

## **Usman Textile Mills Limited**

### **Annual Report 1998**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Mr. M. Kasim Hasham	Chairman
Mr. M. Hussain Hasham	Chief Executive
Mr. M. Ebrahim Hasham	Director
Mr. M. Amin Kath	Director
Mr. M. Asad Kath	Director
Mr. Khurram Kasim	Director
Mr. Abdul Ghani Abdul Sattar	Director

##### **AUDITORS**

Hyder Bhimji & Co.  
Chartered Accountants

##### **BANKERS**

Muslim Commercial Bank Limited  
Habib Bank AG Zurich  
Bank Al Habib Limited

##### **REGISTERED OFFICE & MILLS**

A/1 S.I.T.E. Manghopir Road, Karachi.

#### **NOTICE OF MEETING**

NOTICE is hereby given that the 51st Annual General Meeting of the Company will be held at its Registered Office A/1, Sindh Industrial Trading Estate (S.I.T.E.) Manghopir Road, Karachi on Friday the 26th March 1999 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the company held on 24th March 1998.
2. To receive, consider and adopt the audited Annual Accounts for the year ended 30th September 1998 and the Directors' and the Auditors' Report thereon.
3. To elect Seven Directors as fixed by the Board for a term of three (3) years in accordance with Section 178 of the Companies Ordinance, 1984. The following Directors, currently on the Board, shall be retiring in accordance with the provisions of the said section read with Section 180 of the Ordinance.

M. Kasim Hasham, M. Ebrahim Hasham, M. Hussain Hasham, M. Amin Kath, M. Asad

Kath, Khurram Kasim, A. Ghani A. Sattar.

4. To appoint auditors for the year 1998-99 and fix their remuneration. The retiring Auditors Messers Hyder Bhimji & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.

5. To transact any other business with the permission of the chair.

Karachi, February 16, 1999

By Order of the Board

**A. GHANI A. SATTAR**

Director

**Notes:**

1. The Share Transfer Books of the Company shall remain closed from March 14, 1999 to March 27, 1999 (both days inclusive).

2. Any person who seeks to contest the election to the office of Director shall, whether he is a retiring Director or otherwise, file with the Company, not later than 14 days before the date of meeting, a notice of his intention to offer himself for election as a Director.

3. A member unable to attend the meeting and exercise personally his/her right to vote may appoint another member as proxy to attend and vote on his/her behalf.

4. The instrument of proxy and the power of attorney or other authority, under which it is signed, or a notarially certified copy of such power of attorney in order to be valid must be deposited at the Registered Office of the Company not later than 48 hours before the meeting and must be duly stamped and witnessed.

5. Members are requested to notify any change in their address immediately.

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

**For the year ended September 30, 1998.**

It is a matter of honor for us to be presenting to the Shareholders, on behalf of your Company's Board of Directors, this 51st Annual Report and Audited Accounts of the Company for the year ended September 30, 1998

**THE YEAR UNDER REVIEW**

**Cotton Crop**

The size of the cotton crop for the year 1997-98 remained almost the same as last year at 8.5 million bales which was sufficient to meet the local demand of our Spinning Industries. However, the price of cotton drastically increased from July 1998 and touched an all time high of Rs. 2,700.00 per maund in August 1998. Pakistani cotton besides being very expensive, also contained higher percentage of trash compared to previous years which made our yarn uncompetitive.

**Financial Results and Appropriations.**

The Financial highlights, and the proposed appropriation. for 1997-98 as compared to the previous year are as under:

	1997-98	1996-97
Operating profit/(loss)	(710,145)	19,766,280
Profit before taxation	2,105,302	8,809,231
Profit after taxation	891,532	7,218,213
Brought forward profit/(loss)	168,378	(2,391,975)
Available for appropriation	502,000	4,826,238

Proposed dividend Nil (1997 12.50%)	0	(4,657,860)
Unappropriated profit carried to balance sheet	502,000	168,378

#### **OPERATIONAL PERFORMANCE**

As you know, the operations of mills have been stopped since August 1998 to plug the incidence of continues losses.

The far eastern markets continued to be in crises and there was virtually little exports by new entrants to the European countries on account of stringent quota regime. Consequently, the demand for O.E. yarn continued to decline which in turn adversely affected the prices of yarn and fabric. Besides there was saturation in the local market resulting in piling up of finished goods stocks which touched an all time high of Rs. 75 million in June 1998.

The losses were increasing by the day and there was no hope of improvement in sight in the near future which compelled the Management to close down the mills operations. It now appears, that if the Management had not taken this timely decision, the Company would have badly suffered even more losses.

