September, 1999	as at 30 September 1999
Freehold land											
Cost	3,641,905	0	0	0	3,641,905	0	0	0	0	0	3641905
Revaluation	35,838,095	0	0	0	35,838,095	0	0	0	0	0	35,838,095
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	39,480,000	0	0	0	39,480,000	0	0	0	0	0	39,480,000
Roads, paths and culverts											

on freehand land	120,481	0	0	0	120,481	5	83,115	1,868	0	84,983	35,498
Buildings on freehold land:											
Factory	6,276,508	0	0	0	6,276,508	10	4,697.46	157,904	0	4855367	1,421,141
Non-factory Residential	1,419,998	0	0	0	1,419,998	5	741,199	33,940	0	775,139	644,859
-- Officers	244,169	0	0	0	244,169	5	114,421	6,487	0	120,908	123,261
-- Workers	4,600,445	0	0	0	4,600,445	10	2,959,268	164,118	0	3123386	14,377,059
	12,541,120	0	0	0	12,541,120		8,512.35	362,449	0	8,874,800	3666320
Plant and machinery	109,524,473	491,194	0	32,682	109,982,985	10	64,258.532	4,575.168	27,232	68,806.47	41,176,517
Generator	8,778,757	608,076	0	0	9,386,833	10	5,030.27	435.66	0	5,465.92	3,920,909
Tools and equipment	918,174	3,706	0	0	921,880	10	611,838	31,004	0	642,842	279,038
Furniture and fixtures	786,282	26,131	0	425	811,988	10	532.321	28.00	317	560,002	251,986
Office equipment	408,878	0	0	0	408,878	10	227,053	18,183	0	245,236	163,642
Vehicles	3,778,821	69,000	0	705,221	3,142,600	20	2,671.699	216,294	610,567	2,277,426	865,174
Arms	15,721	0	0	0	15,721	10	14,482	124	0	14,606	1,115
Rupees	176,352,707	1,198,107	0	738,328	137,332,486		81,941.658	5,668,745	638,116	86,972,287	89,840,100
1999 Rupees	176,352,707	1,198,107	0	738328	137,332,486		81,941.658	5,668,745	638,116	86,972,287	89,840,199

12.1 The Company, during 1997-98, revalued its freehold land. The revaluation exercise was carried out by Independent Valuers - M/ Valuation Consultants and Surveyors. 14-Q Gulag -II, Lahore to replace the book value of freehold land with market value.

The revaluation resulted in an appraisal surplus of Rs. 35.838 million determined as follows:

Particulars	Rupees
Freehold land:	
Cost/Book value as at 30 September, 1998 (before revaluation adjustment as at 30 September, 1998)	3,641,904
Revalued Amount	39,480,000
Revaluation Surplus	35,838,096

The resultant revaluation surplus was credited to Surplus on Revaluation of Fixed Assets (note 5).

12.2 Depreciation for the year has been apportioned as under:

	1999 Rupees	1998 Rupees
Cost of sales	5,365,719	5,839,854
Administrative expenses	303,026	367,895
	5,668,745	6,207,749

12.3 Disposals of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Particulars
Plant and machinery							
Metallic card clothing	I set	32,682.00	27,232.00	5,450.00	0	(5,450.00)	Scrapped
Furniture and Fixtures:							
Bed Newarr	I set	425.00	317.00	108.00	400.00	292.00	Negotiation Mr., Sher Afzal, Company employee
Vehicles:							
Mitsubishi Pejero		705,221.00	610,567.00	9,465,400	94,654.00	0	-do- Brig (Retd) Mahmud Jan. Company' Director
Rupees		738,328.00	638,116.00	100,212.00	95,054.00	(5,158.00)	

12. NON-OPERATING FIXED ASSETS -Tangible (Weaving Section)

1999 **1998**
Rupees **Rupees**

13. LONG TERM INVESTMENTS - At cost

Janana De Malucho Textile Mills Limited (an Associated Undertaking)-Listed
194,700 fully paid ordinary Shares of Rs. 10 each
Market value Rs. 1,168,200
(1998: Rs.1,216,875)

2,531,100 2,531,100
=====

13.1 Provision for diminution in value of long term investments amounting Rs. 1,362,900 (1998: Rs, 1,314,225) has not been made in these accounts.

14. DEPOSIT FOR INVESTMENTS

14.1 This represents amount deposited with National Bank of Pakistan (NBP) for purchase of 115,3Q0 shares of Janana De Malucho Textile Mills Limited (an Associated Undertaking), held by NBP.

14.2 The market value of these shares as at the balance sheet date worked-out Rs. 691,800 (1998: Rs.720,625). Provision for diminution in the value amounting Rs. 807,100 (1998: Rs. 778,275) has not been made in these accounts.

