

## Mahmood Textile Mills Limited

Annual Report 1999

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## MAHMOOD TEXTILE MILLS LTD

### Company's information

#### Board of Directors:

KHAWAJA MUHAMMAD MASOOD	CHAIRMAN
KHAWAJA MUHAMMAD IQBAL	CHIEF EXECUTIVE
KHAWAJA MUHAMMAD ILYAS	
KHAWAJA MUHAMMAD YOUNUS	
MUHAMMAD JALAL-UD-ROMMI	
MRS. MEHR FATIMA	
MUHAMMAD MUZAFAR IQBAL	

#### Company Secretary:

GHULAM MOHAYUDDIN

#### G.M. Finance:

MOHAMMAD AMIN PAL A.C.A.

#### Auditors:

HAMEED CHAUDHRI & CO.  
Chartered Accountants  
7-Bank Square, Lahore

#### Bankers:

MUSLIM COMMERCIAL BANK LTD  
UNITED BANK LIMITED  
HABIB BANK LIMITED

#### Registered Office:

MEHR MANZIL, LOHARI GATE, MULTAN

#### Mills:

MAHMOODABAD, MULTAN ROAD, MUZAFFARGARH.  
AND  
MASOODABAD, D.G. KHAN ROAD, MUZAFFARGARH.

### Notice of Meeting

Notice is hereby given that the 29th Annual General Meeting of the Company will be held at its Registered Office, Mehr Manzil, Lohari Gate, Multan on Friday, the 31st March, 2000, at 10.00 A.M. to transact the following business:

1. To confirm the minutes of the 28th Annual General Meeting held on 31st March, 1999.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th September, 1999, together with Director's and Auditor's Reports thereon.
3. To approve payment of Cash Dividend of 40.51 percent (Rupees Six and Paise Five Per Ordinary share) for the year ended 30 September, 1999, as recommended by the Board of Directors.
4. To appoint Auditors for the next year, 2000, and to fix their remuneration. The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants being eligible, have offered themselves for re-appointment.
5. To transact any other ordinary business as may be placed before the Meeting with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

(GHULAM MOHAYUDDIN)

MULTAN

Dated: 3rd March, 1999

Company Secretary

#### NOTES:

i) The Share Transfer Books of the Company will remain closed from 20th March, to 31st March, 2000 (both days inclusive).

ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of himself. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the Meeting.

iii) Members are requested to notify immediately any change in their addresses.

iv) Members are also informed that Supreme Court of Pakistan in a recent judgement has held that deductions on account of Zakat shall not be made from payment against dividends to the members of all recognized fiqahs subject to filing of declarations as required under the Zakat Ordinance.

The Shareholders who wish to exercise their option may file a declaration on prescribed Form CZ-50 on non judicial stamp paper of Rs. 20/- duly attested by Oath Commissioner.

**Directors' Report to the Shareholders**

*In the Name of Allah, the Most Beneficent, the Most Merciful*

Your Directors have pleasure to present 29th Annual Report of the Company alongwith Audited Accounts for the year ended 30th September, 1999.

**SALIENT FEATURES AND OPERATING RESULTS**

ALHAMDOLILLAH, the performance of the Company during the year under report remained satisfactory and the company earned a net profit of Rs. 150,875,918/-

The operating results alongwith the appropriations are summarised as under:-

	<b>1999 Rupees</b>	<b>1998 Rupees</b>
Profit & Loss after taxation	150,785,918	151,456,236
Un-appropriated Profit B/F	420,109,690	291,321,624
Profit available for appropriation	570,985,608	442,777,860
<b>APPROPRIATION</b>		
Bonus Share	0	9,067,270
Interim Dividend paid under Section 12(9) of Income Tax Ordinance 1979, for the year ended 30-09-1998.	46,985,765	0
Proposed Find Dividend for the current year	60,352,607	13,600,900
	463,647,236	420,109,690

The details of Export and Local Sales made during the year under report is given below:

1) Export sales (yarn and cloth)	2,188,414,431	2,019,539,183
2) Local sales (yarn and cloth)	415,401,134	287,923,552
	2,603,815,565	2,307,462,735

Earning per ordinary share works out @Rs. 15.13 as compared to Rs. 15.19 last year.

The detail of yarn and cloth produced during the year under review is shown as under:-

i) Yarn: Actual production converted into 20's counts	Kgs.	21,321,870	21,247,995
ii) Grey cloth: Actual production converted into 60 picks	Sq. meter.	20,888,909	20,479,677

The cotton production in the country during the year under report was approximately 7,200(M) bales which was remarkably low than the target of 9,000(M) bales predicted by the Government. Thus the local price of cotton remained 15 to 20% higher as compared to international prices. The input cost also remained under the grip of inflationary trend.

Despite all these adverse factors, due to purchase of cotton vigilantly your Directors succeeded to manage the affairs of the Company efficiently and good results were achieved. Moreover, despite increase in sales, financial expenses decreased by 4% as compared to last year.

**EXPANSION PLAN**

In order to maintain future promising prospects of the Company and to remain competitive in international market, balancing, modernization and expansion plans were taken into consideration by the Management. The plans were based on in-depth analytical study to enhance overall performance and profitability of the company. These decisions were part of the strategic vision of the management to bring the company to be a leading one in textile sector.

Additions of Machinery of Rs. 11.00 (M) has been made in the year under report for laboratory equipment and for modernization of back process of one unit.

Expansion programme of Rs. 170.00 (M) under B.M.R. is also in hand and will be completed next year. The production capacity of the mill will thus be increased by 5760 spindles making the total No. of spindles to be 65280.

For the implementation of this heavy expansion programme the management successfully procured financial facilities from different banks at concessional rate of mark up.

**FUTURE OUTLOOK**

During the year 1999-2000, the production of cotton remained encouraging. The international prices of the cotton are also at lower edge as compared to previous year.

The Government's decision to reduce mark up rate is a good step for the improvement of business activities. If Government continues to adopt favourable policy for the industry and prices of yarn/cloth also remain stable in the international market, the next year will be a better year.

**SUBSIDIARY'S AND CONSOLIDATED ACCOUNTS**

To meet the statutory requirement and to comply with international accounting standard, individual and consolidated accounts of M/s. Mahmood Power Generation Limited, a subsidiary company, have been annexed with financial statements.

Out of the profit of Rs. 48.504 (M) earned by the subsidiary company during the current year, bonus shares @ 10% have been issued to the share holders.

**DIVIDEND**

In compliance with requirements of Section 12(9A) of the Income Tax Ordinance, the Company out of the profit of previous year declared interim dividend @47.11%.

Moreover, in compliance with the aforementioned Section of Income Tax Ordinance, dividend @60.51% has also been recommended by the Directors subject to approval in annual general meeting.

**AUDITORS**

The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, Lahore retire and being eligible offer themselves for re-appointment.

**PATTERN**

Pattern of share-holding is annexed.

**ACKNOWLEDGMENT**

Yours Directors would like to than the workers, staff and Officers of your Company by their efficient work and dedication and hope that with their whole-hearted support better results will be obtained during the next year.

FOR AND ON BEHALF OF THE BOARD  
(Khawaja Muhammad Masood)

Multan: 1st March, 2000. Chairman

**Auditors' Report to the Members**

We have audited the annexed Balance Sheet of MAHMOOD TEXTILE MILLS LIMITED as at 30 September, 1999 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 accounting 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, 1999 and of the profit and 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 in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE  
Date: 1st March, 2000

Sd/-  
HAMEED CHAUDHRI & CO.;  
Chartered Accountants

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

	Note	1999 Rupees	1998 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised capital		150,000,000	150,000,000
Issued, subscribed and Paid-up capital	3	99,739,890	90,672,620
Reserve for issue of bonus shares		0	9,067,270
Unappropriated profit		463,647,236	420,109,690
		563,387,126	519,849,580
<b>LONG TERM LOANS AND FINANCES</b>	4	53,415,514	102,034,805
<b>SUPPLIERS' CREDITS</b>	5	37,897,225	68,355,456
<b>CUSTOMS DEBITURES AND IQRA SURCHARGE PAY</b>	6	3,349,034	4,984,495
<b>DEFERRED LIABILITIES FOR GRATUITY</b>	7	2,690,540	2,581,720
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	8	82,427,222	105,850,461
Short term finances	9	78,814,000	335,003,325
Creditors, accruals and other payables	10	188,505,454	153,259,704
Provision for taxation	11	39,230,013	39,254,062
Dividends	12	106,057,286	13,663,809
<b>CONTINGENCIES AND COMMITMENTS</b>	13	0	0
		1,155,863,414	1,344,837,417
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	14	597,066,503	650,001,004
Capital work-in-progress	15	9,621,437	0
		606,687,940	650,001,004
<b>LONG TERM INVESTMENTS</b>	16	66,806,000	66,806,000
<b>LONG TERM DEPOSITS</b>	17	40,044,394	48,722,845
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	46,581,192	56,227,651
Stocks-in-trade	19	142,401,974	120,769,342
Trade debtors	20	99,108,315	284,658,056
Advance, deposits and other receivables	21	123,396,102	54,302,882
Cash and bank balances	22	30,837,497	63,349,637
		442,325,080	579,307,568
		1,155,863,414	1,344,837,417

The annexed notes form an integral part of these accounts.

Sd/-  
(KH. MUHAMMAD YOUNUS)  
Director

Sd/-  
(KH. MUHAMMAD IQBAL)  
Chief Executive

Sd/-  
(KH. MUHAMMAD MASOOD)  
Chairman

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

	Note	1999 Rupees	1998 Rupees
<b>SALES - Net</b>	23	2,620,710,428	2,310,286,105
<b>COST OF SALES</b>	24	2,237,056,498	1,907,415,010
<b>GROSS PROFIT</b>		383,653,930	402,871,095
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>	25	110,534,528	109,158,944
<b>OPERATING PROFIT</b>		273,119,402	293,712,151
<b>OTHER INCOME</b>		17,787,555	5,021,183
		290,906,957	298,733,334
<b>OTHER CHARGES</b>			
Financial - Net	27	110,922,114	115,127,332
Miscellaneous	28	544,293	1,455,855
Workers' (profit) participation fund	10.4	8,972,028	9,136,080
		120,438,435	125,719,267
<b>PROFIT BEFORE TAXATION</b>		170,468,522	173,014,067

<b>PROVISION FOR TAXATION</b>			
Current	11	19,900,000	19,600,000
Prior years		(307,396)	1,957,831
		-----	-----
		19,592,604	21,557,831
		-----	-----
<b>PROFIT AFTER TAXATION</b>			
		150,875,918	151,456,236
<b>UNAPPROPRIATED PROFIT</b>			
-- Brought forward		420,109,690	291,947,374
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
		570,985,608	443,403,610
		-----	-----
<b>APPROPRIATIONS:</b>			
Proposed dividend @60.51% (1998:@15%)		60,352,607	13,600,900
Dividend declared @47.11% (Total Dividend @62.11%) out of the profit for the year ended 30 September,1998	12.1	46,985,765	0
Reserve for issue of bonus shares Nil (1998: @10%)		0	9,067,270
Dividend paid -- Prior year		0	290,300
Bonus shares issue -- Prior year		0	375,450
		-----	-----
		107,338,372	23,293,920
		-----	-----
<b>UNAPPROPRIATED PROFIT</b>			
-- Carried to Balance Sheet		463,647,236	420,109,690
		=====	=====
<b>EARNINGS PER SHARE</b>			
	29	15.13	15.19

The annexed notes form an integral part of these accounts.

Sd/-	Sd/-	Sd/-
(KH. MUHAMMAD YOUNUS)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD MASOOD)
Director	Chief Executive	Chairman

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

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (note 'A')</b>	472,950,450	115,596,014
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans and finances repaid	(70,856,460)	(52,997,153)
Suppliers' credit repaid	(28,189,331)	(45,658,458)
Suppliers' credit obtained	0	23,513,431
Customs debentures and Iqra Surcharge paid	(1,635,460)	(1,635,460)
Long term trade liabilities	0	(26,309,000)
Short term finances - Net	(256,189,325)	219,780,111
Dividends paid	(14,944,895)	(7,867,836)
Financial charges paid	(122,052,734)	(126,283,271)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	(493,868,205)	(17,457,636)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(24,365,014)	(62,008,368)
Sale proceeds of fixed assets	1,349,000	2,567,000
Foreign currency fixed deposits	(321,150)	(21,875,862)
Income on deposits with banks received	2,916,293	2,358,267
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	(20,420,871)	(78,958,963)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(41,338,626)	19,179,415
<b>CASH AND CASH EQUIVALENTS</b>		
-- At the beginning of the year	50,537,858	31,358,443
	-----	-----
<b>CASH AND CASH EQUIVALENTS</b>		
(excluding current portion of long term foreign currency fixed deposits of Rs. 21,638,265 (1998: Rs. 12, 811,779))		
-- At the end of the year	9,199,232	50,537,858
	=====	=====

**NOTE 'A'**

<b>CASH FLOW FORM OPERATING ACTIVITIES</b>		
Profit for the year	170,468,522	173,014,067
- Before taxation		
Adjustments for:		
Depreciation	66,658,601	72,754,765
Provision for gratuity - net	108,820	81,720
Gain on disposal of fixed assets - net	(329,523)	(1,258,211)
Income on deposits with banks	(6,907,904)	(6,880,628)
Financial charges	114,274,140	117,823,375
Exchange fluctuation (gain)/loss on suppliers' credits	(3,454,971)	9,971,695
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	340,817,685	365,506,781
(Increase)/Decrease in current assets		
Stores, spares and loose tools	9,646,459	(13,626,895)
Stock-in-trade	(21,632,632)	(26,367,332)
Trade debtors	185,549,741	(254,788,386)
Advances, deposits and other receivables (excluding income tax and profit on deposits with banks)	(59,040,537)	(2,058,621)
Increase in creditors, accruals and other payables (excluding accrued financial charges)	43,024,344	81,358,594
	-----	-----
	157,547,375	(215,482,640)
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- Before taxation	498,365,060	150,024,141
Taxes paid	(25,587,725)	(34,250,012)
	-----	-----
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- After taxation	472,777,335	115,774,129
Net decrease/(increase) in long term security deposits	173,115	(178,115)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	472,950,450	115,596,014
	-----	-----

The annexed note 'A' forms an integral part of this Statement.

Sd/-	Sd/-	Sd/-
(KH. MUHAMMAD YOUNUS)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD MASOOD)
Director	Chief Executive	Chairman

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

**1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan on 25 February, 1970 as a Public Company and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in manufacture and sale of yarn and grey cloth.