The turnover during the period under review decreased by almost 40% to Rs. 185.135 million as compared to Rs. 304.959 million last year, which reflects the declining trend of demand. However, the debt-equity ratio of the Company has further improved from 52:48 to 46:54.

#### **THE YEAR AHEAD**

As reported above, the production operations of the Company will remain suspended for the coming year as ,the market conditions continue to be very unfavorable. The Management does not foresee any improvement for the Textile business in the near future as more than 100 textile units have shut down in the country.

Apart from the market conditions on which the mills have no control, one most essential condition for revival of production in the present competitive milieu is replacement of the decade old O.E. Spinning machinery with new Autocoro machines which have in the meantime become very advanced in technology and very costly, beyond the financial means of your Company. In the present scenario, apparently it is not feasible to incur huge borrowings at high interest rates with future remaining so uncertain.

The Management is closely monitoring the local and foreign market conditions and is considering other options in the best interest of the Company and its Shareholders, including dependence on rental income of the Company godowns.

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

The financial accounts of the Company are being maintained on IBM compatible system using Foxpro Software through Novel Netware. The system not being Y2K compliance, the Company is in the process of upgrading it on Y2K compliance.

#### **Appointment of Auditors**

The Auditors M/S Hyder Bhimji & Co. Chartered Accountants retire and offer themselves for reappointment.

#### **Acknowledgment**

Your Directors wish to place their appreciation for the dedicated efforts and hard work of all the employees of your Company. The Board would also like to hereby communicate their appreciation to the managements of Muslim Commercial Bank Limited, Habib Bank A.G. Zurich, Bank Al Habib and Askari Leasing Limited for their financial support provided to your Company and for their continued co-operation and assistance.

The Directors are grateful to the Shareholders for reposing their confidence in the Board.

For and on behalf of  
the Board of Directors

Karachi:  
February 16, 1999

**M. Hussain Hasham**  
Chief Executive

## PATTERN OF SHAREHOLDING

NUMBER OF SHARES HOLDERS	SHARES HOLDING		TOTAL SHARE HELD	
927	1	TO	100	24,874
327	101	TO	500	88,105
136	501	TO	1000	100,734
105	1001	TO	5000	208,639
11	5001	TO	10000	71,990
1	10001	TO	15000	12,000
1	15001	TO	20000	18,900
1	20001	TO	25000	22,200
1	40001	TO	45000	43,969
2	45001	TO	50000	96,228
3	50001	TO	100000	221,340
1	100001	TO	105000	102,500
1	300001	TO	350000	336,215
1	350001	TO	400000	390,708
1	400001	TO	450000	414,811
1	450001	TO	500000	474,137
1	500001	TO	550000	541,051
1	550001	TO	575000	557,879
-----			-----	
1522			3,726,288	
=====			=====	

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE %
1. Individual	1,486	3,511,947	94.25
2. Insurance Companies	3	68,881	1.85
3. Joint Stock Companies	14	128,613	3.45
4. Financial Institutions	8	8,064	0.22
5. Charitable Institutions	6	1,165	0.03
6. Others	5	7,618	0.20
	-----	-----	-----
	1,522	3,726,288	100.00
	=====	=====	=====

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of USMAN TEXTILE MILLS LIMITED, as at September 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement) together with the notes forming part thereof 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 purpose of our audit and after due verification thereof, we report the:

(a) in our opinion, proper books of account have been kept by the Company as required by the Company Ordinance 1984. in our opinion:

(b) in our opinion:

(i) The Balance Sheet and Profit and Loss Account together with the notes thereon 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 Company:

(c) In our opinion and to the best of our information and according to the explanations give to us, the Balance Sheet Profit and Loss Account and Statement of changes in Financial Position (Cash Flow Statement) together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1998 and of the profit and the changes in Financial Position (Cash Flow) for the year 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.

Karachi: February 16, 1999.