14.3 Year-end balance confirmation certificate from NBP was not received. The Auditors, in the absence of this certificate, could not verify this deposit.

15. LONG TERM ADVANCES

Advances to employees - Considered good
Balance as at 30 September,
Less: Current portion grouped
under current assets

	243,298	150,785
	98,400	66,000
	-----	-----
	144,898	84,785
	=====	=====

15.1 These interest free advances are secured against guarantees of third parties and are recoverable in instalments which vary from case to case.

15.2 No part of these advances is outstanding for more than three years.

16. LONG TERM DEPOSITS AND DEFERRED COSTS

Note **1999** **1998**
Rupees **Rupees**

Deposits :

Security		61,780	61,780
Others	16.1	0	500,000
		-----	-----
		61,780	561,780

Less: Current Portion grouped
under current assets

0 500,000

Deterred costs	16.2	61,780	61,780
		0	39,483
		-----	-----
		61,780	101,263
		=====	=====

16.1 This represented amount deposited with a commercial bank under the Prime Minister of Pakistan's National Debt Retirement Fund for a period of two years commencing 13 March, 1997. Upon completion of two years, this amount was withdrawn during the

year.

16.2 Deferred costs

Expenses incurred on Judicial Papers of Mortgage Deed in favour of PICIC	39,483	78,966
Less: Amortised during the year	39,483	39,483
	-----	-----
	0	39,483
	=====	=====

These were being amortised over a period of three years

17. STORES, SPARES AND LOOSE TOOLS

Stores	1,320,101	1,141,479
Spares	2,809,699	3,146,656
Loose tools	158,830	237,135
	-----	-----
	4,288,630	4,525,270
	=====	=====

18. STOCK-IN-TRADE

Raw materials - At mills	33,615,297	26,058,606
- In transit	801,380	28,111,660
	-----	-----
	34,416,677	54,170,266
	4,243,000	3,435,000
	-----	-----
Work-in-process		
Finished goods -		
Yarn	680,000	902,000
Waste	0	3,000
	-----	-----
	680,000	905,000
	-----	-----
	39,339,677	58,510,266
	=====	=====

19. TRADE DEBTORS

These are unsecured and considered good.

20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Due from Associated Undertakings	20.1	8,989,045	4,479,118
Advances to :			
Executives - Considered good		68,748	154,407
Other employees - Considered good		303,250	184,844
Advance payments		29,371	147,609
Letters of credit		91,294	0
Deposits		12,465	717,465
Prepayments		69,930	140,000
Income tax refundable/Advance income tax/ tax deducted at source		2,528,576	2,234,586
Sale tax refundable		0	105,241
Claims receivable		775,082	255,821
		-----	-----
		12,867,761	8,419,091
		=====	=====

20.1 Due from Associated undertakings:

Bibojee Services (Pvt) Ltd.	5,145,698	3,704,834
Rahman Cotton Mills Ltd.	3,843,347	774,284
Bannu Woollen Mills Ltd.	0	0
	-----	-----

8,989,045 4,479,118

20.2 a) The Shareholders of the Company have authorised the Chief Executive of the Company, by a special resolution, for advancing !loans upto Rs. 2.0 million to any Associated Undertaking to meet, the business transactions involving payment/reimbursement of branch office/other expenses incurred on Company's behalf.

b) Maximum aggregate debit balance of the Associated Undertakings at any month end during the year was Rs. 12,918,500 (1998 - Rs. 4,577,584).

c) Mark up has been charged/paid at the ranging from Re. 0.49 to Re 0.52 per thousand Rupees calculated on daily ducts on the current account balances of the Associated Undertakings. However to mark-up has been paid on the current account balances of Universal Insurance company Limited as these balances have arisen on account of insurance premium payable.

d) Aggregate transactions during the year with the Associated Undertakings were as follows :

	1999	1998
	Rupees	Rupees
Sale of goods and services	864,950	0
Purchase of goods and services	2,470,499	1,590,803
Insurance claim received	31,203	21,017
Residential rent		
- Paid	117,000	117,000
- Received	76,800	56,550
Interest charged	1,315,758	728,536
Interest paid	973,629	152,235
Dividend received	0	243,375

20.3 Maximum aggregate debit balances due from Directors and Executives at any month end during the year were Rs. 83,571 (1998 - Rs. 76,092) and Rs. 436,369 (1998: Rs.247,435) respectively.