1.1. Compliance with International Accounting Standards (IASs).

These accounts comply with IASs, where applicable, in all material respects.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rates fluctuations as referred to in notes 2.3 & 2.5.

**2.2 Staff retirement benefits**

The Company operates an Un-funded Gratuity Scheme for its employees. Gratuity paid during the year is taken to Profit and Loss Account. A general provision for gratuity is being maintained to cover the future liability.

**2.3 Foreign currency translations**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange ruling at the dates of transactions. Assets and liabilities in foreign currencies at the year end are converted into Pak Rupees at the rates of exchange ruling on the balance sheet date except:

a) Export bills outstanding at the year end and realised subsequently. These are converted at the exchange rates ruling on realisation dates.

b) Liabilities covered under forward exchange contracts. These are converted at the contracted rates of exchange.

Exchange differences are taken to Profit and Loss Account.

**2.4 Taxation**

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

The Company does not account for tax effects of major timing differences due to reasons stated in note 11.3.

**2.5 Tangible operating fixed assets and depreciation thereon**

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilised for acquisition thereof. Borrowing costs relating to construction/erection period are also capitalised as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 14. No depreciation is provided on assets in the year of disposal/retirement whereas full year's depreciation is charged in the year of purchase/commercial operations.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Normal repairs and maintenance are taken to Profit and Loss Account as an when incurred. Major renewals and replacements are capitalised and the assets so replaced, if any, other than those kept as stand-by, are retired.

**2.6 Long term investments**

These are stated at cost

**2.7 Stores, spares and loose tools**

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

**2.8 Stock-in-trade**

Basis of valuation are as follows:

<i>Particulars</i>	<i>Mode of valuation</i>
Raw materials	
At mills	-- At lower of cost (FIFO) and net realisable value.
In transit	-- At cost accumulated to the balance sheet date.
Work-in-process	-- At manufacturing cost.
Finished goods	-- At lower of cost and net realisable value.
Waste	-- At 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 of completion and cost necessary to be incurred to effect such sale.

**2.9 Revenue recognition**

- Local sales through agents are booked on intimation from agents.
- Direct sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on despatch of goods.
- Export rebate on yarn and packing materials is accounted for on 'receipt basis.'

Note	1999 Rupees	1998 Rupees
<b>3. SHARE CAPITAL</b>		
Authorised capital		
15,000,000 (1998: 9,650,000) ordinary shares of Rs. 10/- each	150,000,000	96,500,000
Nil (1998: 350,000 preference shares of Rs. 10 each)	0	3,500,000
	-----	-----
	150,000,000	100,000,000
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
6,288,800 ordinary shares of Rs. 10/- each issued for cash.	62,888,000	62,888,000
3,685,189 (1998: 2,778,462) ordinary shares of Rs. 10/- each issued as fully paid-up bonus shares	36,851,890	27,784,620
	-----	-----
	99,739,890	90,672,620
	=====	=====
<b>4. LONG TERM LOANS AND FINANCES - SECURED</b>		
Muslim Commercial Bank Limited (MCB)	4.1	75,149,905
United Bank Limited (UBL)	4.2	7,017,300
Habib Bank Limited (HBL)		21,051,898
Demand Finance	4.3	0
		-----
		82,167,205
		-----
		153,023,665
Less: Current portion grouped under current liabilities		
- MCB	21,734,391	31,364,362
- UBL	7,017,300	14,034,598
- HBL: Demand Finance	0	5,589,900
	-----	-----
	28,751,691	50,988,860

		53,415,514	102,034,805
<b>4.1 MUSLIM COMMERCIAL BANK LIMITED (MCB)</b>			
MCB IBRD Loan - I	(a)	66,769,394	80,123,274
MCB L.M.M. Loans	(b)	0	1,548,000
MCB ADB Loan	(c)	6,296,741	18,890,223
MCB Demand Finances	(d)	2,083,770	6,255,770
		75,149,905	106,817,267

**a) MCB IBRD Loan - I**

i) This loan equivalent to U.S. \$3.211 million has been converted into Pak Rupees at the exchange rates prevailing at the dates of opening of letters of credit for machinery acquired out of the process of the loan.

ii) The loan carries interest @15% per annum and penal interest @5% on overdue amounts. It is repayable in 16 half-yearly equal instalments commencing 15 November, 1996.

**b) MCB L.M.M. Loans**

i) These loans were obtained under State Bank of Pakistan's L.M.M. Scheme against two Credit Lines.

ii) These loans carried mark-up @3% per annum and were repayable in 20 half-yearly un-equal instalments commencing 30 June, 1990.

iii) The outstanding balances of these loans were fully repaid during the year.

**c) MCB ADB Loan**

i) This loan equivalent to U.S. \$5.483 million has been converted into Pak Rupees at rates of exchange prevailing at the dates of opening of letters of credit for machinery acquired out of the proceeds of this loan.

ii) The loan is repayable in 16 equal half-yearly instalments commencing 15 May, 1992. It carries interest @14% per annum payable half-yearly and penal interest @5% payable on overdue amounts.

**d) MCB Demand Finances**

i) This finance equivalent to Swiss Francs 0.608 million has been converted into Pak Rupees at the exchange rate prevailing on the date of disbursement.

ii) The finance carries mark-up@ Re. 0.48 per thousand Rupees calculated on daily product basis and is repayable in 8 half-yearly instalments commencing 05, May, 1996.

e) These loans and finances are secured by first charge by way of an equitable mortgage of present and future movable and immovable properties and fixed assets of the Company, hypothecation of Company's plant, equipment and machinery, a first floating charge on all other assets of the Company, personal guarantees of the directors and demand promissory notes. These charges rank pari-passu with the charges created in favour of other Creditors.

	1999 Rupees	1998 Rupees
<b>4.2 United Bank Limited (UBL)</b>		
Demand Finance - I	2,253,549	6,760,647
Demand Finance - II	4,763,751	14,291,251
	7,017,300	21,051,898

a) These demand finances have been created by rescheduling of instalments of principal and interest under Supplier's Credit due on 26 October, 1995 and 14 November, 1995.

b) These finances carry mark-up @20% per annum. UBL, however, will allow 6% bonus in mark-up rate if the repayments are made on time. These finances are repayable in four half-yearly instalments commencing 26 April, 1998 and 14 May, 1998 respectively.

c) These finances are secured against UBL's charge on fixed and floating assets of the Company and personal guarantees of all the directors.

**4.3 Habib Bank Limited (Demand Finance)**

This demand finance was obtained against sanctioned limit of Rs.27.050 million. It carried mark-up@14.50% per annum and was repayable in ten equal half-yearly instalments commencing 09 May, 1998. However, the outstanding balance of this finance was fully repaid during the year. The finance was secured against HBL's lien over foreign currency fixed deposits.

**5. SUPPLIERS' CREDITS -- Secured**

Particulars	Note	Swiss Francs		Japanese Yens		Pak Rupees	
		1999	1998	1999	1998	1999	1998
C. Itoh & Co. Hong Kong Credit I	5.1	0	0	76,263,100	152,526,000	14,612,777	29,225,511
C. Itoh & Co. Hong Kong Credit II	5.1	0	0	85,465,662	113,954,216	19,596,080	26,128,107
Sulzer Ruti Ltd Switzerland	5.2	1,026,800	1,170,894	0	0	35,579,339	42,699,912
Sulzer Ruti Ltd Switzerland	5.3	581,400	646,000	0	0	20,134,463	23,513,431
		1,608,200	1,816,894	161,728,762	266,480,216	89,922,659	121,566,961
Less: Current portion grouped under current liabilities instalments due within following twelve months		385,900	299,618	56,977,108	209,503,108	26,433,214	53,211,505
Instalments overdue		128,350	0	104,751,654	0	25,592,220	0
		514,250	299,618	161,728,762	209,503,108	52,025,434	53,211,505
		1,093,950	1,517,276	0	56,977,108	37,897,225	68,355,456

5.1 These represent balances of cost of plant and machinery

a) These credits carry interest @7.6% per annum. Credit I and II carry exchange risk coverage fee @6% and @7.4% per annum respectively. These are repayable in 12 half-yearly equal instalments commencing 14 November, 1993 and 26 October, 1994 respectively.

b) These credits are secured by letters of credit established through United Bank Limited and Bills of Exchange. The letters of credit, in turn, are secured by way of charge on present and future fixed assets of the Company ranking pari-passu in all respects with the charges created in favour of other senior creditors.

c) These credits have been converted into Pak Rupees applying the booked exchange rates of 1 Japanese Yen = Re. 0.191610 and Rs. 0.229286 respectively.

5.2 (a) This credit carries interest @5.75% per annum and is repayable in ten equal half-yearly instalments commencing 09 May, 1998.

b) This credit is secured by letter of credit established through Habib Bank Limited (HBL), the letter of credit, in turn, is secured by way of charge on the machinery imported under the credit.

c) This credit has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by HBL i.e. 1 Swiss Franc = Rs. 34.6507 (1998: Rs. 36.4678).

5.3(a) This credit carried interest @6.5% per annum and is repayable in ten equal half-yearly instalments commencing 31 March, 1999.

b) This credit is secured by letter of credit established through Muslim Commercial Bank Limited (MCB). The letter of credit, in turn, is secured by way of charge on machinery imported under this credit, lien over foreign currency fixed deposits of U.S. \$417,690 and personal guarantees of the directors.

(c) This credit has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by MCB i.e. 1 Swiss Franc = Rs. 34.6310 (1998: 36.3985).

#### 6. CUSTOMS DEBENTURES AND IQRA SURCHARGE PAYABLE

Note	1999 Rupees	1998 Rupees	
Iqra Surcharge payable	6.1	1,713,574	1,713,574
Customs debentures			
Un-secured	6.2	14,636	14,636
Secured	6.3	3,270,921	4,906,381
		3,285,557	4,921,017
		4,999,131	6,634,591
Less: Current portion of customs debentures grouped under current liabilities		1,650,097	1,650,096
		3,349,034	4,984,495

6.1 This represents Iqra surcharge imposed by the Central Excise and Land Customs Department on imported plant and machinery against which the Company has applied with the (Member Customs) Central Board of Revenue, Islamabad.

6.2 Un-secured debentures  
These are due for redemption. These carry surcharge @ 1% above the Bank Rate.

6.3 Secured debentures  
These represent customs duties levied by the Customs Authorities on imported plant and machinery.

These are secured by bank guarantees issued by United Bank Limited and carry surcharge @ 14% per annum. These are repayable over the period from 04 November, 1996 to 04 November, 2000.

#### 7. PROVISION FOR GRATUITY

General provision for gratuity has been maintained to cover the gratuity liability. Gratuity paid during the year has been taken to Profit and Loss Account. The balance of provision amounting Rs. 2.691 million as at 30 September, 1999 (1998: Rs. 2.582 million) is considered adequate to cover the liability although quantum of exact liability has not been worked-out.

#### 8. CURRENT PORTION OF LONG TERM LIABILITIES

Note	1999 Rupees	1998 Rupees	
Long term loans and finances	4	28,751,691	50,988,860
Suppliers' credits	5	52,025,434	53,211,505
Customs debentures	6	1,650,097	1,650,096
		82,427,222	105,850,461

#### 9. SHORT TERM FINANCES – Secured

These have been obtained from commercial banks against credit facilities aggregating Rs. 1,610 million (1998: Rs. 1,410 million). Out of these facilities, Packing Credits were for Rs. 600 million (1998: Rs. 420 million) Finances against Foreign Bills were for Rs. 450 million (1998: Rs. 300 million) and for opening Letters of Credit and Guarantees were for Rs. 105 million (1998: Rs. 80 million).

These facilities are secured by pledge/hypothecation of stocks, second charge on fixed assets of the Company, lien on export documents-foreign currency deposit accounts, personal guarantees of all the directors and pari-passu charge on current assets of the Company.

Mark-up rates charged on daily product basis for Cash Finances and Running Finances ranged from Re. 0.38 to Re. 0.45 per thousand rupees. Packing Credits carried mark-up at the rates ranging from 7.5% to 8% per annum and Finances against Foreign Bills carried mark-up at the rates ranging from Re. 0.40 to Re. 0.43 per thousand Rupees per day.

These finance facilities are expiring during the period from 30 September, 1999 to 30 June, 2000.

#### 10. CREDITORS, ACCRUALS AND OTHER PAYABLES

Note	1999 Rupees	1998 Rupees	
Due to Associated Undertakings	10.1	10,848,986	839,648
Due to Subsidiary Company		86,742,043	62,747,012
Due to an executive		53,790	0
Creditors		24,934,709	27,082,867
Bills payable	10.2	3,012,078	2,291,669
Advance payments		6,092,571	3,880,546
Accrued expenses		29,264,530	20,183,440
Retention money		55,755	58,255
Interest/mark-up accrued on secured:			
Long term loans and finances		4,716,400	7,896,115
Suppliers' credits		4,096,201	3,412,564
Surcharge on customs debentures		466,483	673,493
Mark-up accrued on short term finances		1,000,220	5,646,219
Tax deducted at source		125,624	222,454
Exchange risk coverage fee		1,134,751	1,484,674
Export duty payable	10.3	87,655	873,635
Workers' (profit) participation fund	10.4	8,977,926	9,136,080
Excise duty on bank borrowings		5,979,803	6,059,387
Others		109,949	771,646
		188,505,454	153,259,704

#### 10.1 Associated Undertakings

a) Interest has not been charged/paid on Associated Undertakings balances. However, mark-up has been paid on utilization of cash finance limits of Associated Undertakings

at the rates ranging from Re. 0.45 to Re. 0.55 (1998: Re. 0.45 to Re. 0.50) per thousand Rupees on daily product basis in addition to other charges payable on these finances to the lender Banks.

b) Maximum aggregate debit balance of the Associated Undertakings, accrued due to trading activities, at any month-end during the year was Rs. 44,485,405 (No amount was due from Associated Undertakings during the accounting year ended 30 September, 1998).

c) Aggregate transactions made during the year with the Associated Undertakings and Subsidiary Company were as follows:

	1999 Rupees	1998 Rupees
-- Sales of goods	186,654,530	277,648,944
-- Purchase of electricity from the Subsidiary Company	194,134,501	199,339,315
-- Purchase of goods	57,031,788	0
-- Cash finance limits utilised	333,031,000	319,750,000
-- Financial charges paid for utilization of cash finance limits	13,448,001	8,652,178
-- Processing charges for ginning and pressing of raw cotton	46,614,000	42,668,400

10.2 These are secured against lien on import documents.

10.3 This is secured against bank guarantees.

10.4 Workers (profit) participation fund.

Opening balance	9,136,080	7,223,600
Interest on amounts utilised by the Company	663,304	571,456
	9,799,384	7,795,056
Less: Payments made during the year		
-- Trustees of the Fund	9,773,402	7,793,873
- Deposited in the Government Treasury	84	1,183
	9,773,486	7,795,056
	25,898	0
Contribution for the year	8,972,028	9,136,080
	8,997,926	9,136,080

#### 11. PROVISION FOR TAXATION - Net

Opening balance	39,254,062	23,643,109
Provision made during the year for		
- Current year	19,900,000	19,600,000
- Prior years	(307,396)	1,957,831
	19,592,604	21,557,831
	58,846,666	45,200,940
Less: Adjustments/payments against finalized assessments	19,526,653	5,946,878
	39,320,013	39,254,062

11.1 Income tax assessments of the Company have been finalized upto the Income Year ended 30 September, 1997 (Assessment Year 1998-99). Tax losses available for carry forward as per last Assessment Order aggregated Rs. 20,374 million.