**Hyder Bhimji & Company**  
Chartered Accountants

### BALANCE SHEET AS AT SEPTEMBER 30, 1997

	NOTE	1998	1997
		(RUPEES)	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital	3	50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid up	4	37,262,880	37,262,880
Capital Reserve	5	12,420,960	12,420,960
Revenue Reserve		4,500,000	4,500,000
Unappropriated Profit		502,000	168,378
		-----	-----
		54,685,840	54,352,218
<b>Redeemable Capital</b>	6	0	0
<b>Liabilities against Assets</b>	7	280,126	12,113,949
<b>Subject to Finance Lease</b>			
<b>Long Term Loan</b>	8	35,000,000	30,000,000
<b>Deferred Liabilities</b>		541,473	1,420,783
<b>Current Liabilities</b>			
Current Portion of:			
Redeemable capital	6	0	605,775
Liabilities against assets subject to finance l	7	12,186,719	11,511,669
Long term loan	8	0	5,000,000
Short term running finance (secured)	9	73,467,364	65,051,580
Creditors, accrued and other liabilities	10	16,206,521	8,495,920
Proposed dividend		0	4,657,860
		-----	-----
		101,860,604	95,322,804
<b>Contingencies</b>	11	-	-
		-----	-----
		192,368,043	193,209,754
		=====	=====

**PROPERTY AND ASSETS**

Operating Fixed Assets	12	106,024,992	110,660,550
<b>Long Term Investments</b>	13	27,000	27,000
<b>Long Term Deposit &amp; Deferred Cost</b>	14	8,172,530	10,452,547

**Current Assets**

Stores, spares and loose tools	15	4,200,574	3,806,026
Stock in trade	16	48,930,040	33,234,747
Trade debts	17	8,999,604	22,333,088
Advances, prepayments and other receivables	18	15,352,900	12,442,628
Cash and bank balances	19	660,403	253,168
		-----	-----
		78,143,521	72,069,657
		-----	-----
		192,368,043	193,209,754
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: February 16, 1999.

**M. HUSSAIN HASHAM**  
Chief Executive

**M. Amin Kath**  
Director

**PROFIT AND LOSS**

**for the year ended September 30,1998**

	NOTE	1998	1997
		(RUPEES)	
<b>SALES</b>	(20)	185,135,000	304,959,545
Cost of sales	(21)	176,081,361	268,639,002
		-----	-----
<b>GROSS PROFIT</b>		9,053,639	36,320,543
Administrative expenses	(22)	7,364,947	8,701,598
Selling expenses	(23)	2,398,837	7,852,665
		-----	-----
		9,763,784	16,554,263
		-----	-----
<b>OPERATING PROFIT</b>		710,145	19,766,280
Financial Charges	(24)	(18,719,091)	(21,285,387)
Other Income	(25)	21,645,343	10,791,982
Workers' Profit Participation Fund		(110,805)	(463,644)
		-----	-----
		(2,815,447)	(10,957,049)
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		2,105,302	8,809,231
Taxation	(26)	1,213,770	1,591,018
		-----	-----
<b>PROFIT AFTER TAXATION</b>		891,532	7,218,213
Prior Year Adjustment	(27)	(557,910)	0
Accumulated Profit (Loss) B/F		168,378	(2,391,975)
		-----	-----
Available for appropriation		502,000	4,826,238
Appropriation			
Proposed dividend: Nil (1997: 12.50%)		(0)	(4,657,860)

Unappropriated Profit	-----	-----
carried to balance sheet	502,000	168,378
	=====	=====

Note: The annexed notes forms an integral part of these accounts.

**M. HUSSAIN HASHAM**  
Chief Executive

**M. Amin Kath**  
Director

Karachi: February 16, 1999.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) for the year ended September 30,1998**

	1998	1997
	(RUPEES)	
<b>Cash Flows From Operating Activities</b>		
Net profit before taxation	2,105,302	8,809,231
Adjustments for:		
Depreciation	9,985,759	8,344,552
Amortisation-deferred cost	2,633,617	3,834,498
Financial Charges	18,719,091	21,285,387
Profit on sales of fixed Assets	(8,910,280)	(18,485)
Provision for Gratuity	(879,310)	436,723
Prior years adjustment	557,910	0
	-----	-----
	22,106,787	33,882,675
	-----	-----
Profit before working capital changes	24,212,089	42,691,906
<b>Effects on cash flow due to working capital changes</b>		
(Increase)/Decrease in Current Assets		
Store Spares & loose tools	(394,548)	835,529
Stock in trade	(15,695,293)	4,061,274
Trade debts	13,333,484	(17,520,793)
Advance, deposits & prepayment	(2,910,272)	(4,081,371)
	-----	-----
	5,666,629	(16,705,361)
Increase/(Decrease) in Current Liabilities		
Creditors, accrued and other liabilities	8,083,485	(2,98,0,547)
Short term running finances	8,415,784	22,653,483
Dividends	(4,657,860)	(4,657,860)
	-----	-----
	11,841,409	15,015,076
	-----	-----
Cash generated from operations	30,386,869	41,001,621
Financial charges paid	(19,091,975)	(22,211,541)
Sales proceed on sales of fixed Assets	9,904,680	343,500
Income tax paid	(2,509,890)	(2,962,466)
	-----	-----
Net cash from operating activities	18,689,684	16,171,114
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(6,164,301)	(12,749,865)
Long term deposits & deferred cost	(353,600)	461,808
	-----	-----
Net cash from/(used in) investing activities	(6,517,901)	(12,288,057)