21. CASH AND BANK BALANCES

	1999	1998
Note	Rupees	Rupees
CASH		
In hand	28,710	25,070

At Banks on :

- current accounts	1,404,345	172,373
- dividend accounts	6,574	6,573
- PLS security deposit account	92,149	86,119
Deposit account -Current portion of long term deposits	21.1	0
	-----	-----
	1,503,068	765,065
	-----	-----
	1,531,778	790,135
	=====	=====

21.1 Refer contents of note 16.1

22. SALES - Net

- Yarn	304,130,488	292,713,727
- Waste	249,178	308,850
	-----	-----
	304,379,666	293,022,577
Less:		
- Commission	1,122,026	1,343,804

- Sales tax	42,051,631	33,158,048
	-----	-----
	43,173,657	34,501,852
	-----	-----
	261,206,009	258,520,725
	=====	=====

23. COST OF SALES

Raw materials consumed	23.1	136,360,625	141,429,736
Packing materials consumed		3,867,977	4,147,130
Salaries, wages and benefits		33,939,574	34,565,029
Power and fuel		45,134,635	46,137,218
Repair and maintenance:			
Stores consumed		3,337,160	2,957,815
Expenses		889,856	1,156,672
Depreciation		5,365,719	5,839,854
Insurance		510,052	541,383
		-----	-----
		229,405,598	236,774,837
Adjustment of work-in-process			
Opening		3,435,000	4,963,034
Closing		(4,243,000)	(3,435,000)
		-----	-----
		(808,000)	1,528,034
		-----	-----
Cost of goods manufactured		228,597,598	238,302,871
Adjustment of finished goods			
Opening stock		905,000	1,859,376
Closing stock		(680,000)	(905,000)
		-----	-----
		225,000	954,376
		-----	-----
		228,822,598	239,257,247
		=====	=====

23.1 Raw materials consumed

Opening stock	54,170,266	66,445,700
Purchases	117,160,984	130,188,173
Local taxes	197,589	353,483
	-----	-----
	171,528,839	196,987,356
Less -		
Sales - Net of sales tax Rs.112,820 (1998: Rs. 174,421)	752,130	1,395,372
	34,416,677	54,170,266
	-----	-----
	35,168,807	55,565,638
	-----	-----
	136,360,032	141,421,718
Cess on cotton consumed	593	8,018
	-----	-----
	136,360,625	141,429,736
	=====	=====

23.1 a) Loss on sale of raw materials Rs. 61,367 (1998: Gain Rs. 218,589) and sale proceeds of binding materials amounting Rs. 85,181 (1998: Rs. 94,444) have been adjusted in raw materials consumption.

23.1 b) Sale of scrap materials amounting Rs. 46,545 (1998: Rs. 61,776) and Rs. 211,931 (1998 - Rs. 560,669) have been adjusted in packing materials and stores consumption respectively.

24. ADMINISTRATIVE AND SELLING EXPENSES

1999	1998
Rupees	Rupees

Administrative:		
Salaries and benefits	3,530,804	2,863,140
Printing and stationery	291,462	273,842
Communication	615,311	560,321
Travelling and conveyance including directors' travelling Rs. 380,719 (1998: Rs.68,234)	809,897	219,531
Rent, rates and taxes	452,675	169,407
Insurance	83,291	104,664
Advertisement	32,340	11,880
Repair and maintenance	118,181	115,184
Vehicles' running	741,591	672,747
Guest house and entertainment	165,631	149,474
Subscription	119,239	140,513
Depreciation	303,026	367,895
	-----	-----
	7,263,448	5,648,598

Selling:		
Freight, loading and travelling	707,129	807,076
Salaries and benefits	324,940	222,988
Samples	182,836	63,875
Publicity	12,650	8,575
	-----	-----
	1,227,555	1,102,514
	-----	-----
	8,491,003	6,751,112
	=====	=====

24.1 The Company has shared expenses aggregating Rs. 1,328,828 (1998: Rs.1,243,364) out of the total expenses of Rs. 4,470,000 (1998 : Rs.4,623,074) of the Combined Offices with the Associated Undertakings. These expenses have been booked in respective heads of accounts as follows:

Administrative and selling expenses	1,100,651	965,230
Manufacturing expenses	228,177	278,134
	-----	-----
	1,328,828	1,243,364
	=====	=====

25. OTHER INCOME

Unclaimed balances written back	0	1,780
Dividend	0	243,375
Gain on disposal of fixed assets-net	0	5,490,276
Others	0	81,005
	-----	-----
	0	5,816,436
	=====	=====

26. FINANCIAL CHARGES - Net

Interest/Mark-up on:		
Short term finances	9,259,458	12,405,607
Associated Undertaking's balances	973,629	152,235
Workers' (Profit) participation Fund	11,624	66,472
Excise duty on bank borrowings	102,500	0
Bank charges	157,467	138,185
	-----	-----
	10,504,678	12,762,499

Less: Mark-up received on:		
Associated Undertakings' balances	1,315,758	728,536
Bank deposits	6,700	31,945
	-----	-----