11.2 Provision for taxation represents tax payable under Section 80-CC of the Income Tax, Ordinance 1979.

11.3 In view of assessed accumulated tax losses aggregating Rs. 20,374 million, as stated in note 11.1, and the fact that the Company is liable to pay tax under section 80-CC of the Income Tax Ordinance, 1979, no provision is required for deferred taxation.

#### 12. DIVIDENDS

	Note	1999 Rupees	1998 Rupees
Unclaimed		107,312	62,909
Payable - Out of dividend declared during the year	12.1	45,597,267	0
Proposed		60,352,607	13,600,900
		106,057,286	13,663,809

12.1 The Company, during September, 1999, declared 47.11% interim cash dividend amounting Rs. 46,985,765 to the existing shareholders of the Company out of the profit for the year ended 30 September, 1998. This dividend has been declared in order to comply with the requirements of section 12(9-A) of the Income Tax Ordinance, 1979 as introduced by the Finance Act, 1999.

#### 13. CONTINGENCIES AND COMMITMENTS

13.1 Guarantees given on behalf of the Company, by the commercial banks excluding those referred to in notes 6.3 and 10.3 as at 30 September, 1999 were outstanding for Rs. 4,483 million (1998: Rs. 2,997 million).

13.2 The Company's Weaving Mill and one of the Spinning Mills have been set-up under Open Bond Manufacturing Scheme'. Under this Scheme, plant and machinery imported for such established Units are exempt from Customs Duty, Sales Tax, Igra Surcharge, etc., subject to the condition that such plant and machinery will be installed within the premises declared for this purpose as 'Bonded Warehouse'. If these are installed or removed elsewhere within seven years of import, the leviable charges will become payable with penalty which will be determined at the time of violation. Moreover, if export sales of the products of these Industrial Units fall below 50% of total value of production in first two years of production and 60% in subsequent five years, the Company will become liable for an amount equivalent to 10% of the Customs Duty, Sales Tax and Igra Surcharge as leviable at the time of import of such plant and machinery.

	1999 Rupees in million	1998
13.3 Commitments for:		
Capital expenditure		
-- Irrevocable letters of credit	172,959	0.469
Others		
-- Irrevocable letters of credit	3,910	0.496
	176,869	0.965

#### 14. OPERATING FIXED ASSETS -- Tangible

PARTICULARS	COST			As at 30 September 1999	Rate %	DEPRECIATION			To 30 September, 1999	NET BOOK VALUE AS AT 30 Sep-99
	As at 30 September 1998	Additions during the year	Disposals during the year			to 30 September, 1998	For the year	On Disposals		
Land - Freehold	3,809,309	0	0	3,809,309		0	0	0	0	3,809,309
Protective dam	3,631,049	0	0	3,361,049	5	961,895	133,458	0	1,095,353	2,535,696
Buildings on freehold	132,523,922	1,118,869	0	133,642,791	10	72,041,310	6,160,148	0	78,201,458	55,441,333
Plant and machinery	1,138,833,633	10,970,316	6,393,357	1,143,410,592	10	579,639,047	56,914,543	5,373,880	631,179,710	512,230,882



Electric installations	21,338,979	376,497	0	21,715,476	10	12,438,724	927,675	0	13,366,399	8,349,077
Gas installations	625,869	0	0	625,869	10	289,012	33,666	0	322,698	303,171
tools and equipment	2,297,255	941,573	0	4,238,828	10	1,276,064	296,276	0	1,572,340	2,666,488
Furniture and fixtures	2,038,305	665,662	0	2,703,967	10	856,755	184,721	0	1,041,476	1,662,491
Office equipment	3,485,163	594,660	0	4,079,823	10	1,204,623	287,520	0	1,492,143	2,587,680
Vehicles	15,864,918	0	0	15,864,918	20	7,860,130	1,600,958	0	9,461,088	6,403,830
Weighting bridge	1,518,871	76,000	0	1,592,871	10	396,709	119,616	0	516,325	1,076,546
<b>Rupees</b>	<b>1,326,965,273</b>	<b>14,743,577</b>	<b>6,393,357</b>	<b>1,333,315,493</b>		<b>676,964,269</b>	<b>66,658,601</b>	<b>5,373,880</b>	<b>738,248,990</b>	<b>597,066,503</b>
1998 Rupees	1,270,321,070	62,008,368	5,364,165	1,326,965,273		608,264,882	72,754,763	4,055,376	676,964,269	650,001,004

#### 14.1 Disposal of plant and machinery

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceeds	Gain/ (Loss)	Sold through negotiations to:
Ring frames 6 Nos.	3,049,891	2,383,500	666,391	374,000	(292,391)	Chakwal Spinning mills Ltd., Chakwal
Blow Room - Scutcher complete with changeable gears - 2 Sets	2,168,432	1,941,564	226,868	500,000	273,132	Shouab Suleman Textile Mills Ltd Sahiwal
Cone winding machine with accessories	1,175,034	1,048,816	126,218	475,000	348,782	Nafees Cotton Mills Ltd., Muzaffargarh.
<b>Rupees</b>	<b>6,393,357</b>	<b>5,373,880</b>	<b>1,019,477</b>	<b>1,349,000</b>	<b>329,523</b>	

14.2 The Company has leased 32 Kanals and 17 Marlas of its freehold land having book value of Rs. 14,058 situated at District Muzaffargarh to its Subsidiary Company for a period of fifty years for yearly rent of Rs. 25,000/-

14.3 Depreciation for the year has been apportioned as under:

Note	1999 Rupees	1998 Rupees
Cost of Sales	64,289,126	70,144,313
Administrative expenses	2,369,475	2,610,450
	<b>66,658,601</b>	<b>72,754,763</b>

#### 15. CAPITAL WORK-IN-PROGRESS

Buildings on freehold and		
- Cost of materials and labour	6,358,279	0
- Advance payments	3,263,158	0
	<b>9,621,437</b>	<b>0</b>

#### 16. LONG TERM INVESTMENTS -- At Cost

Un-quoted Subsidiary Company:- Mahmood Power Generation Ltd 6,680,600 fully paid ordinary shares of Rs. 10/- each.	66,806,000	66,806,000
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Percentage of Equity held:- 99.26%

16.1 The value of the Company's investment on the basis of net assets of the Subsidiary Company as disclosed in the audited accounts for the year ended 30 June, 1999, amounted Rs. 139,742 million (1998: Rs. 91,598 million).

#### 17. LONG TERM DEPOSITS

Security deposits		1,575,964	1,749,079
Foreign currency fixed deposits	17.1	60,106,695	59,785,545
		<b>61,682,659</b>	<b>61,534,624</b>
Less:			
Current portion of foreign currency fixed deposits grouped under current assets		21,638,265	12,811,779
		<b>40,044,394</b>	<b>48,722,845</b>

17.1 These represent fixed deposit receipts aggregating U.S. \$1,161,690 (1998: U.S. \$1,301,100) held with Habib Bank Limited (HBL) and Muslim Commercial Bank Limited (MCB). These are maturing on various dates from 04 October, 1998 to 15 November, 2002. These carry interest at the rates ranging from 6.69% to 7.81% per annum. Deposits aggregating U.S. \$744,000 held with HBL have been converted into Pak Rupees at the exchange rate ruling on the balance sheet date as confirmed by HBL i.e. 1 U.S. \$ = Rs. 51,7000 and deposits aggregating U.S. \$ 417,690 held with MCB have been converted into Pak Rupees at the exchange rate as confirmed by MCB i.e. U.S. \$ 1 = Rs. 51,8133 (1998: 1 U.S. \$ = Rs. 45.95). These deposits have been held with MCB and HBL as security of Supplier's Credit mentioned in note 5.3(b) and hedging against exchange fluctuation risk.

#### 18. STORES, SPARES AND LOOSE TOOLS

Stores:		9,111,328	7,881,422
-- At mills		3,012,078	16,608,828
-- In transit			
		<b>12,123,406</b>	<b>24,490,250</b>
Spares		34,383,311	31,675,269
Loose tools		74,475	62,132
		<b>46,581,192</b>	<b>56,227,651</b>

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

#### 19. STOCK-IN-TRADE

Raw materials at mills		23,667,230	15,645,302
Work-in-process		22,171,678	20,777,959
Finished goods:			
-- At mills		95,118,541	82,954,995
-- In transit		1,444,525	1,391,086
		<b>96,563,066</b>	<b>84,346,081</b>
		<b>142,401,974</b>	<b>120,769,342</b>

#### 20. TRADE DEBTORS

Secured - Export Bills	96,270,875	283,216,488
Unsecured		
-- Considered goods	2,837,440	1,441,568
- Considered doubtful	2,097,018	2,425,968

	4,934,458	3,867,536
	101,205,333	287,084,024
Less: Provision for doubtful debts	2,097,018	2,425,968
	99,108,315	284,658,056

**21. ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

Note	1999 Rupees	1998 Rupees
Due from an Associated Undertaking	10.1 41,043,950	0
Due from Executives - considered good	21.1 126,613	285,808
Advances to employees - considered good	1,161,024	766,198
Advance payments to suppliers and contractors - considered good	6,886,077	8,996,164
Letters of credit	17,522,751	15,414
margin deposits	393,600	1,100,470
Income tax deducted at source	42,436,669	36,375,597
Octroi and zila tax refundable	129,108	65,748
Sales tax refundable	2,654,415	525,094
Accrued interest/profit on bank deposits	10,161,444	6,169,833
Others - considered good	880,451	4,556
	123,396,102	54,302,882

21.1 Maximum aggregate amount due from Executives at any month end during the year was Rs 363,775 (1998: 325,283).

**22. CASH AND BANK BALANCES**

Cash-in-hand		405,641	745,051
Cash at banks on:			
Current accounts		7,240,704	17,233,520
Escrow accounts		116	216
Current portion of foreign currency fixed deposits	17	21,638,265	12,811,779
Saving accounts	22.1	1,552,771	32,599,071
		30,431,856	62,604,586
		30,837,497	63,349,637

22.1 These include foreign currency balance of U.S. \$ 29,726 (1998: U.S. \$ 702,600) which was converted into Pak Rupees at the exchange rate prevailing at the balance sheet date i.e. 1 U.S. \$ = Rs. 51.8153 (1998: Rs. 45.9500).

Note	1999 Rupees	1998 Rupees
<b>23. SALES - Net</b>		
Local:		
Yarn	370,060,418	224,178,775
Cloth	45,340,716	31,575,823
Waste	25,417,255	24,935,207
	440,818,389	280,689,805
Less:		
Commission	906,360	1,049,984
	439,912,029	279,639,821
Export:		
Yarn	1,369,563,592	1,265,947,531
Cloth	18,890,839	753,591,652
Waste	20,512,549	18,741,137
Export rebate	17,523,629	15,723,889
	2,226,550,609	2,054,004,209
Less:		
Export development surcharge	5,376,754	4,854,345
Commission	40,375,456	18,503,580
	45,752,210	23,357,925
	2,180,798,399	2,030,646,284
	2,620,710,428	2,310,286,105

23.1 Local sales have been shown after deduction of sales tax aggregated Rs. 66,256 million (1998: Rs. 35,292 million).

**24. COST OF SALES**

Raw materials consumed - Net	24.1	1,718,535,675	1,434,420,236
Packing materials consumed		34,856,411	36,079,224
Salaries, wages and benefits		76,034,180	69,426,252
Power and fuel		196,777,476	203,935,929
Repair and Maintenance			
-- Stores consumed		79,468,699	82,940,970
-- Expenses		5,827,432	6,177,737
		85,296,131	89,118,707
Depreciation		64,289,126	70,144,313
Insurance		7,642,211	7,959,297
		2,183,431,210	1,911,083,958
Adjustment of work-in-process			
opening		20,777,959	21,378,218
Closing		(22,171,678)	(20,777,959)
		(1,393,719)	600,259
Cost of goods manufactured		2,182,037,491	1,911,684,217
Adjustment of finished goods			
Opening stock		84,346,081	61,082,977
Purchases		67,235,992	18,993,897
Closing stock		(96,563,066)	(84,346,081)
		55,019,007	(4,269,207)
		2,237,056,498	1,907,415,010

**24.1 Raw materials consumed - net**

Opening stock		15,645,302	11,940,815
Purchases		486,587,393	378,951,132
Transfer from Ginning section	24.2	1,272,382,594	1,055,964,984
Local taxes		2,626,727	1,940,890
		1,741,242,016	1,448,797,821

Less: Closing stock	23,667,230	15,645,302
insurance claim	380,285	0
	24,047,515	15,645,302
	1,717,194,301	1,433,152,519
Cotton Cess	1,341,174	1,267,717
	1,718,535,675	1,434,420,236
<b>24.2 Production Cost of Ginning Section - Net</b>		
Raw materials consumed including local taxes Rs. 5,384,174 (1998: Rs. 4,059,711)	1,448,054,266	1,261,359,253
Lease charges	46,614,000	42,668,400
Salaries, wages and benefits	7,305,139	5,876,957
Travelling and conveyance	291,183	380,457
Entertainment	380,935	481,765
Stationery	111,162	67,991
Communication	327,448	431,904
Bank charges	10,155	82,973
Financial charges paid for utilization of cash finance limits of Associated Undertakings	13,448,001	8,652,178
Others	293,237	244,123
	1,516,835,526	1,320,246,001
Less: Sale of cotton seed	244,452,932	232,643,233
Sale of cotton lint	0	31,510,284
Sale of waste	0	127,900
	244,452,932	264,281,017
Transfer to Spinning Section	1,272,382,594	1,055,964,984

24.2.1 The Company has acquired six (1998: six) Cotton Ginning Factories from Associated Undertakings on lease. Their total cost of production after adjustment of sale of cotton seed (1998: sale of cotton seed, cotton lint and waste) to outsiders has been transferred to Spinning Section as raw materials cost.