**Cash flows from financial activities**

Repayment of lease liabilities	(11,158,773)	(775,597)
Payment of long term loan	(605,775)	(3,181,903)
	-----	-----
	(11,764,548)	(3,957,500)
	-----	-----
Net increase/(decrease) in cash & cash equivalents	407,235	(74,443)
Cash and cash equivalents at the beginning of the year	253,168	327,611
	-----	-----
Cash and cash equivalents at the end of the year	660,403	253,168
	=====	=====

**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED SEPTEMBER 30, 1997****1. THE COMPANY AND ITS OPERATIONS**

Usman Textile Mills Limited is a public limited company incorporated on 10th March 1947 and quoted on Karachi Stock Exchange in Pakistan. The Company is engaged in sales and manufacture of cotton yarn and cotton fabrics.

The Spinning and Weaving units of the Company have been closed down on June 27, 1998 and August 13, 1998 respectively due to adverse business conditions and in order to reduce further losses to the Company.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 ACCOUNTING CONVENTION**

These accounts have been prepared under the historical cost convention.

**2.2 STAFF RETIREMENT BENEFITS**

The Company operates an unfunded gratuity scheme for its employees and provision is made annually to cover the obligations under the scheme.

**2.3 TAXATION****CURRENT**

Provision for current taxation is computed in accordance with the provision of the Income Tax Ordinance 1979.

**DEFERRED**

The Company accounts for deferred taxation on all timing differences by using liability method. However deferred taxation is not provided if it can be established that the timing differences are not likely to reverse in the foreseeable future

**2.4 FIXED CAPITAL EXPENDITURE**

Operating fixed Assets are stated at cost less accumulated depreciation, except for land and capital work in progress, which are stated at cost.

Depreciation on operating Fixed assets is charged to profit and loss account on reducing balance method at the rates specified in the fixed assets note whereby the cost of an assets will be written off over its estimated useful life.

Depreciation on plant and machinery used for part of the year has been charged on pro-rata basis.

On plant and machinery addition, the depreciation is charged from the date of their installation and on other assets from the date of their purchase.

Maintenance and repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any are



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

#### ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligation of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets on reducing balance method at the rates specified in the fixed assets note whereby the cost of an asset will be written off over its estimated useful life.

#### 2.5 INVESTMENTS

These are stated at cost.

#### 2.6 DEFERRED COST

These are amortized over a maximum period of five years from the year of deferment

#### 2.7 STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools are valued on the basis of average cost method.

#### 2.8 STOCK IN TRADE

Finished goods are stated at the lower of cost and estimated net realisable value. Raw materials are valued at average cost. Cost of work-in-process includes direct cost of materials and overheads. Net realisable value signifies the estimated selling price in ordinary course of business less cost necessary to be incurred in order to make the sale.

#### 2.9 TRADE DEBTS

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery, if any.

#### 2.10 REVENUE RECOGNITION

Sales are recognised when goods are delivered to customers.

	1998	1997
	(RUPEES)	
<b>3. AUTHORISED CAPITAL</b>		
5,000,000 Ordinary shares of Rs.10/- each.	50,000,000 =====	50,000,000 =====
<b>4. ISSUED, SUBSCRIBED AND PAID UP</b>		
Ordinary shares of Rs.10/- each 3,234,469 fully paid in cash.	32,344,690	32,344,690
491,819 Ordinary shares of Rs 10/-each Issued as fully paid bonus shares	4,918,190 ----- 37,262,880 =====	4,918,190 ----- 37,262,880 =====
<b>5. CAPITAL RESERVES</b>		
Premium on issue of Right Shares	12,420,960 =====	12,420,960 =====
<b>6. REDEEMABLE CAPITAL</b>		
M.C.B. Demand finance	0	605,775
Current portion shown under Current Liabilities	0 ----- 0 =====	(605,775) ----- 0 =====

This finance was taken for import of machinery and meeting part of local currency cost and it is

secured against the following:

- Equitable mortgage on company's present and future fixed assets.
- Hypothecation of its entire spinning plant/machinery and equipment.
- Floating charge on book debts. This loan was repayable in 10 semi annual This finance was repayable in 10 semi annual installments commencing from January 1, 1992. The Company has paid-off 9 installments of this finance One installment of Rs 1,615,400 was reschedule and is now payable in 8 quarterly installment commencing from September 1996.