	1,322,458	760,481
	-----	-----
	9,182,220	12,002,018
	=====	=====

27. MISCELLANEOUS CHARGES

Auditors' remuneration:		
Audit fee	75,000	60,000
Consultancy charges	30,000	0
Out-of-pocket expenses	5,000	5,000
	-----	-----
	110,000	65,000
Legal and professional charges (Other than Auditors)	92,158	108,684
Loss on disposal of fixed assets	5,158	0
Donations	27.1	24,500
		6,000
Amortisation of deferred costs	39,483	39,483
	-----	-----
	271,299	219,167
	=====	=====

27.1 In addition to these donations Rs. 361,347 (1998 :Rs. 15,434) have been donated to Waqf-e-Kuli Khan Trust (a Charitable Institution) administered by the following directors of the Company:

Mr. Raza Kuli Khan Khattak	Mr. Ahmad Kuli Khan Khattak
Mr. Hussain Kuli Khan Khattak	Mr. Mushtaq Ahmad Khan, FCA
Mrs. Shaheen Tariq Khalil	Mrs. Zeb Gohar Ayub Khan

28. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER, 1999

	<i>Share Capital</i>	<i>Capital Reserve</i>	<i>(Accumulated loss)/ Unappropriated Profit</i>	<i>Total</i>
	Rupees			
Balance as at 30 September, 1997	20,000,000	6,000,000	(20,560,923)	5,439,077
Profit for the year	0	0	15,732,016	15,732,016
	-----	-----	-----	-----
Balance as at 30 September, 1998	20,000,000	6,000,000	(4,828,907)	21,171,093
Profit for the year	0	0	9,107,477	9,107,477
Appropriation - proposed dividend	0	0	(3,000,000)	(3,000,000)
	-----	-----	-----	-----
Balance as at 30 September, 1999	20,000,000	6,000,000	1,278,570	27,278,570
	=====	=====	=====	=====

29. EARNINGS PER SHARE (EPS)

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	
Profit after taxation attributable to ordinary shareholders	9,107,477	15,732,016
	=====	=====
Number of ordinary shares issued and Subscribed at the end of the year	2,000,000	2,000,000
	=====	=====
EPS	4.55	7.87
	=====	=====

30. FINANCIAL ASSETS AND LIABILITIES

30.1 The financial assets of the Company aggregated Rs. 13.051 million of which Rs. 1.553 million are subject to credit risk. The effective interest/mark-up rate of financial assets range from 7.3% to 18.98% per annum.

30.2 The financial liabilities of the Company aggregated Rs. 80.433 million. The financial liabilities are based on mark-up/interest except for liabilities aggregating Rs. 18.583 million. The effective interest/mark-up rate of financial liabilities range from 17.52% to

18.98% per annum.

30.3 The carrying amounts of the financial assets and financial liabilities approximate their fair values except where it is specifically disclosed in relevant notes to the accounts.

31. REMUNERATION TO DIRECTORS AND EXECUTIVES

PARTICULARS	<i>Working Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Managerial remuneration	538,934	560,606	1,333,119	986,136
Bonus/Ex-gratia	0	0	290,756	41,322
Retirement benefits	0	0	374,160	81,318
Rent and utilities	228,205	278,043	89,100	89,100
Insurance	4,988	4,157	2,526	2,526
Medical	0	0	372,274	132,806
	-----	-----	-----	-----
	772,127	842,806	2,461,935	1,333,208
Less - Charged to Associated Undertakings	0	0	229,524	230,744
	-----	-----	-----	-----
Rupees	772,127	842,806	2,232,411	1,102,464
	=====	=====	=====	=====
Number of persons	2	2	6	5

31.1 No remuneration or benefit was paid to the Chief Executive (1998: Nil).

31.2 Some of the Directors and Executives of the Company are also provided with free use of Company maintained cars and telephones at their residences.

31.3 The payments made to one of the working Directors represents the proportionate share paid by the Company, and does not include any amount paid or provided for by the Associated Undertakings.

31.4 The Company has also provided rent free accommodation to one of its Directors and five Executives in the Mills' Colony.

31.5 In addition to above, meeting fee of Rs. 6,500 (1998: Rs. 3,500) was paid to nine (1998: four) non-working Directors.

32. CAPACITY AND PRODUCTION

	1999	1998
Yarn		
Number of spindles installed	26,640	26,640
Number of shifts worked	1,074	1,074
Number of spindles/shifts worked	28,244,388	28,216,254
Installed capacity at 20's count on the basis of shifts worked	(Kgs) 5,524,430	5,524,430
Actual production of yam all counts	(Kgs) 1,352,557	1,409,623
Actual production converted into 20's count	(kgs) 9,212,014	8,894,226

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

33. 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.

MUHAMMAD AZHAR KHAN
Director

RAZA KULI KHAN KHATTAK
Chief Executive