24.2.2 these lease charges have been paid @ Rs. 400 (1998: Rs. 400) per bale of cotton ginned and pressed.

#### 25. ADMINISTRATIVE AND SELLING EXPENSES

Administrative:		
Salaries and benefits	5,042,643	4,094,591
Travelling and conveyance including directors' travelling Rs. 2,733,162 (1998: Rs. 1,745,494)	3,747,498	2,575,344
Rent, rates and taxes	418,405	207,766
Entertainment	1,030,203	1,024,491
Electricity	639,356	475,981
Communication	3,335,927	2,858,431
Printing and stationery	878,505	728,982
Insurance	348,735	452,547
Repair and maintenance	1,199,120	835,282
Motor vehicles' expenses	2,561,761	2,481,342
Subscription	466,821	689,079
General	1,359,844	1,635,115
Depreciation	2,369,475	2,610,450
	23,388,293	20,669,401
<b>Selling:</b>		
Advertisement	174,099	96,518
Export expenses	75,676,815	77,267,653
Local taxes	0	4,617
Purchase of export quota - (1998: net of sale amounting Rs. 4,043,750)	7,945,280	7,215,950
Freight and other expenses	3,350,041	3,904,805
	87,146,235	88,489,543
	110,534,528	109,158,944

#### 26. OTHER INCOME

Sale of salvage	2,823,629	3,722,199
Rent	17,100	10,800
Gain on disposal of fixed assets - net	329,523	1,258,211
Unclaimed balances written-back	188,613	2,739
Export rebate on packing materials	643,171	2,234
Rentals on freehold land leased to Subsidiary Company	14.2	25,000
Exchange fluctuation gain-net	26.1	10,204,641
Interest on foreign currency fixed deposits		3,555,878
		17,787,555
		5,021,183

26.1 The net income for the year has been arrived at as follows:

	1999	1998
	Rupees	Rupees
Exchange gain on repayment/conversion of suppliers' credits	3,454,971	
Exchange gain on long term foreign currency fixed deposits	7,499,845	
	10,954,816	
Less: Exchange loss on conversion of payable and other balances	750,175	
	10,204,641	

	Note	1999	1998
		Rupees	Rupees
<b>27. FINANCIAL CHARGES - Net</b>			
Interest/mark-up on:			
Long term loans and finances		17,527,768	25,926,459
Suppliers' credits		5,334,684	8,740,364
Workers' (profit) participation fund		663,304	571,456
Surcharge on customs debentures		479,886	708,850
Mark-up on short term finances		68,697,154	63,745,933
Exchange risk coverage fee		3,038,485	4,660,354
Bank charges and commission		16,952,384	11,368,755
Commission on bank guarantees		61,198	5,480
Commission on letters of credit		1,519,277	2,075,726
		114,274,140	117,823,375
Less: Income from deposits with banks		3,352,026	2,696,043
		110,922,114	115,127,332

**28. MISCELLANEOUS CHARGES**

Auditors' remuneration		100,000	100,000
Audit fee		11,000	10,500
Certification Charges			
		111,000	110,500
Legal and professional charges (Other than Auditors)		230,243	799,567
Donations	28.1	42,000	77,100
Advance balance written-off		171,050	0
Exchange fluctuation loss - net	28.2	0	425,038
Zakat		0	43,650
		544,293	1,455,855

28.1 None of the directors or their spouses had any interest in the donees.

28.2 The net expense of the preceding year was arrived at as follows

	<b>1998</b>
	<b>Rupees</b>
Exchange loss on repayment /conversion of suppliers' credits/payable balances	13,748,846
Less:	
-- Exchange gain on long term foreign currency fixed deposits	9,138,846
-- Accrued interest on foreign currency fixed deposits	4,184,585
	13,323,431
	425,038

**29. EARNINGS PER SHARE (EPS)**

	<b>Note</b>	<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
Profit after taxation attributable on ordinary shareholders		150,875,918	151,456,236
		<b>Number of shares</b>	
Number of ordinary shares issued and subscribed at the end of the year for calculation of EPS.		9,973,989	9,973,989
		<b>Rupees</b>	
EPS		15.13	15.19

**30. NUMBER OF EMPLOYEES**

Total number of employees at year-end was 2,171 (1998: 2,194)

**31. STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Reserve for issue of bonus shares	Unappropriated profit	Total
Balance as at 30 September, 1997	78,845,750	11,451,420	291,947,374	382,244,544
Profit for the year	0	0	151,456,236	151,456,236
Proposed dividend	0	0	(13,600,900)	(13,600,900)
Dividend paid - prior year	0	0	(250,300)	(250,300)
Reserve for issue of bonus shares	0	9,067,270	(9,067,270)	0
Bonus shares issued				
- Prior year	375,450	0	(375,450)	0
- Current year	11,451,420	(11,451,420)	0	0
Balance as at 30 September, 1998	90,672,620	9,067,270	420,109,690	519,849,580
Profit for the year	0	0	150,875,918	150,875,918
Dividend declared	0	0	(46,985,765)	(46,985,765)
Bonus shares issued	9,067,270	(9,067,270)	0	0
Proposed dividend	0	0	(60,352,607)	(60,352,607)
Balance as at 30 September, 1999	99,739,890	0	463,647,236	563,387,126

**32. FINANCIAL ASSETS AND LIABILITIES**

32.1 The financial assets of the Company aggregated Rs. 181,425 million of which Rs. 168,008 million are subject to credit risk. The financial assets are not entitled to mark-up other than Rs. 61,660 million which represent foreign currency fixed deposits and PLS saving accounts at commercial banks. Foreign currency fixed deposits carry mark-up at the rates ranging from 6.69% to 7.81% per annum.

32.2 The financial liabilities of the Company aggregated Rs. 377,252 million. The financial liabilities are based on mark-up /interest except for liabilities aggregating Rs. 121,349 million. The effective interest/mark-up rate of financial liabilities range from 3% to 18% per annum.

**33. REMUNERATION TO EXECUTIVES**

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
Managerial remuneration	572,000	572,000
House rent	331,100	331,100
Utilities	134,200	134,200
	1,037,300	1,037,300
Number of persons	4	4

No remuneration or meeting fee has been paid to the Chief Executive and Directors. Some of the Directors and the Executives are however, provided with free use of Company maintained cars and telephones at their residences.

**34. CAPACITY AND ACTUAL PRODUCTION**

Yarn		
Number of spindles installed	59,520	56,520
Number of spindles - Shifts worked	64,585,282	63,862,951
Production capacity at 20% Count (1,089 Shifts)	Kgs. 19,295,000	19,295,000
Actual production converted into 20's count	Kgs. 21,321,870	21,247,995

Cloth		
Number of looms installed	103	103
Number of looms-Shifts worked	112,579	109,162
Installed capacity at 60 picks		
- 1,080 Shifts	Sq. Mtrs 19,975,000	19,975,000
Actual production converted into 60 picks	Sq. Mtrs 20,888,909	20,479,677

It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since its fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

**Mahmood Power Generation Ltd**

**Board of Directors:**

Khawaja Muhammad Masood Chairman/Chief Executive  
 Khawaja Muhammad Iqbal  
 Khawaja Muhammad Ilyas  
 Khawaja Muhammad Yonus  
 Khawaja M. Jalaluddin Roomi  
 Mr. Muhammad Muzaffar Iqbal  
 Mrs. Farrah Ilyas

**Company Secretary:**

Ghulam Mohayuddin

**Auditors:**

M. Yousuf Adil Saleem & Co.  
 Chartered Accountants  
 6 - Commercial Plaza,  
 Opp. Civil Hospital,  
 Abdali Road, Multan

**Bankers:**

Muslim Commercial Bank Ltd  
 Hussain Agahi Road, Multan.

**Power Plant:**

Mahamoodabad, Multan Road,  
 MUZAFFARGARH.

**NOTICE OF MEETING**

Notice is hereby given that the 3rd Annual General Meeting of the Company will be held on Friday, the 24th December, 1999 at 11.00 A.M., at its Registered Office, Mehr Manzil, Lohari Gate, Multan for the purpose of transacting the following business:-

**a) Ordinary Business**

1. To confirm the minutes of the Annual General Meeting held on 24-12-1998.
2. To receive, consider and adopt the Audited Accounts for the year ending 30-06-99, together with Directors and Auditor's Report thereon/
3. to approve issuance of 10% Bonus shares in the proportion of one Ordinary Share for every ten ordinary shares as recommended by the Board of Directors.
4. To appoint Auditors for the year 30-06-2000 and to further remuneration. The retiring Auditors M/s Yousuf Adil Saleem & Company, Chartered Accountants, being eligible have offered themselves for re-appointment.
5. To transact any other business of the Company with the permission of the Chair.

**b) Special Business**

1. To approve capitalization of a sum of Rs. 67,30,600/- set aside out of the profit of the Company as on 30th June 1999, for the issuance of Bonus Shares in proportion of one share for every 10 shares held and to consider and if thought fit to pass the following ordinary resolution with or without modification.

**Resolved:**

That a sum of Rs. 67,30,600/- out of the profit as on 30th June 1999, be capitalized and applied to issue of 673,060 ordinary shares of Rs. 10/- each for allotment as fully paid Bonus Shares to the members as at the close of business on 15th December 1999, in the proportion of one share for every ten shares held.

That the Directors of the Company be and are hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, needs and things that may be necessary or required for issue, allotment and distribution of bonus shares.

By order of the Board of Directors  
 Sd/-  
 (Ghulam Mohayuddin)

Multan Dated: 2nd December, 1999. Company Secretary

- i) The Share Transfer Books of the Company will remain closed from 15th December to 24th December, 1999 (both days inclusive).
- ii) A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy form duly completed should reach the Registered Office of the Company at least 48 hours before the time of the Meeting.
- iii) members are requested to notify immediately any change in their address.

**STATEMENT UNDER SECTION 160(i) (B) OF THE COMPANIES ORDINANCE, 1984**

Out of the profit of the Company as on 30th June, 1999, a sum of Rs. 67,30,600/- has been capitalized for the issuance of the bonus shares to the share holders.

**DIRECTOR'S REPORT TO THE SHAREHOLDERS**

In the Name of Allah, the Most Beneficent, the Most Merciful

Your Directors have pleasure to welcome you to the 3rd Annual General Meeting of the Company and to place before you the Annual Accounts for the year ending 30-06-99.

The company during the year under report earned a net profit of Rs. 48,504,085/- as compared to the profit of Rs. 24,977,970/- earned by the Company in nine months of the last year.

Against the installed capacity of 80,592,000 kwh the plant generated 61,000,470 kwh electricity i.e. 75% of the installed capacity.

The summarized operating results are appended below:

	1999 Rupees	1998 Rupees
Sales of electric energy	197,833,420	147,663,610
Cost of Sale	113,748,839	90,384,385
	-----	-----
Gross profit	84,084,581	57,279,225
Operating and other charges	5,580,495	32,301,255
	-----	-----
Net Profit	48,504,086	24,977,970
	-----	-----

**BONUS SHARES**

The Directors have recommend 10% bonus shares to the members of the Company which amounts to Rs. 6,730,600/-

**AUDITORS**

The present Auditors M/s Yousuf Adil Saleem & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Your Directors would like to thank the workers, staff and officers of your Company for their hardwork and dedication and hope that with their whole hearted support better results will be obtained during the current year.

for and on behalf of the Directors

Sd/-

Multan: (KHAWAJA MUHAMMAD MASOOD)

Dated: 30-11-1999

Chairman

**Auditors' Report to The Members**

We have audited the annexed balance sheet of Mahmood Power Generation Limited as at June 30, 1999 and the related profit & 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 explanation which to the best of our knowledge and belief were necessary for the purposes of our audited 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 and profit & loss account 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 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.

MULTAN,

Date: 30-11-1999

Sd/-

M. YOUSUF ADIL SALEEM & CO.  
CHARTERED ACCOUNTANTS

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

	Note	1999 Rupees	1998 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
15,000,000 ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed and Paid-up capital	3	67,306,000	67,306,000
Reserve for bonus shares		6,730,600	0
Unappropriated profit		66,751,456	24,977,970
		140,788,056	92,283,970
<b>LONG TERM LOANS</b>	4	121,656,710	159,005,124
<b>DEFERRED LIABILITY</b>			
Gratuity		522,600	0
<b>CURRENT LIABILITIES</b>			
Current maturity of long term loans		36,737,098	27,736,947
Creditors, accrued & other liabilities	5	9,220,112	8,575,516
		45,957,210	36,312,463
<b>CONTINGENCIES AND COMMITMENTS</b>	6	0	0
		308,924,576	87,601,557
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets	7	215,259,496	238,223,955
<b>DEFERRED COST</b>			
Preliminary expenses		145,405	193,873
<b>CURRENT ASSETS</b>			
Shares and loose tools	8	8,642,532	9,559,851
Trade debtors	9	84,004,786	38,146,946
Advance, deposits, prepayments and other receivables	10	798,718	1,428,060
Cash and bank balances	11	73,639	48,872
		93,519,675	48,183,729
		308,924,576	287,601,557

The annexed notes from 1 to 16 form an integral part of these accounts.

Sd/-

Chief Executive

Sd/-

Director

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

	Note	1999 Rupees	1998 Rupees
<b>SALES - Net</b>		197,833,420	147,663,610
<b>COST OF SALES</b>	12	113,748,839	90,420,049
<b>GROSS PROFIT</b>		84,084,581	57,243,561
<b>OPERATING EXPENSES</b>			
Administrative	13	1,488,068	968,463
Operating profit		82,596,513	56,275,098
<b>OTHER CHARGES</b>			
Financial charges	14	31,522,568	29,982,498
Loss and disposal of fixed assets		10,780	0
Workers profit participation fund		2,559,079	1,314,630
		34,092,427	31,297,128
Profit for the year		48,504,086	24,977,970
Unappropriated profit brought forward		24,977,970	0
Profit available for appropriations		73,482,056	24,977,970
Less: Transfer to reserve for bonus shares		6,730,600	0

Unappropriated profit carried to balance sheet	66,751,456	24,977,970
<b>Earning per share</b>	<b>7.21</b>	<b>3.71</b>

The annexed notes from 1 to 16 form an integral part of these accounts.