Markup on reschedule finance is payable @ 13% per annum chargeable quarterly.

	1998	1997
	(RUPEES)	
<b>7. LIABILITIES AGAINST ASSETS</b>		
<b>SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payment	23,625,618	24,401,215
Acquired during the year	0	8,500,000
Repayment during the year	(11,158,773)	(9,275,597)
	-----	-----
	12,466,845	23,625,618
Current portion shown under current liabilities	12,186,719	11,511,669
	-----	-----
	280,126	12,113,949
	=====	=====

The company has acquired laboratory equipment, gas generators & drawing frame from Askari Leasing Limited on finance lease. Purchase option is available the end of lease period

Other term and conditions are as under

Principal	Financial charges	Total	Monthly Rental	No. of Monthly installment	Commencing From	Rate implied in the lease %
30,000,000	12,621,120	42,621,120	825,440	48	22-3-95	20.26
2,750,000	831,024	3,581,024	91,834	36	24-7-96	19.85
8,500,000	2,677,824	11,177,824	284,845	36	25-11-96	20.21

The amount of future payment and the period during which they will fall due are:

Year ending September 30, 1999	8,371,846
Year ending September 30, 2000	284,845
	-----
	9,028,870
Add: Lease Deposits	4,125,000
	-----
	13,153,870
Less: Financial charges allocated to future period	687,025
	-----
	12,466,845
	=====

**8. LONG TERM LOAN (UNSECURED)**

From Associated Undertaking:		
Pakistan Molasses Company	35,000,000	35,000,000
Current portion shown under		
Current liabilities	0	5,000,000
	-----	-----
	35,000,000	30,000,000
	=====	=====

This has been rescheduled and is repayable in 14 equal half yearly installments commencing from October 1999. The loan carries interest @ 10% per annum. However in view of the adverse business condition of the Company the associated undertaking has acceded to the request of the Company for not charging interest on the above loan for the current year.

**1998**                      **1997**  
**(RUPEES)**

**9. SHORT TERM RUNNING FINANCE (SECURED)**

Muslim Commercial Bank Limited	9.1	35,479,149	45,120,565
Habib Bank AG Zurich	9.2	11,599,358	19,931,015
Bank Al Habib	9.3	26,388,857	0
		-----	-----
		73,467,364	65,051,580
		=====	=====

9.1 The arrangements are secured by way of hypothecation/pledge of raw material, finished goods, lien on letter of credits and personal guarantee of directors. The total arrangement available amounts to Rs 103.00 million (1997: Rs 103.00 million)

9.2 The arrangements are secured by way of hypothecation of raw material, finished goods, lien on letter of credits, personal guarantee of directors and personnel shares of directors. The total arrangement available amounts to Rs 30.00 million(1997 Rs: 30.000 million)

9.2 The arrangements are secured by way of hypothecation of raw material, finished goods, lien on letter of credits, personal guarantee of directors. The total arrangement available amounts to Rs 40.00 million (1997: Rs Nil million)

Markup on above facilities ranges from 22 to 51 paisa per 1000/- rupees per day

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

Creditors For Goods		7,746,879	3,170,399
Creditors For Expenses		1,166,466	1,703,413
Due to associated undertaking & director		3,360,769	980,687
Markup on Short term running finance		0	372,884
Advance from Customers		11,828	1,347,434
Workers' Profit Participation Fund	11.1	141,659	463,644
Workers' Welfare Fund		6,188	6,188
Unclaimed dividend		3,772,732	451,271
		-----	-----
		16,206,521	8,495,920
		=====	=====

**10.1 WORKERS' PROFIT PARTICIPATION FUND**

At the beginning of the year		463,644	656,648
Allocation for the year		110,805	463,644
		-----	-----
		574,449	1,120,292

Amount paid to workers	432,790	656,648
	-----	-----
Balance as at September 30	141,659	463,644
	=====	=====

## 11. CONTINGENCIES AND COMMITMENTS.

11.1 There is a contingent liability of Rs. 7,347,042 in respect of excise duty payable under production capacity rules for the capacity period. Against this the company has submitted counter claim to the Central Board of Revenue amounting to Rs. 5,132,555 for the accounting year 1967-68 to 1970-71 and for October 1971 against this contingent liability of Rs.7,347,042 the company has deposited Rs. 800,000 with the Central Excise Department and for the balance disputed amount of Rs. 6,547,042 the Company has submitted a bank guarantee. The matter is still pending for finalization by the Central Board of Revenue. The Company has not acknowledged the same as liability as the company is confident that this liability will not crystalise.