Sd/-  
Chief Executive

Sd/-  
Director

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

	1999 Rupees	1998 Rupees
<b>A) CASH FLOW FORM OPERATING ACTIVITIES</b>		
Profit before taxation	48,504,086	24,977,970
Depreciation	24,118,508	19,416,466
Provision for gratuity	522,600	0
(Gain)/Loss on disposal of fixed assets	10,778	0
Amortization of deferred cost	48,468	48,468
Financial charges	31,522,568	29,982,498
Operating profit before working capital changes	104,727,008	74,425,402
Change in working capital		
(Increase) Decrease in current assets		
Stores and loose tools	917,319	(9,559,851)
Trade debtors	(45,857,840)	(38,146,946)
Advances, deposits, prepayment and other receivables	629,342	48,359
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	1,598,419	962,009
	(42,712,760)	(46,696,429)
Cash generated from operations	62,014,248	27,728,973
Financial charges paid	(32,476,391)	(30,964,276)
Net cash from (use in) operating activities	29,537,857	(3,235,303)
<b>B) CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,429,827)	(12,078,771)
Proceeds from disposal of fixed assets	265,000	0
Net cash used in investing activities	(1,164,827)	(12,078,771)
<b>C) CASH FROM FINANCING ACTIVITIES</b>		
Repayment of long term loans	(28,348,263)	0
Long term loan obtained	0	14,463,000
Net cash used in financing activities	(28,348,263)	14,463,000
Net Increase/(decrease) in cash and bank balances (A+B+C)	24,767	(851,074)
Cash and bank balances at the beginning of year	48,872	899,946
Cash and balances at the end of the year	73,639	48,872

The annexed notes from 1 to 16 form an integral part of these accounts.

Sd/-  
Chief Executive

Sd/-  
Director

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

**1. LEGAL STATUS AND OPERATIONS**

The company is limited by shares incorporated in Pakistan on June 27, 1996 under Companies Ordinance, 1984. The object of the company is generation, distribution and supply of electricity. The project is a captive power plant which is located at Muzaffargarh in the Province of Punjab. The company has commenced commercial operation affective from October 01, 1997.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the 'historical cost convention.'

**2.2 Staff retirement benefits**

These accounts have been prepared in compliance with International Accounting Standards.

**2.3 Staff Retirement Benefits**

The Company operates an Un-funded Gratuity Scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

**2.4 Taxation**

The profit and gains dividend by the company are exempt from income tax.

**2.5 Operating Assets**

These are stated at cost less accumulated depreciation .

Depreciation is charged to income applying the reducing balance method at the rates mentioned in the relevant note. Depreciation of additions during the year is charged on the basis of whole year while no depreciation is charged on deletion during the year. However, major capitalization of project cost is depreciated on proportionate basis for the period of use.

Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

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

**2.6 Capital Work in Progress**

All cost/expenditure directly related to specific assets incurred during the project implementation period are carried under this head. These are transferred to specific assets as an when assets are available for use.

**2.7 Deferred Cost**

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

**2.8 Foreign Currency Translation**

Assets and liabilities in foreign currency are translated into Pak Rupees at the rates of exchange ruling at the balance sheet date, except where forward exchange contracts have been entered into for payment of liabilities in which case the rate contracted for is used. Exchange differences are included in current income.

**2.9 Stores, Spares and Loose Tools**

These are valued at moving average cost.

**2.10 revenue Recognition**

Revenue from supply of electricity is recognized on the basis of actual supply received by the client during the month.

**2.11 Figures**

- Of previous year have been restated, where necessary, for the purpose of comparison.
- Have been rounded off to the nearest rupee.

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

	1999 Rupees	1998 Rupees
6,730,600 (1998: 6,730,600) Ordinary shares of Rs. 10- each fully paid in cash	67,306,000	67,306,000

6,680,600 (1998: 6,680,600) ordinary shares of the company representing 99.26% of the paid up capital are held by holding company, Mahmood Textile Mills Limited.

**4. LONG TERM LOANS**

Secured

	From Banking Company				LLM loan	1999 Rupees	1998 Rupees
	IFC Loan	Demand Finance I	Demand Finance II	Demand Finance III			
Operating balance	75,541,670	86,848,414	8,353,000	6,110,000	9,888,987	186,742,071	172,279,071
Obtained during the y	0	0	0	0	0	0	14,463,000
Paid/adjusted during t	(7,554,167)	(17,370,000)	(1,670,600)	(611,000)	(1,977,798)	(36,737,098)	(27,736,947)
	67,987,503	69,478,414	7,517,700	5,499,000	7,911,191	158,393,808	186,742,071
Current portion shown under current maturity	(15,108,334)	(17,369,366)	(1,670,600)	(611,000)	91,977,798)	(36,737,098)	(27,736,947)
	52,879,169	52,109,048	5,847,100	4,888,000	5,933,393	121,656,710	159,005,124

**Repayment terms & conditions**

No. of instalment	10	10	10	10	10
Mode of payment	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Commencing from	March 01, 1999	September 30, 1998	February 13, 1999	July 17, 1999	December 31, 1998
rate of markup/interest		54 Paisas	54 Paisas	54 Paisas	14%
Paisas/Rs 1000 per day/ %per annum	19.70%	& 15%	& 15%	& 15%	

**Securities**

Above loans are secured against first charge on all present and future assets and properties of the company by way of equitable mortgage/hypothecation/ floating charges, deposit of sponsors' entire shareholding and personal guarantee of all the directors.

**5. CREDITORS, ACCRUED AND OTHER LIABILITIES**

	1999 Rupees	1998 Rupees
Due to associated undertaking	977,985	0
Creditors	339,916	182,913
Accrued expenses	216,604	202,613
Accrued markup on long term loans	4,952,722	5,906,545
Audit fee	20,000	20,000
Withholding tax	1,954	1,022
bank overdawn	0	1,589
Electricity duty	151,852	946,204
Workers' Profit Participation Fund	(Note 5.1)	1,314,630
	9,220,112	8,575,516

**5.1 Workers' Profit Participation Fund**

Opening balance	1,314,630	0
Allocation for the year	2,559,079	1,314,630
Amount available	3,873,709	1,314,630
Interest provided on fund utilized in company's business	118,406	0
	3,992,115	1,314,630
Amount paid to workers	1,433,036	0
Balance at the end of the year	2,559,079	1,314,630

**6. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Write petition against CBR regarding custom duty, regulatory duty, 2% service charges and sales tax estimated to Rs. 46,320 million on import of four diesel generator sets, pending in Lahore High Court, Rawalpindi Bench.

**7. OPERATING ASSETS**

Particulars	COST				DEPRECIATION				
	Cost at July 01, 1998	Additions/ (deletions) for the year	Cost at June 30, 1998	Rate %	Accumulated Depreciation at July 01, 1998	Depreciation for the year	Adjustment	Accumulated Depreciation at June 30, 1999	Written down value June 30, 1999
Building on lease hold land									
Residential	3,284,726		3,284,726	10	246,354	303,837		550,191	2,734,535
Factory	49,149,487		49,149,487	10	3,686,212	4,546,328		8,232,540	40,916,947
Plant & Machinery	197,556,661		197,556,661	10	14,816,750	18,273,991		33,090,741	164,465,920
Electric installations	5,916,836	15,583	5,932,419	10	443,763	548,865		992,628	4,939,791
Tools & equipment	0	73,100	73,100	10	0	7,310		7,310	65,790
Office equipment	111,214	107,300	218,514	10	8,341	55,743		64,084	154,430
Furniture & fixtures	375,712	209,900	585,612	10	28,178	21,017		49,195	536,417
Vehicles	1,245,785	1,023,944 (316,937)	1,952,792	20	186,868	361,417	(41,159)	507,126	1,445,666
	257,640,421	1,429,827 (316,937)	258,753,311		19,416,466	24,118,508	(41,159)	43,493,815	215,259,496
Rupees 1999									
Rupees 1998	0	257,640,421	257,640,421		0	19,416,466	0	19,416,466	238,223,955

7.1 The depreciation for the year has been allocated as under:

	1999 Rupees	1998 Rupees
Cost of Sales	12	23,736,074
		19,221,257



Administrative expenses	13	382,434	195,209
		-----	-----
		24,118,508	19,416,466
		=====	=====

**7.2 Disposal of Fixed Assets**

The disposal represents, theft of vehicle against which claim has been received from Premier Insurance Co. Multan.

Particular	Cost	Accumulated Depreciation	Written down value proceeds	Claim	(Loss)
Vehicle (Car)					
MNU-5511	316,937	41,159	275,778	265,000	(10,778)

<b>1999</b>	<b>1998</b>
<b>Rupees</b>	<b>Rupees</b>

**8. STORES & LOOSE TOOLS**

Fuel & lubricants	8,241,459	9,274,323
Stores	220,251	104,706
Loose tools	180,822	180,822
	-----	-----
	8,642,532	9,559,851
	=====	=====

**9. TRADE DEBTORS-UNSECURED**

Considered Good	84,004,786	38,146,946
	-----	-----

This represents due from Mahmood Textile Mills Limited (holding Company) against supply of electricity.

**10. ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES**

Advance (considered good)

To staff	21,800	40,942
For expenses	15,349	708,374
	-----	-----
	37,149	749,316

**Deposit:**

Security with Wapda	3,000	3,000
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**Prepayments:**

Insurance	43,458	46,227
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**Other receivables:**

Excise duty	(Note 10.1)	223,419	223,419
Oil suppliers		483,492	378,473
Guarantee margin		0	25,000
Tax deducted at source		8,200	2,625
Commitment charges		1,250,000	1,250,000
		-----	-----
		1,965,111	1,879,517

		-----	-----
		2,048,718	2,678,060
		-----	-----
		1,250,000	1,250,000

Less: Provision for doubtful commitment charges

		-----	-----
		798,718	1,428,060
		=====	=====

10.1 Write petition against CBR regarding levy of central excise duty on bank loans is pending in Lahore High Court, Multan Bench.

**11. CASH AND BANK BRANCHES**

Cash in hand	7,183	48,872
Cash at bank - Current Account	66,456	0
	-----	-----
	73,639	48,872
	=====	=====

**12. COST OF SALES**

Fuel & lubricants consumed	81,150,249	65,123,257	
Stores consumed	668,774	723,458	
Salaries, wages and benefits	4,808,758	2,762,428	
Repair and maintenance	235,087	148,755	
Lease rent	25,000	25,000	
Freight & octroi	54,699	10,664	
Insurance	1,921,298	1,459,026	
Depreciation	(Note 7.1)	23,736,074	19,221,257
Electricity duty	1,148,900	946,204	
	-----	-----	
	113,748,839	90,420,049	
	=====	=====	

**13. ADMINISTRATIVE EXPENSES**

Salaries, wages and benefits	509,622	276,000	
Postage and telephone	97,207	86,781	
Printing and stationery	16,294	7,112	
Travelling & conveyance	64,140	58,048	
rent, rates & taxes	7,942	45,022	
vehicle running and maintenance	172,284	115,763	
Legal and professional	4,074	11,600	
Advertisement	0	9,900	
Subscription	1,300	1,500	
Entertainment	16,467	16,538	
Audit fee	20,000	20,000	
Insurance	91,982	24,641	
Depreciation	(Note 7.1)	382,434	195,209
Amortization of preliminary expenses	48,468	48,468	
General expenses	55,754	51,881	
	-----	-----	
	1,488,068	968,463	
	=====	=====	

**Mahmood Textile Mills Limited**

Consolidated Accounts

**Board of Directors:**

Khawaja Muhammad Masood	Chairman
Khawaja Muhammad Iqbal	Chief Executive
Khawaja Muhammad Ilyas	
Khawaja Muhammad Younus	
Muhammad Jalal-Ud-Din Rosani	
Mrs. Mehr Fatima	
Muhammad Muzaffar Iqbal	

**Company Secretary:**

Ghulam Mohayuddin

**G.M. Finance:**  
Mohammad Amin Pal A.C.A.

**Auditors:**  
HAMEED CHAUDHRI & CO.  
Chartered Accountants  
7- Bank Square, Lahore

**Bankers:**  
Muslim Commercial Bank Ltd  
United Bank Limited  
Habib Bank Limited

**Registered Office:**  
MEHR MANZIL, LOHARI GATE, MULTAN

**Mills:**  
Mahmoodabad, Multan Road, Muzaffargarh.  
And  
Masoodabad, D.G. Khan Road, Muzaffargarh.

**Mehmood Textile Mills Limited  
Consolidated Accounts**

**Auditors' Report To The Members**

We have examined the annexed Consolidated Financial Statements comprising Consolidated Balance Sheet of Mahmood Textile Mills Limited and its Subsidiary Company as at 30 September, 1999 and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement, together with the notes forming part thereof, for the year ended 30 September, 1999. We have also expressed separate opinion on the Financial Statements of Mahmood Textile Mills Limited, Mahmood Power Generation Limited, the Subsidiary Company was audited by other, firm of Chartered Accountants, whose report has been furnished to us and our opinion is so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These Financial Statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these Financial Statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the Consolidated Financial Statements examined by us present fairly the financial position of Mahmood Textile Mills Limited and its Subsidiary Company as at 30 September, 1999 and the results of their operations for the year then ended.

LAHORE Date: 1st March, 2000

Sd/-  
HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS.