11.2 The company has preferred an appeal before the higher authorities in respect of the demand of Rs. 200,000 imposed by the Central Board of Revenue.

11.3 There is a contingent liability in respect of supplementary bill raised by KESC. Initially, the Electric Inspector decided the matter in favour of the Company clearing all the liability. However, the Secretary, Ministry of Power and Irrigation, Government of Sindh, in appeal by KESC gave a decision and created the demand of Rs 855,500 against the Company for which the Company has filed the case for relief in the Honorable High Court of Sindh where the matter is still pending. In the meantime, the matter was settled with KESC according to which Rs 427,750 has been paid out of Rs 855,500. The balance is pending subject to receiving of Clearance Certificate from KESC.

## 12. Operating Fixed Assets (Tangible)

### 12.1 The Following Is A Statement Of The Operating Fixed Assets

	Cost 01.10.97	Addition/ (Deletion)	Cost 30.09.98	Accumulated Depreciation	W.D.V 30.09.97	Depreciation For The Year	Rate
Lease Hold Land	108,100	(9,385)	98,715	0	98,715	0	-
Building On Lease Hold Land	27,437,737	1,224,283	28,662,020	16,974,498	11,687,522	1,264,607	10
Plant & Machinery Electric & Gas Installation	78,762,442	4,074,563	82,837,005	39,826,199	43,010,806	3,877,049	10
Tools & Equipment	14,898,785	0	14,898,785	7,506,734	7,392,051	672,005	10
Sliver Cans	8,919,093	281,200	9,200,293	3,567,129	5,633,164	512,105	10
Furniture & Fixtures	1,904,400	0	1,904,400	976,663	927,737	84,340	10
Motor Vehicle	1,509,356	0	1,509,356	987,885	521,471	57,941	10
	4,407,919	28,700	3,067,683	2,023,738	1,043,945	260,986	20
		(1,368,936)					
Power House	1,820,478	555,555	2,376,033	248,981	2,127,052	203,469	10
	139,768,310	6,164,301	144,554,290	72,111,827	72,442,463	6,932,502	
		(1,378,321)					
	=====	=====	=====	=====	=====	=====	

### 12.2 Assets subject to Finance Lease

Power House	34,073,871	0	34,073,871	10,037,055	24,036,816	2,185,165	10
Laboratory Equipment	2,858,269	0	2,858,269	519,848	2,338,421	212,584	10
Plant & machinery	8,500,000	0	8,500,000	1,292,708	7,207,292	655,208	10
	45,432,140	0	45,432,140	11,849,611	33,582,529	3,052,957	

1998 Rupees	185,200,450	6,164,301	189,986,430	83,961,438	106,024,992	9,985,459
		(1,378,321)				
1997 Rupees	172,450,585	12,749,865	185,200,450	74,539,901	110,660,550	12,179,051

**1998                      1997**  
**(RUPEES)**

Depreciation Charge for the year has been allocated as follows

Cost of sales	9,666,532	11,594,360
Administration & General	318,927	584,691
	-----	-----
	9,985,459	12,179,051
	=====	=====

**12.3 DISPOSAL OF FIXED ASSETS (BY NEGOTIATION)**

Particulars	Cost	Accumulated Depreciation	Book Value	Sales Proceeds	Sold to
Motor Vehicle	188,250	148,770	39,480	90,000	Mr M Afzal Rind Karachi
Motor Vehicle	198,686	133,580	65,106	120,000	Mr Asif Adam Karachi
Motor Vehicle	348,000	69,600	278,400	295,000	ICI Pakistan Ltd Karachi
Motor Vehicle	387,000	139,320	247,680	247,680	Pakistan Molasses Co Karachi
Motor Vehicle	170,000	34,000	136,000	100,000	Mr Iftikhar Ahmed Karachi
Motor Cycle	35,000	23,531	11,469	25,000	Mr Iqbal Memon Karachi
Motor Cycle	42,000	15,120	26,880	27,000	Mr Faisal Majeed Karachi
Land	9,385	0	9,385	9,000,000	Yousuf Chhapra, Karim Chhapra Khalid Chhapra, Obaid Chhapra Shaikh Abid, Shehzad Faisal Sohail Nisar Karachi
Total	1,378,321	563,921	814,400	9,904,680	
	=====	=====	=====	=====	

**13. LONG TERM INVESTMENTS.**

13.1 In Joint Stock Company - Quoted

Pakistan Insurance Corporation Ltd.

1,342 Ordinary Shares of Rs 100/= each.

24,000                      24,000

13.2 Defence Saving Certificates (Deposited

with Central Excise & Customs).

3,000                      3,000

-----

27,000                      27,000

=====

The aggregate market value of the above quoted investment as at September 30,1998 was

Rs. 513,284 (1997: Rs.547,200/-)

**14. LONG TERM DEPOSITS & DEFERRED COST**

Excise duty on Cotton yarn capacity	2,160,009	2,160,009
Other Deposits	6,012,521	5,658,921
Deferred Cost	0	2,633,617

-----	-----
8,172,530	10,452,547
=====	=====

<b>1998</b>	<b>1997</b>
<b>(RUPEES)</b>	

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

Spares	3,649,145	3,371,194
Loose tools	4,392	4,392
Packing Material	479,633	392,110
Stationery material	67,404	38,330
-----	-----	-----
	4,200,574	3,806,026
=====	=====	=====

**16. STOCK IN TRADE**

Raw Material	0	5,296,472
Work in process	0	2,121,152
Finished Goods	48,930,040	25,817,123
-----	-----	-----
	48,930,040	33,234,747
=====	=====	=====

**17. TRADE DEBTS**

(UNSECURED)

Considered Good	8,999,604	22,333,088
Considered Doubtful	495,669	495,669
-----	-----	-----
	9,495,273	22,828,757
Provision for doubtful debts	495,669	495,669
-----	-----	-----
	8,999,604	22,333,088
=====	=====	=====

**18. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES****ADVANCES:**

To suppliers	1,734,574	4,226,693
To staff	583,593	444,375
-----	-----	-----
	2,318,167	4,671,068

**PREPAYMENTS:**

Excise Duty & Sales Tax	6,605,240	1,025,700
Prepaid Expenses	18,500	518,337
Letter of Credit	874,391	-
-----	-----	-----
	7,498,131	1,544,037
Rebate Receivables	340,000	1,465,119
Income Tax refund	5,196,602	4,762,404
-----	-----	-----
	15,352,900	12,442,628
=====	=====	=====

**19. CASH AND BANK BALANCES**

In hand	194	83,079
With banks		
In Current Accounts	660,209	170,089
-----	-----	-----
	660,403	253,168

	=====	=====
	1998	1997
	(RUPEES)	
<b>20. SALES</b>		
<b>SALE OF YARN:</b>		
Local	74,658,159	64,066,820
Export	14,074,857	130,454,812
	-----	-----
	88,733,016	194,521,632
	-----	-----
<b>SALE OF FABRICS:</b>		
Local	41,160,926	64,694,569
Export	56,917,168	46,123,685
	-----	-----
	98,078,094	110,818,254
	-----	-----
<b>SALE OF WASTE</b>		
	611,188	3,799,931
	-----	-----
	187,422,298	309,139,817
	-----	-----
<b>LESS:</b>		
Commission	1,953,707	3,365,262
Sales tax	333,591	-
Sales discount	0	815,010
	-----	-----
	2,287,298	4,180,272
	-----	-----
	185,135,000	304,959,545
	=====	=====
<b>21. COST OF SALES</b>		
Raw Materials Consumed	140,705,249	202,165,596
Packing Materials Consumed	2,557,519	3,766,977
Stores and spares Consumed	6,491,057	11,027,620
Salaries, Wages and Amenities	10,868,034	12,630,926
Rent, Rates and Taxes	570,029	661,939
Water, Power and Fuel	11,125,511	13,349,175
Insurance	1,098,564	737,785
Dyeing and Processing expenses	14,648,374	9,261,684
Other Manufacturing Expenses	1,778,138	2,546,066
Export rebate	(2,436,181)	(2,452,104)
Depreciation	9,666,832	11,594,360
	-----	-----
	197,073,126	265,290,024
Work in Process: Opening	2,121,152	3,446,259
Closing	0	(2,121,152)
	-----	-----
<b>COST OF GOODS MANUFACTURED</b>	199,194,278	266,615,131
Finished Goods Opening	25,817,123	27,840,994
Closing	(48,930,040)	(25,817,123)
	-----	-----
	176,081,361	268,639,002
	=====	=====
	1998	1997
	(RUPEES)	