**CONSOLIDATED BALANCE SHEET**

	Note	1999 Rupees	1998 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised capital	3	150,000,000	100,000,000
Issued, subscribed and Paid-up capital	3	99,739,890	90,672,620
Reserve for issue of bonus shares		6,680,794	9,067,270
Unappropriated profit		529,904,731	444,902,823
Minority Interest		636,325,415	544,642,713
		1,043,767	684,837
<b>LONG TERM LOANS AND FINANCES</b>	4	175,072,224	261,039,929
<b>SUPPLIERS' CREDITS</b>	5	37,897,225	68,355,456
<b>CUSTOMS DEBENTURES AND IQRA SURCHARGE PAYABLE</b>	6	3,349,034	4,984,495
<b>DEFERRED LIABILITIES</b>			
Provision for gratuity	7	3,213,140	2,581,720
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	8	119,164,320	133,587,408
Short term finances	9	78,814,000	335,004,914
Creditors, accruals and other payables	10	113,720,780	123,686,685
Provision for taxation	11	39,320,013	39,254,062
Dividends	12	106,057,286	13,663,809
<b>CONTINGENCIES AND COMMITMENTS</b>	13	457,076,399	645,196,878
		0	0
		1,313,977,204	1,527,486,028
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	14	812,325,999	888,224,959
Capital work-in-progress	15	9,621,437	0
<b>DEFERRED COST</b>			
Preliminary expenses		145,405	193,873
<b>LONG TERM DEPOSITS</b>	16	40,044,394	48,722,845
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	55,223,724	65,787,502
Stock-in-trade	18	142,401,974	120,769,342
Trade debtors	19	99,108,315	284,658,056
Advances, deposits and other receivables	20	124,194,820	55,730,942
Cash and bank balances	21	30,911,136	63,398,509
		451,839,969	590,344,351
		1,313,977,204	1,527,486,028
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/- (KH. MUHAMMAD YOUSUF) DIRECTOR

Sd/- (KH. MUHAMMAD IQBAL) CHIEF EXECUTIVE

Sd/- (KH. MUHAMMAD MASOOD) CHAIRMAN

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

	Note	1999 Rupees	1998 Rupees
SALES - Net	22	2,620,710,428	2,310,286,105
COST OF SALES	23	2,152,946,917	1,850,146,449
<b>GROSS PROFIT</b>		467,763,511	460,139,656
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>		111,950,054	110,047,339
<b>OPERATING PROFIT</b>		355,813,457	350,092,317
<b>OTHER INCOME</b>	25	17,751,775	4,996,183
		373,565,232	355,088,500
<b>OTHER CHARGES</b>			
Financial- Net	26	142,444,682	145,109,830
Miscellaneous	27	616,835	1,535,923
Workers' (profit) participation fund	10.4	11,531,107	10,450,710
		154,592,624	157,096,463
<b>PROFIT BEFORE TAXATION</b>		218,972,608	197,992,037
<b>PROVISION FOR TAXATION</b>			
Current	11	19,900,000	19,600,000
Prior years		(307,396)	1,957,831
		19,592,604	21,557,831
<b>PROFIT AFTER TAXATION</b>		199,380,004	176,434,206
Minority Interest		(358,930)	(184,837)
		199,021,074	176,249,369
<b>UNAPPROPRIATED PROFIT</b>			
- Brought forward		444,902,823	291,947,374
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		643,923,897	468,196,743
<b>APPROPRIATIONS:</b>			
Proposed dividend @ 60.51% (1998: @ 15%)		60,352,607	13,600,900
Dividend declared @ 47.11% (Total Dividend @ 62.11%) out of the profit for the year ended 30 September, 1998	12.1	46,985,765	0
Reserve for issue of bonus shares (1998: @ 10%)		6,680,794	9,067,270
Dividend paid - Prior year		0	250,300
Bonus shares issue - Prior year		0	375,450
		114,019,166	23,293,920
<b>UNAPPROPRIATED PROFIT</b>			
- Carried to Balance Sheet		529,904,731	444,902,823
<b>EARNINGS PER SHARE</b>	28	19.95	17.67

The annexed notes form an integral part of these accounts.

Sd/- (KH. MUHAMMAD YOUNUS)      Sd/- (KH. MUHAMMAD IQBAL)      Sd/- (KH. MUHAMMAD MASOOD)  
DIRECTOR      CHIEF EXECUTIVE      CHAIRMAN

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

	1999 Rupees	1998 Rupees
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (note 'A')</b>	534,964,700	143,324,987
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans and finances repaid	(99,204,723)	(52,997,153)
Long term loans and finances obtained	0	14,463,000
Suppliers' credits repaid	(28,189,331)	(45,658,458)
Suppliers' credits obtained	0	23,513,431
Customs debentures and Iqra Surcharge paid	(1,635,460)	(1,635,460)
Long term trade liabilities	0	(26,309,000)
Short term finances - Net	(256,189,325)	219,780,111
Dividends paid	(14,944,895)	(7,867,836)
Financial charges paid	(154,529,125)	(157,247,547)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	(554,692,859)	(33,958,912)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(25,794,841)	(74,087,139)
Sale proceeds of fixed assets	1,613,998	2,567,000
Foreign currency fixed deposits	(321,150)	(21,875,862)
Income on deposits with banks received	2,916,293	2,558,267
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	(91,037,734)	(21,585,700)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	18,328,341	(41,313,859)
<b>CASH AND CASH EQUIVALENTS</b>		
- At the beginning of the year	50,586,730	32,258,389
<b>CASH AND CASH EQUIVALENTS</b> [excluding current portion of long term foreign currency fixed deposits of Rs. 21,638,265 (1998: Rs. 12,811,779)]	9,272,871	50,586,730
- At the end of the year		

**NOTE 'A'**

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit for the year	218,972,608	197,992,037
- Before taxation		
Adjustments for :		
Depreciation	90,777,109	92,171,229
Provision for gratuity - net	631,420	81,720
Gain on disposal of fixed assets - net	(318,743)	(1,258,211)
Income on deposits with banks	(6,907,904)	(6,880,628)
Financial charges	145,796,708	147,805,873
Exchange fluctuation (gain)/loss on suppliers' credits	(3,454,971)	9,971,695

Preliminary expenses amortised	48,468	48,468
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	445,544,695	439,932,183
(Increase)/Decrease in current assets		
Stores, spares and loose tools	10,563,778	(23,186,746)
Stock-in-trade	(21,632,632)	(26,367,332)
Trade debtors	185,549,741	(254,788,386)
Advances, deposits and other receivables (excluding income tax and profit on deposits with banks)	(58,405,620)	(2,007,637)
Increase/(Decrease) in creditors, accruals and other payables (excluding accrued financial charges)	(1,235,077)	44,173,657
	114,840,190	(262,176,444)
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- Before taxation	560,384,885	177,755,739
Taxes paid	(25,593,300)	(34,252,637)
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- After taxation	534,791,585	143,503,102
Net (increase)/decrease in long term security deposits	173,115	(178,115)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
	534,964,700	143,324,987

The annexed note 'A' forms an integral part of this Statement.

Sd/- (KH. MUHAMMAD YOUNUS) DIRECTOR	Sd/- (KH. MUHAMMAD IQBAL) CHIEF EXECUTIVE	Sd/- (KH. MUHAMMAD MASOOD) CHAIRMAN
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**CONSOLIDATED NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER, 1999**

**1. STATUS AND OPERATIONS**

The Company was incorporated in Pakistan on 25 February, 1970 as a Public Company and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in manufacture and sale of yarn and grey cloth.

Mahmood Power Generation Limited, the Subsidiary Company was incorporated in Pakistan on 27 June, 1996 as a Public Company. The object of the Subsidiary Company is generation, distribution and supply of electricity.

1.1 Compliance with International Accounting Standards (IAS)  
These accounts comply with IASs, where applicable, in all material respects.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rates fluctuations as referred to in notes 2.4 & 2.6.

**2.2 Basis of consolidation**

a) The consolidated financial statements include the accounts of Mahmood Textile Limited as at 30 September, 1999 and its Subsidiary Company Mahmood Power Generation Limited (the Holding Company's interest 99.26%) as at 30 June, 1999.

b) Inter-company balances and transactions have been eliminated.

**2.3 Staff retirement benefits**

The Group operates an Un-funded Gratuity Scheme for its employees. Gratuity paid during the year is taken to Profit and Loss Account. A general provision for gratuity is being maintained to cover the future liability.

**2.4 Foreign currency translations**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange ruling at the dates of transactions. Assets and liabilities in foreign currencies at the year end are converted into Pak Rupees at the rates of exchange ruling on the balance sheet date except:

a) Export bills outstanding at the year end and realised subsequently. These are converted at the exchange rates ruling on realisation dates.

b) Liabilities covered under forward exchange contracts. These are converted at the contracted rates of exchange.

Exchange differences are taken to Profit and Loss Account.

**2.5 Taxation**

Provision for taxation is made at the current rates of taxation for the Holding Company while profit and gains by the Subsidiary are exempt from Income Tax. Tax credits and brought forward losses are recognised for arriving at taxable income for the year of the Holding Company.

The Holding Company does not account for tax effects of major timing differences due to reasons stated in note 11.3.

**2.6 Tangible operating fixed assets and depreciation thereon**

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilised for acquisition thereof. Borrowing costs relating to construction/erection period are also capitalised as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 14. No depreciation is provided on assets in the year of disposal/retirement. Full year's depreciation is charged in the year of purchase/ commercial operations on assets of the Holding Company. Major capitalisation of project cost is depreciated on proportionate basis for the period of use during trial/commercial run of the Subsidiary Company.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Normal repairs and maintenance are taken to Profit and Loss Account as and when incurred. Major renewals and replacements are capitalised and the assets so replaced, if any, other than those kept as stand-by, are retired.

**2.7 Long term investments**

These are stated at cost.

**2.8 Stores, spares and loose tools**

These are valued at moving 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 cost (FIFO) and net realisable value.
At mills	-- At cost accumulated to the balance sheet date.
In transit	-- At manufacturing cost.
Work-in-process	-- At lower of cost and net realisable value.
Finished goods	-- At realisable value.
Waste	-- At 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 of completion and cost necessary to be incurred to effect such sale.

**2.10 Deferred costs**

These are amortised over a period of five year from the year of deferment.

**2.11 Revenue recognition**

- Local sales through agents are booked on intimation from agents.
- Direct sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on despatch of goods.
- Export rebate on yarn and packing materials is accounted for on 'receipt basis'.

**3. SHARE CAPITAL**

Note	1999 Rupees	1998 Rupees
Authorised capital		
15,000,000 (1998: 9,650,000) ordinary shares of Rs. 10/- each.	150,000,000	96,500,000
Nil (1998:350,000 preference shares of Rs. 10 each)	0	3,500,000
	-----	-----
	150,000,000	100,000,000
	=====	=====
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
6,288,800 ordinary shares of Rs. 10/- each issued for cash.	62,888,000	62,888,000
3,685,189 (1998:2,778,462) ordinary shares of Rs. 10/- each issued as fully paid-up bonus shares.	36,851,890	27,784,620
	-----	-----
	99,739,890	90,672,620
	=====	=====

**4. LONG TERM LOANS AND FINANCES - SECURED**

Muslim Commercial Bank Limited (MCB)	4.1	233,543,713	293,559,338
United Bank Limited (UBL)	4.2	7,017,300	21,051,898
Habib Bank limited (HBL) Demand Finance	4.3	0	25,154,500
		-----	-----
		240,561,013	339,765,736
Less: Current portion grouped under current liabilities			
-MCB		58,471,489	59,101,309
-UBL		7,017,300	14,034,598
-HBL: Demand Finances		0	5,589,900
		-----	-----
		65,488,789	78,725,807
		-----	-----
		175,072,224	261,039,929
		=====	=====

**4.1 MUSLIM COMMERCIAL BANK LIMITED (MCB)**

IBRD Loan - I	(a)	66,769,394	80,123,274
L.M.M. Loans	(b)	7,911,191	11,436,987
ADB Loan	(c)	6,296,741	18,890,223
Demand Finances	(d)	84,578,884	107,567,184
IFC Loan	(e)	67,987,503	75,541,670
		-----	-----
		233,543,713	293,559,338
		=====	=====

**a) IBRD Loan - I**

i) This loan equivalent to U.S. \$ 3.211 million has been converted into Pak Rupees at the exchange rates prevailing at the dates of opening of letters of credit for machinery acquired out of the proceeds of the loan.

ii) The loan carries interest @ 15% per annum and penal interest @ 5% on overdue amounts. It is repayable in 16 half-yearly equal instalments commencing 15 November, 1996.

**b) L.M.M. Loans**

i) These were obtained under State Bank of Pakistan's L.M.M. Scheme.

ii) These loans carry mark-up @ 14% per annum and are repayable in 10 half-yearly instalments commencing 31 December, 1998.

**c) ADB Loan**

i) This loan equivalent to U.S. \$ 5.483 million has been converted into Pak Rupees at rates of exchange prevailing at the dates of opening of letters of credit for machinery acquired out of the proceeds of this loan.

ii) The loan is repayable in 16 equal half-yearly instalments commencing 15 May, 1992. It carries interest @ 14% per annum payable half-yearly and penal interest @ 5% payable on overdue amounts.

**d) Demand Finances**

i) These include finance taken by Holding Company equivalent to Swiss Francs 0.608 million converted into Pak Rupees at the exchange rate prevailing on the date of disbursement.

ii) This finance carries mark up @ Re. 0.48 per thousand Rupees calculated on daily product basis and is repayable in 8 half-yearly instalments commencing 05 May, 1996.

iii) These include finances obtained by the Subsidiary Company and carries mark-up @ 15% per annum and are repayable in 10 half yearly instalments.

**e) IFC Loan**

i) This loan carries financial charges @ 19.695% per annum and is repayable in 10 half-yearly instalments commencing 01 January, 1999.  
These loans and finances are secured by first charge by way of an equitable mortgage of present and future movable and immovable properties and fixed assets of the Companies, hypothecation of Company's plant, equipment and machinery, a first floating charge on all other assets of the Companies, personal guarantees of the directors and demand promissory notes. These charges

rank pari-passu with the charges created in favour of other Creditors.

**4.2 United Bank Limited (UBL)**

	1999 Rupees	1998 Rupees
Demand Finance - I	2,253,549	6,760,647
Demand Finance- II	4,763,751	14,291,251
	7,017,300	21,051,898

a) These demand finances have been created by rescheduling of instalments of principal and interest under Supplier's Credit due on 26 October, 1995 and 14 November, 1995.

b) These finances carry mark-up @ 20% per annum. UBL, however, will allow 6% bonus in mark-up rate if the repayments are made on time. These finances are repayable in four half-yearly instalments commencing 26 April, 1998 and 14 May, 1998 respectively.

c) These finances are secured against UBL's charge on fixed and floating assets of the Holding Company and personal guarantees of all the directors.

**4.3 Habib Bank Limited (Demand Finance)**

This demand finance was obtained against sanctioned limit of Rs.27,950 million. It carried mark-up @ 14.50% per annum and was repayable in ten equal half-yearly instalments commencing 09 May, 1998. However, the outstanding balance of this loan facility was fully repaid during the year. The finance was secured against HBL's lien over foreign currency fixed deposits.