**22. ADMINISTRATIVE EXPENSES**

Salaries and Amenities		3,732,545	3,695,995
Director's Remuneration		417,000	114,000
Communication		616,158	872,765
Taxes, Fees and Subscription		196,457	194,685
Legal and Professional Charges		96,500	216,375
Printing and Stationery		302,097	274,272
Repairs and Maintenance		110,081	188,750
Auditors' Remuneration	(22.1)	45,000	35,000
Vehicle Maintenance		571,795	690,053
Travelling and Conveyance		426,658	1,012,990
Entertainment		157,087	147,835
Charity and Donation	(22.2)	7,500	499,700
Others		367,142	174,487
Depreciation		318,927	584,691
		-----	-----
		7,364,947	8,701,598
		=====	=====

**22.1 AUDITOR'S REMUNERATION**

Audit fee		40,000	30,000
Out of Pocket Expenses		5,000	5,000
		-----	-----
		45,000	35,000
		=====	=====

**23. SELLING EXPENSES**

Advertisement and Publicity		110,865	184,841
Export Expenses		935,188	1,910,144
Export Freight		1,352,784	5,757,680
		-----	-----
		2,398,837	7,852,665
		=====	=====

**24. FINANCIAL EXPENSES**

Markup on redeemable capital		26,250	164,792
Mark up on short term running Finance		14,843,551	14,501,351
Mark-up on Finance Lease		2,917,775	5,128,105
Bank charges and Commission		931,515	1,491,139
		-----	-----
		18,719,091	21,285,387
		=====	=====

**25. OTHER INCOME**

Dividend income		13,420	13,420
Storage revenue		11,706,865	10,394,078
Profit on sales of fixed Assets		99,665	18,485
Capital Gain (on sale of portion of land		8,990,615	0
Less Commission on sale of land		(180,000)	0
Net Capital Gain		8,810,615	0
Sale of scrap		1,014,778	315,999
Insurance claim		0	50,000
		-----	-----
		21,645,343	10,791,982
		=====	=====

**1998****1997**



(RUPEES)

**26. TAXATION**

Current	955,418	1,591,018
Prior period	258,352	0
	-----	-----
	1,213,770	1,591,018
	=====	=====

26.1 The aggregate amount charged in the accounts of the year for remuneration, including all benefits to directors and executives of the company are as follows

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVE	
	1998	1997	1998	1997	1998	1997
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
	1	1	2	1	5	7
Managerial remuneration and allowances	225,000	0	264,000	114,000	1,359,935	1,128,243
Rent, utilities						
Leave passage						
Medical expenses						
Other expenses	116,952	192,380	1,483,480	568,936	241,622	452,613
	-----	-----	-----	-----	-----	-----
	341,952	192,380	1,747,480	682,936	1,601,557	1,580,856
	=====	=====	=====	=====	=====	=====

The above Directors and Executives are also provided Company maintained cars.

26.2 Aggregate amount charged in these accounts for the year for fees to chief executive was Rs. Nil (1997: Rs. Nil)

**27. PRIOR YEARS ADJUSTMENT**

Expenses relating to prior years	557,910	0
	=====	=====

**28. PLANT CAPACITY AND PRODUCTION**

Rotors installed	1,080	1,080
Rotors operated during the year	1,080	1,080
Installed capacity after conversion into 10 count.	3,018,000	3,018,000
	Kgs.	Kgs.
Actual production after conversion into 10 count.	1,976,240	2,931,162
	Kgs.	Kgs.
No. of shifts worked per day.	3	3
Looms installed.	24	24
Looms operated during the year	23	23
Installed capacity based on 60 picks.	3,090,000	3,090,000
	Sq. Mtr.	Sq. Mtr.
Actual production based on 60 picks.	900,751	1,855,569
	Sq. Mtr.	Sq. Mtr.
No. of shifts worked per day.	3	3

**REASON FOR SHORTFALL IN PRODUCTION**

The reason for low production is due to closure of Spinning Department wef June 27, 1998 and Weaving Department wef August 13, 1998.

The closure of mill was necessary to reduce heavy financial losses.

**29. DEFERRED TAXATION**

The deferred tax liability on account of material timing difference is Rs 1,619,588 which has not accounted for as the same is not likely to reverse in the foreseeable future

**30 GENERAL**

(i) Previous year figures have been rearranged and regrouped to facilitate comparison

(ii) Figures have been rounded off to the nearest rupee.