**5. SUPPLIERS' CREDITS- Secured**

Particulars	Note	Swiss Francs		Japanese Yens		Pak Rupees	
		1999	1998	1999	1998	1999	1998
C.Itoh & Co. Hong Kong Credit I	5.1	0	0	76,263,100	152,526,000	14,612,777	29,225,511
C.Itoh & Co. Hong Kong Credit II	5.1	0	0	85,465,662	113,954,216	19,596,080	26,128,107
Sulzer Ruti Ltd. Switzerland	5.2	1,026,800	1,170,894	0	0	35,579,339	42,699,912
Sulzer Ruti Ltd. Switzerland	5.3	581,400	646,000	0	0	20,134,463	23,213,431
		1,608,200	1,816,894	161,728,762	266,480,216	89,922,659	121,566,961
Less: Current portion grouped under current liabilities							
- Due within following twelve months		385,900	299,618	56,977,108	209,503,108	26,433,214	53,211,505
- Overdue		128,350	0	104,751,654	0	25,592,220	0
		514,250	299,618	161,728,762	209,503,108	52,025,434	53,211,505
		1,093,950	1,517,276	0	56,977,108	37,897,225	68,355,456

5.1 These represent balances of cost of plant and machinery

a) These credits carry interest @ 7.5% per annum. Credit I and II carry exchange risk coverage fee @ 6% and @ 7.4% per annum respectively. These are repayable in 12 half-yearly equal instalments commencing 14 November, 1993 and 26 October, 1994 respectively.

b) These credits are secured by letters of credit established through United Bank Limited and Bills of Exchange. The letters of credit, in turn, are secured by way of charge on present and future fixed assets of the Company ranking pari-passu in all respects with the charges created in favour of other senior Creditors.

c) These credits have been converted into Pak Rupees applying the booked exchange rates of 1 Japanese Yen = Re. 0.191610 and Re. 0.229286 respectively.

5.2(a) This credit carries interest @ 5.75% per annum and is repayable in ten equal half-yearly instalments commencing 09 May, 1998.

b) This credit is secured by letter of credit established through Habib Bank Limited (HBL). The letter of credit, in turn, is secured by way of charge on the machinery imported under this credit.

c) This credit has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by HBL i.e. 1 Swiss Frank = Rs. 34.6507 (1998: Rs. 36.4678).

5.3(a) This credit carries interest @ 6.5% per annum and is repayable in ten equal half-yearly instalments commencing 31 March, 1999.

(b) This credit is secured by letter of credit established through Muslim Commercial Bank Limited (MCB). The letter of credit, in turn, is secured by way of charge on machinery imported under this credit, lien over foreign currency fixed deposits of U.S. \$ 417,690 and personal guarantees of the directors.

(c) This credit has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by MCB i.e. 1 Swiss Frank= Rs. 34.6310 (1998: Rs. 36.3985).

**6. CUSTOMS DEBENTURES AND IQRA SURCHARGE PAYABLE**

	Note	1999 Rupees	1998 Rupees
Iqra Surcharge payable	6.1	1,713,574	1,713,574
Customs debentures			
Un-secured	6.2	14,636	14,636
Secured	6.3	3,270,921	4,906,381
		3,285,557	4,921,017
		4,999,131	6,634,591
Less: Current portion of customs debentures grouped under current liabilities		1,650,097	1,650,096
		3,349,034	4,984,495

6.1 This represents Iqra surcharge imposed by the Central Excise and Land Customs Department

on imported plant and machinery against which the Company has applied with the (Member Customs) Central Board of Revenue, Islamabad.

**6.2 Un-secured debentures.**

These are due for redemption. These carry surcharge @ 1% above the Bank Rate.

**6.3 Secured debentures.**

These represent customs duties levied by the Customs Authorities on imported plant and machinery.

These are secured by bank guarantees issued by United Bank Limited and carry surcharge @ 14% per annum. These are repayable over the period from 04 November, 1996 to 04 November, 2000.

**7. PROVISION FOR GRATUITY**

General provision for gratuity has been maintained to cover the gratuity liability. Gratuity paid during the year has been taken to Profit and Loss Account. The balance of provision amounting Rs. 3.213 million as at 30 September, 1999 (1998: Rs. 2.982 million) is considered adequate to cover the liability although quantum of exact liability has not been worked out.

**8. CURRENT PORTION OF LONG TERM LIABILITIES**

	Note	1999 Rupees	1998 Rupees
Long term loans and finances	4	65,488,789	78,725,807
Suppliers' credits	5	52,025,434	53,211,505
Customs debentures	6	1,650,097	1,650,095
		-----	-----
		119,164,320	133,587,408
		=====	=====

**9. SHORT TERM FINANCES- Secured**

These have been obtained from commercial banks against credit facilities aggregating Rs. 1,610 million (1998:Rs.1,140 million). Out of these facilities, Packing Credits were for Rs. 600 million (1998:Rs.420 million) Finances against Foreign Bills were for Rs. 450 million (1998:Rs.300 million) and for opening Letters of Credit and Guarantees were for Rs. 105 million (1998:Rs.80 million).

These facilities are secured by pledge/hypothecation of stocks, second charge on fixed assets of the Holding Company, lien on export documents/foreign currency deposit accounts and personal guarantees of all the directors and pari-passu charge on current assets of the Holding Company.

Mark-up rates charged on daily product basis for Cash Finances and Running Finances ranged from Re. 0.38 to Re. 0.45 per thousand rupees. Packing Credits carried mark-up at the rates ranging from 7.5% to 8% per annum and Finances against Foreign Bills carried mark-up at the rates ranging from Re. 0.40 to Re. 0.45 per thousand rupees per day.

These finance facilities are expiring during the period from 30 September, 1999 to 30 June, 2000.

**10. CREDITORS, ACCRUALS AND OTHER PAYABLES**

	Note	1999 Rupees	1998 Rupees
Due to Associated Undertakings	10.1	11,826,971	839,648
Due to an executives		53,790	0
Creditors		25,274,625	27,265,780
Bills payable	10.2	3,012,078	2,291,669
Advance payments		6,092,571	3,880,546
Accrued expenses		32,238,391	45,006,119
Retention money		55,755	58,255
Interest/mark-up accrued on secured :			
Long term loans and finances		9,669,122	13,802,660
Suppliers' credits		4,096,201	3,412,564
Surcharge on customs debentures		466,483	673,493
Mark-up on short term finances		1,000,220	5,646,219
Tax deducted at source		127,578	223,476
Exchange risk coverage fee		1,134,751	1,484,674
Export duty payable	10.3	873,635	873,635
Workers' (profit) participation fund	10.4	11,557,005	10,450,710
Excise duty on bank borrowings		5,979,803	6,059,387
Electricity Duty		151,852	946,204
Others		109,949	771,646
		-----	-----
		113,720,780	123,686,685
		=====	=====

**10.1 Associated Undertakings**

a) Interest has not been charged/paid on Associated Undertakings' balances. However, mark-up has been paid on utilisation of cash finance limits of Associated Undertakings at the rates ranging from Re. 0.45 to Re. 0.55 (1998: Re. 0.45 to Re. 0.50) per thousand rupees on daily product basis in addition to other charges payable on these finances to the lender Banks.

b) Maximum aggregate debit balance of the Associated Undertakings, accrued due to trading activities, at any month end during the year was Rs. 44,485,405 (1998: Nil).

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

	1999 Rupees	1998 Rupees
- Sale of goods	186,654,530	277,648,944
- Purchase of goods	57,031,788	0
- Cash finance limits utilised	333,031,000	319,750,000
- Financial charges paid for utilisation of cash finance limits	13,448,001	8,652,178
- Processing charges for ginning and pressing of raw cotton	46,614,000	42,668,400
10.2 These are secured against lien on import documents.		
10.3 This is secured against bank guarantees.		
10.4 Workers' (profit) participation fund		
Opening balance	10,450,710	7,223,600
Interest on amounts utilised by the Company	781,710	571,456
	-----	-----
	11,232,420	7,795,056
Less: Payments made during the year		
- Trustees of the Fund	1,206,438	7,793,873
- Deposited in the government Treasury	84	1,183
	-----	-----
	11,206,522	7,795,056
	-----	-----
	25,898	0
Contribution for the year	11,531,107	10,450,710
	-----	-----
	11,557,005	10,450,710

**11. PROVISION FOR TAXATION**

Opening balance	39,254,062	23,643,109
Provision made during the year for		
- Current year	19,900,000	19,600,000
- Prior year	(307,396)	1,957,831
	19,592,604	21,557,831
	58,846,666	45,200,940
Less: Adjustments/payments against finalised assessments	19,526,653	5,946,878
	39,320,013	39,254,062

11.1 Income tax assessments of the Holding Company have been finalised upto the Income year ended 30 September, 1997 (Assessment Year 1998-99). Tax losses available for carry forward as per last Assessment Order aggregated Rs. 20,374 million.

11.2 Provision for taxation represents tax payable under Section 80-CC of the Income Tax Ordinance, 1979.

11.3 In view of assessed accumulated tax losses aggregating Rs.20,374 million, as stated in note

11.1, and the fact that the Holding Company is liable to pay tax under section 80-CC of the Income Tax Ordinance, 1979, no provision is required for deferred taxation.

**12. DIVIDENDS**

	Note	1999 Rupees	1998 Rupees
Unclaimed		107,312	62,909
Payable - Out of dividend declared during the year	12.1	45,597,367	0
Proposed		60,352,607	13,600,900
		106,057,286	13,663,809

12.1 The Holding Company, during September, 1999, declared 47.11% interim cash dividend amounting Rs. 46,985,765 to the existing shareholders of the Company out of the profit for the year ended 30 September, 1998. This dividend has been declared in order to comply with the requirements of section 12(9-A) of the Income Tax Ordinance, 1979 as introduced by the Finance Act, 1999.

**13. CONTINGENCIES AND COMMITMENTS**

13.1 Guarantees given on behalf of the Holding Company by the commercial banks excluding those referred to in notes 6.3 and 10.3 as at 30 September, 1999 were outstanding for Rs. 4.483 million (1998: Rs. 2.997 million).

13.2 The Company's Weaving Mill and one of the Spinning Mills have been set-up under 'Open Bond Manufacturing Scheme'. Under this Scheme, plant and machinery imported for such established Units are exempt from Customs Duty, Sales Tax, Iqra Surcharge, etc., subject to the condition that such plant and machinery will be installed within the premises declared for this purpose as 'Bonded Warehouse'. If these are installed or removed elsewhere within seven years of import, the leviable charges will become payable with penalty which will be determined at the time of violation. Moreover, if export sales of the products of these Industrial Units fall below 50% of total value of production in first two years of production and 60% in subsequent five years, the Company will become liable for an amount equivalent to 10% of the Customs Duty, Sales Tax and Iqra Surcharge as leviable at the time of import of such plant and machinery.

13.3 Writ Petition against CBR regarding custom duty, regulatory duty, 2% service charges and sales tax estimated to Rs. 46.320 million on import of four diesel generator sets, pending in Lahore High Court, Rawalpindi bench.

13.4 Commitments for:	1999 Rupees in million	1998
Capital expenditure		
Irrevocable letters of credit	172,959	0.469
Others		
Irrevocable letters of credit	3,910	0.496
	176,869	0.965

**14. OPERATING FIXED ASSETS -- Tangible**

PARTICULARS	As at 30 September 1998	Additions during the year	Disposals during the year	As at 30 September 1999	Rate %	To 30 September 1998	For the Year	On Disposals	To 30 September 1999	NET BOOK VALUE AS AT 30 SEPT 1999
Land-Freehold	3,809,309	0	0	3,809,309		0	0	0	0	3,809,309
Protective dam	3,631,049	0	0	3,631,049	5	961,895	133,458	0	1,095,353	2,535,696
Buildings										
on free hold land	184,958,135	1,118,869	0	186,077,004	10	75,973,876	11,010,313	0	86,984,189	99,092,815
Plant and machinery	1,336,390,294	10,970,316	6,393,357	1,340,967,253	10	594,455,797	75,188,534	5,373,880	664,270,451	676,696,802
Electric installations	27,255,815	392,080	0	27,647,895	10	12,882,487	1,475,540	0	14,359,027	13,288,868
Gas installations	625,869	0	0	625,869	10	289,012	33,686	0	322,698	303,171
Tools and equipment	2,297,255	1,014,673	0	4,311,928	10	1,276,064	303,586	0	1,579,650	2,732,278
Furniture and fixtures	2,414,017	875,562	0	3,289,579	10	884,933	240,465	0	1,125,398	2,164,181
Office equipment	3,596,377	701,960	0	4,298,337	10	1,212,964	308,537	0	1,521,501	2,776,836
Vehicles	17,110,703	1,023,944	316,937	17,817,710	20	8,046,998	1,962,374	41,159	9,968,213	7,849,497
Weighing bridge	1,516,871	76,000	0	1,592,871	10	396,709	119,616	0	516,325	1,076,546
Rupees	1,584,605,694	16,173,404	6,710,294	1,594,068,804		696,380,735	90,777,109	5,415,039	781,742,805	812,325,999
1998 Rupees	1,270,321,070	319,648,789	5,364,165	1,584,605,694		608,264,882	92,171,229	4,055,376	696,380,735	888,224,959

14.1 Disposals of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceeds	Gain/ (Loss)	Sold through negotiations to:
Ring frames 6 Nos.	3,049,891	2,383,500	666,391	374,000 (292,391)		Chakwal Spinning Mills Ltd., Chakwal
Blow Room- Scutcher complete with changeable gears - 2 Sets	2,168,432	1,941,564	226,868	500,000	273,132	Sheaib Suleman Textile Mills Ltd., Sahiwal.
Cone winding machine with accessories	1,175,034	1,048,816	126,218	475,000	348,782	Nafees Cotton Mills Ltd Muzaffargarh.
Suzuki Alto-800 cc	316,937	41,159	275,778	264,998 (10,780)		Insurance Claim Premium Insurance Company Ltd



Rupees	6,710,294	5,415,039	1,295,255	1,613,998	318,743
	=====	=====	=====	=====	=====

14.2 Depreciation for the year has been apportioned as under:

	Note	1999 Rupees	1998 Rupees
Cost of Sales		88,025,200	89,365,570
Administrative expenses		2,751,909	2,805,659
		90,777,109	92,171,229

**15. CAPITAL WORK-IN-PROGRESS**

Buildings on freehold land		6,358,279	0
Cost of material and labour		3,263,158	0
Advance payments		9,621,437	0
		=====	=====

**16. LONG TERM DEPOSITS**

Security deposits		1,575,964	1,749,079
Foreign currency fixed deposits	16.1	60,106,695	59,785,545
		61,682,659	61,534,624

Less:

Current portion of foreign currency fixed deposits grouped under current assets		21,638,265	12,811,779
		40,044,394	48,722,845
		=====	=====

16.1 These represent fixed deposit receipts aggregating U.S. \$1,161,690 (1998: U.S.\$1,301,100) held with Habib Bank Limited (HBL) and Muslim Commercial Bank Limited (MCB). These are maturing on various dates ending 15 November, 2002. These carry interest at the rates ranging from 6.69% to 7.81% per annum. Deposits aggregating U.S.\$744,000 held with HBL have been converted into Pak Rupees at the exchange rate ruling on the balance sheet date as confirmed by HBL i.e. 1 U.S.\$ = Rs. 51,700 and deposits aggregating U.S.\$417,690 held with MCB have been converted into Pak Rupees at the exchange rate as confirmed by MCB i.e.U.S.\$1 = Rs. 51.8133 (1998:1 U.S.\$ = Rs. 45.95). These deposits have been held with MCB and HBL as security of Supplier's Credit mentioned in note 5.3(b) and hedging against exchange fluctuation risk.

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

Stores:			
-- At mills		17,573,038	17,260,451
--In transit		3,012,078	16,608,828
		20,585,116	33,869,279
Spares		34,383,311	31,675,269
Loose tools		255,297	242,954
		55,223,724	65,787,502
		=====	=====

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

**18. STOCK-IN-TRADE**

	Note	1999 Rupees	1998 Rupees
Raw materials at mills		23,667,230	15,645,302
Work-in-process		22,171,678	20,777,959
Finished goods:			
-- At mills		95,118,541	82,954,995
--In transit		1,444,525	1,391,086
		96,563,066	84,346,081
		142,401,974	120,769,342
		=====	=====

**19. TRADE DEBTORS**

Secured - Export Bills		98,196,843	283,216,488
Unsecured			
-- Considered good		2,837,440	1,441,568
-- Considered doubtful		171,050	2,425,968
		3,008,490	3,867,536
		101,205,333	287,084,024
Less: Provision for doubtful debts		2,097,018	2,425,968
		99,108,315	284,658,056
		=====	=====

**20. ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

Due from an Associated Undertaking	10.1	41,043,950	0
Due from Executives Considered good	20.1	126,613	285,808
Advances to employees - Considered good		1,198,173	1,515,514
Advance payments to suppliers and contractors - Considered good		7,369,569	9,374,637
Letters of credit		17,522,751	13,414
Security Deposits		3,000	3,000
Margin deposits		395,600	1,125,470
Prepayments		43,458	46,227
Income tax deducted at source		42,444,869	36,378,222
Octroi and zila tax refundable		129,108	65,748
Sales tax refundable		2,654,415	525,094
Excise duty		223,419	223,419
Accrued interest/profit on bank deposits		10,161,444	6,169,833
Commitment charges		1,250,000	1,250,000
Others - Considered good		880,451	4,556
		125,444,820	56,980,942
Less:			
Provision for doubtful commitment charges		1,250,000	1,250,000
		124,194,820	55,730,942
		=====	=====

20.1 Maximum aggregate amount due from Executives at any month end during the year was Rs. 363,775 (1998: Rs. 325,283).

**21. CASH AND BANK BALANCES**

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

Cash in hand		412,824	793,923
Cash at banks on:			
Current accounts		7,307,160	17,233,520
Escrow accounts		116	216
Current portion of foreign currency fixed deposits	16	21,638,265	12,811,779
Saving accounts	21.1	1,552,771	32,559,071
		30,498,312	62,604,586
		30,911,136	63,398,509

21.1 These include foreign currency balance of U.S. \$ 29,726 (1998: U.S. \$ 702,600) which has been converted into Pak Rupees at the exchange rate prevailing at the balance sheet date i.e. 1 U.S. \$ = Rs. 51.8133 (1998: Rs. 45.9500).

**22. SALES - Net**

Local:			
Yarn		370,060,418	224,178,775
Cloth		45,340,716	31,575,823
Waste		25,417,255	24,935,207
		440,818,389	280,689,805
Less:			
Commission		906,360	1,049,984
		439,912,029	279,639,821
Export:			
Yarn		1,369,563,592	1,265,947,531
Cloth		818,850,839	753,591,652
Waste		20,512,549	18,741,137
Export rebate		17,623,629	15,723,889
		2,226,550,609	2,054,004,209
Less:			
Export development surcharge		5,376,754	4,854,345
Commission		40,375,456	18,503,580
		45,752,210	23,357,925
		2,180,798,399	2,030,646,284
		2,620,710,428	2,310,286,105

22.1 Local sales have been shown after deduction of sales tax aggregating Rs. 66.256 million (1998: Rs. 35.292 million).

**23. COST OF SALES**

Note	1999 Rupees	1998 Rupees
Raw materials consumed - Net	23.1	
Packing materials consumed		
Salaries, wages and benefits		
Power and fuel		
Repair & Maintenance		
- Stores consumed		
- Expenses		
	166,294,297	155,114,177
Electricity Duty		
Depreciation		
Insurance		
Others		
	2,099,321,629	1,853,815,397
Adjustment of work-in-process		
Opening		
Closing		
	(1,393,719)	600,259
Cost of goods manufactured	2,097,927,910	1,854,415,656
Adjustment of finished goods		
Opening stock		
Purchases		
Closing stock		
	55,019,007	(4,269,207)
	2,152,946,917	1,850,146,449
<b>23.1 Raw materials consumed -- net</b>		
Opening stock		
Purchases		
Transfer from Ginning section	23.2	
Local taxes		
	1,741,242,016	1,448,797,821
Less: Closing stock		
Insurance claim		
	24,047,515	15,645,302
	1,717,194,501	1,433,152,519
Cotton Cess		
	1,341,174	1,267,717
	1,718,535,675	1,434,420,236
<b>23.2 Production Cost of Ginning Section -- Net</b>		
Note	1999 Rupees	1998 Rupees
Raw materials consumed including local taxes Rs. 5,384,174 (1998: Rs. 4,959,711 )	1,448,054,266	1,261,359,253
Lease charges	23.2.2	
Salaries, wages and benefits		
Travelling and conveyance		
Entertainment		
Stationery		
Communication		
Bank charges		
Financial charges paid for utilisation of cash		
	46,614,000	42,668,400
	7,305,139	5,876,957
	291,183	380,457
	380,935	481,765
	111,162	67,991
	327,448	431,904
	10,155	82,973

finance limits of Associated Undertakings	13,448,001	8,652,178
Others	293,237	244,123
	-----	-----
	1,516,835,526	1,320,246,001
Less : Sale of cotton seed	244,452,932	232,643,233
Sale of cotton lint	0	31,510,284
Sale of waste	0	127,500
	-----	-----
	244,452,932	264,281,017
Transfer to Spinning Section	1,272,382,594	1,055,964,984
	-----	-----

23.2.1 The Company has acquired six (1998-six) Cotton Ginning Factories from Associated Undertakings on lease. Their total cost of production after adjustment of sale of cotton seed cotton lint and waste to outsiders has been transferred to Spinning Section as raw materials cost.

23.2.2 These lease charges have been paid @ Rs. 400 (1998; Rs. 400) per bale of cotton ginned and pressed.

**24. ADMINISTRATIVE AND SELLING EXPENSES**

<b>Administrative:</b>		
Salaries and benefits	5,552,265	4,370,591
Travelling and conveyance including directors' travelling Rs. 2,733,162 (1998: Rs. 1,745,494)	3,811,638	2,633,392
Rent, rates and taxes	426,347	252,788
Entertainment	1,036,670	1,041,029
Electricity	639,256	475,981
Communication	3,433,234	2,945,212
Printing and stationery	894,799	736,094
Insurance	440,717	477,188
Repair and maintenance	1,199,120	835,282
Motor vehicles' expenses	2,734,045	2,597,105
Subscription	468,121	690,579
General	1,415,598	1,686,996
Depreciation	2,751,909	2,805,659
	-----	-----
	24,803,819	21,547,896
	=====	=====

<b>Selling:</b>		
Advertisement	174,099	106,418
Export expenses	75,676,815	77,267,653
Local taxes	0	4,617
Purchase of export quota - Net of sale of Rs. 4,043,750	7,945,280	7,215,950
Freight and other expenses	3,350,041	3,904,805
	-----	-----
	87,146,235	88,499,443
	-----	-----
	111,950,054	110,047,339
	=====	=====

**25. OTHER INCOME**

Sale of salvage		2,823,629	3,722,199
Rent		17,100	10,800
Gain on disposal of fixed assets- net	14.1	318,743	1,258,211
Unclaimed balances written-back		188,613	2,739
Export rebate on packing materials		643,171	2,234
Exchange fluctuation gain - net	25.1	10,204,641	0
Interest on foreign currency fixed deposits		3,555,878	0
		-----	-----
		17,751,775	4,996,183
		-----	-----

25.1 The net income for the year has been arrived at as follows:

		<b>1999</b>
		<b>Rupees</b>
Exchange gain on repayment / conversion of suppliers' credits		3,454,971
Exchange gain on long term foreign currency fixed deposits		7,499,845
		-----
		10,954,816
Less:		
Exchange loss on conversion of payable and other balances		750,175
		-----
		10,204,641
		=====

	<b>Note</b>	<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>26. FINANCIAL CHARGES - Net</b>			
Interest/mark-up on:			
Long term loans and finances		43,921,909	48,542,262
Suppliers' credits		5,334,684	8,760,364
Workers' (profit) participation fund.		781,710	571,456
Surcharge on customs debentures		479,886	708,850
Mark-up on short term finances		68,697,154	63,745,933
Exchange risk coverage fee		7,960,836	9,783,126
Bank charges and commission		17,040,054	12,362,676
Commission on bank guarantees		61,198	5,480
Commission on letters of credit		1,519,277	2,075,726
Provision for doubtful commitment charges		0	1,250,000
		-----	-----
		145,796,708	147,805,873
Less - Income from deposits with banks		3,352,026	2,696,043
		-----	-----
		142,444,682	145,109,830
		=====	=====

**27. MISCELLANEOUS CHARGES**

Auditors' remuneration		
Mahmood Textile Mills Limited		
Hameed Chaudhri & Co.	100,000	100,000
Audit Fee	11,000	10,500
	-----	-----
	111,000	110,500
Certification Charges		
Mahmood Power Generation Limited		
M.Yousaf Adil Saleem & Co.	20,000	20,000
	-----	-----
	131,000	130,500
Audit Fee		
Legal and professional charges (Other than Auditors)	224,317	811,167
	-----	-----
	42,000	77,100
Donations	27.1	
Balances written-off		171,050
Exchange fluctuation loss - net	27.2	0
Preliminary expenses amortised		48,468
Zakat		0
		-----
		616,835
		-----
		1,535,923
		=====

27.1 None of the directors or their spouses had any interest in the donees.  
27.2 The net expense of the preceding year was arrived at as follows -

Exchange loss on repayment / conversion of Suppliers' credits/payable balances	13,748,469
Less:	
- Exchange gain on long term foreign currency fixed deposits	9,138,846
- Accrued interest on foreign currency fixed deposits	4,184,585
	-----
	13,323,431
	-----
	425,038
	-----

**28. EARNINGS PER SHARE (EPS)**

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	
Profit after taxation attributable to ordinary shareholders	199,021,074	176,249,369
	-----	-----
	<b>Numbers</b>	
Number of ordinary shares issued and subscribed at the end of the year for calculation of EPS	9,973,989	9,973,989
	-----	-----
	<b>Rupees</b>	
EPS	19.95	17.67
	-----	-----

**29. NUMBER OF EMPLOYEES**

Total number of employees at year-end was 2,301 (1998:2,314).

**30. STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Reserve for Issue of bonus shares Rupees	Unappropriated Profit	Total
Balance as at 30 September, 1997	78,845,750	11,451,420	291,947,374	382,244,544
Profit for the year	0	0	176,249,369	176,249,369
Proposed dividend	0	0	(13,600,900)	(13,600,900)
Dividend paid - prior year	0	0	(250,300)	(250,300)
Reserve for issue of bonus shares	0	9,067,270	(9,067,270)	0
Bonus shares issued				
- Prior year	375,450	0	(375,450)	0
- Current year	11,451,420	(11,451,420)	0	0
	-----	-----	-----	-----
Balance as at 30 September, 1998	90,672,620	9,067,270	444,902,823	544,642,713
Profit for the year	0	0	199,021,074	199,021,074
Dividend declared	0	0	(46,985,765)	(46,985,765)
Reserve for issue of bonus shares	0	6,680,794	(6,680,794)	0
Proposed dividend	0	0	(60,352,607)	(60,352,607)
Bonus shares issued	9,067,270	(9,067,270)	0	0
	-----	-----	-----	-----
Balance as at 30 September, 1999	99,739,890	6,680,794	529,904,731	636,325,415
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**31. FINANCIAL ASSETS AND LIABILITIES**

31.1 The financial assets of the Company aggregated Rs. 181,499 million of which Rs. 181,087 million are subject to credit risk. The financial assets are not entitled to mark-up other than Rs. 61,660 million which represent foreign currency fixed deposits and PLS saving accounts at commercial banks. Foreign currency fixed deposits carry mark-up at the rates ranging from 6.69% to 7.81% per annum.

31.2 The financial liabilities of the Company aggregated Rs. 606,062 million. The financial liabilities are based on mark-up/ interest except for liabilities aggregating Rs. 180,209 million. The effective interest/ mark-up rate of financial liabilities range from 3% to 20% per annum.

31.3 The carrying amounts of the financial assets and financial liabilities approximate their fair values.

**32. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
Managerial remuneration	602,000	602,000
House rent	358,100	358,100
Utilities	137,200	137,200
	-----	-----
	1,097,300	1,097,300
	-----	-----
Number of persons	6	6

No remuneration or meeting fee has been paid to the Chief Executive and Directors. Some of the Directors and the Executives are, however, provided with free use of Company maintained cars and telephones at their residences.

**33. CAPACITY AND ACTUAL PRODUCTION**

The Holding Company:	<b>1999</b>	<b>1998</b>
Yarn		
Number of spindles installed	59,520	59,520
Number of spindles-Shifits worked	64,585,282	63,862,951
Production capacity at 20% Count-1089 Shifits	Kgs. 19,295,000	19,295,000
Actual production converted into 20's count	Kgs. 21,321,870	21,247,995
Cloth		
Number of looms installed	103	103
Number of looms-Shifits worked	112,785	109,162
Installed capacity at 60 picks - 1,080 Shifits	Sq. Mtrs 19,975,000	19,975,000
Actual production converted into 60 picks.	Sq. Mtrs 20,888,909	20,479,677
The Subsidiary Company:		
Plant capacity (KWH)	80,592,000	60,444,000
Actual production (KWH)	61,000,470	43,613,707
Generation of Power was limited to actual demand.		

33.1 It is difficult to describe precisely the production capacity in Spinning / Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

**34. FIGURES**

-- in the accounts are rounded-off to the nearest rupee;

-- of the previous year are re-arranged wherever necessary for the purposes of comparison.

Sd/- (KH. MUHAMMAD YOUNUS) DIRECTOR	Sd/- (KH. MUHAMMAD IQBAL) CHIEF EXECUTIVE	Sd/- (KH. MUHAMMAD MASOOD) CHAIR
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