

## **Zahur Textile Mills Limited**

### **Annual Report 1999**

#### **CONTENTS**

Board of Directors  
Notice of Annual General Meeting  
Directors' Report  
Auditors' Report  
Balance Sheet  
Profit and Loss Account  
Statement of Changes  
in Financial Position  
Notes to the Accounts  
Pattern of Holding of the Shares

#### **BOARD OF DIRECTORS**

**CHAIRMAN** ARIF ZAHUR

**CHIEF EXECUTIVE** MOHSIN ZAHUR

**DIRECTORS** EJAZ-UL-HAQUE  
RAZA ARIF  
M. RASHID CHAUDHRY  
AMJAD MAHMOOD  
MOIN A. HAROON  
SAIF ULLAH KHAN (NOMINEE PICIC)

**COMPANY SECRETARY** EJAZ-UL-HAQUE

**AUDITORS** ANJUM ASIM SHAHID & CO.,  
CHARTERED ACCOUNTANTS  
1-INTER FLOOR, EDEN CENTRE,  
43, JAIL ROAD, LAHORE 54000 - PAKISTAN  
TEL: 7590214-6, FAX: 7599023

**SHARE REGISTRARS** SOFTLINK (PVT) LTD.  
WINGS ARCADE, 1-K (COMMERCIAL)  
MODEL TOWN, LAHORE  
PHONE: 5839180-82  
FAX: 042 5837061

**LEGAL ADVISOR** RAJA MUHAMMAD AKRAM & CO.  
65/4-FCC SYED MARATAB ALI ROAD,  
GULBERG-IV, LAHORE.  
TEL: 5750208 - 5750074  
FAX: 042-5750175

**REGISTERED HEAD OFFICE** 31-CAVALRY GROUND,  
MAIN WALTON ROAD,  
LAHORE - CANTT.

PHONE: 6670400, 6655207, 6676962

FAX: 6670085

**REGIONAL OFFICE**

ANUM CLASSIC  
DAR-UL-AMAN SOCIETY  
SHAHRAH-E-FAISAL  
KARACHI  
PHONE: 4555568

**MILLS**

49TH KILOMETER, MULTAN ROAD  
LAHORE.  
MOBILE: (0320) 208125, 208126

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 14th Annual General Meeting of share holders of the Company will be held on October, 05 2000 at the Registered Office, 31-Cavalry Ground, Main Walton Road, Lahore Cantt. At 11.00 a.m. to transact the following business:-

1. To confirm minutes of the last Extra Ordinary General Meeting held on July 27, 2000.
2. To receive, consider and adopt the audited Accounts of the Company for the year ended September 30, 1999 and the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 1999-2000 and to fix their remuneration.
4. Any other business with the permission of the Chair.

**By Order of the Board**

Lahore  
September 14, 2000

**EJAZ-UL-HAQUE  
COMPANY SECRETARY**

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from September 28, 2000 to October 06, 2000. (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. The form of proxy duly completed, should reach the Registered Office of the Company (31-Cavalry Ground, Main Walton Road, Lahore-Cantt) at least 48 hours before the time for holding the Meeting.
3. Members are requested to immediately notify the change in their address, if any.

**DIRECTORS' REPORT**

The Board of Directors of your Company is pleased to present the 14th Annual Report of the Company together with the audited accounts and the auditors' report thereon for the year ended 30th September, 1999.

**Over View**

The rates at which the cotton was available to domestic industry were @ 51 cents/lbs to 63 cents per lbs. The year 1998-99 was one of the most difficult years in the history of the country. During the year policy changes were directed at minimising the adverse effects of economic sanctions.

The growth rate of GDP was 3.1 percent in 1998-99 compared with the target of 6.00 percent for the year. The slower growth rate of economy was mainly the result of poor performance of both the agriculture and industrial sector. The slow down in industry was largely the result of the uncertainties entailing nuclear detonation, world-wide recession and the spillover effects of crises in East Asian countries.

You are aware that the textile industry has a 46 percent share in the industrial sector of the country and provides employments to 38 percent of the labour force and its contribution to GDP is 8.5 percent. The growth of this industry has not been uniform presently these are 442 spinning units with an installed capacity of 8.36 million spindles and 166,000 rotors out of which 1.76 million spindles and about 100,000 rotors are lying idle.

### **Operating and Financial Results**

*(Rs. In Million)*

Net Sales	723,718
Gross (Loss)	(11,237)
Net pretax (Loss) for the year	(72,714)

Factors responsible for the loss are mainly due to, (a) high price of raw-cotton, (b) increase in input cost, (c) increase in fuel & power cost, (d) continued recession in international market, (e) general economic slow downs, and (f) inordinate delays in the refund of general sales tax and custom rebates.

### **Comments on Auditors' Observations**

\* The re-scheduling with financial institutions has been undertaken. In the subsequent period, disposal of Spinning unit-3 has been finalized the funds from which will be utilized exclusively for settlement of bank obligations. The remaining plant & machinery has been substantially upgraded in order to meet market requirements. Keeping in view the production capacity and planned funds position, the management is quite confident to run your project profitably.

\* All re-scheduling/settlement and fresh loan arrangements and allied documents have been shown to the auditors to their satisfaction. However, response from Financial Institution towards direct balance confirmation certificates has been slow.

\* The valuation of stores & spares has been executed after taking fair market prices of individual store items and has been provided for audit verification.

### **Future Prospects**

By the grace of Allah Almighty, during the year 1999-2000, the country will experience a bumper cotton crop, as a result of which, the cotton prices will be less than last year. The quality of raw cotton is also much better than the prior years. It is encouraging for the future of textile industry in Pakistan and appear next year promising and the spinning sector should perform better.

### **Resource Mobilization**

During year 2000, the Company after taking approval from the Members in EGM, has finalized disposal of Spinning unit No. 3 comprising 20320 spindles in order to reduce substantial debt burden on the Company and consequently reducing financial cost to make the balance capacity healthy to generate cash/profits.

### **Auditors**

The auditors M/s Anjum, Asim, Shahid & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment for next year.

### **Pattern of Shareholding**

The Pattern of Shareholding of the company as referred by section 236 of the Companies Ordinance, 1984 is annexed.

### **Acknowledgments**

In the end, we would take this opportunity to thank our valued Shareholders, Auditors, Financial Institutions, Securities & Exchange Commission of Pakistan, APTMA, and other Regulatory Authorities for their continued support and guidance.

The Board also wishes to place on record their appreciation for the hard work and dedication shown by the Company personnel.

### **On Behalf of the Board**

Lahore  
September 07, 2000

**Mohsin Zahur**  
**Chief Executive**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Zahur Textile Mills Limited as at September 30, 1999 and the related profit and loss account, statement of changes in equity and statement of changes in financial position, together with the notes forming part thereof for the year then ended and we state that:-

- i. The company has sold during the year spinning unit-1, weaving unit-2 and subsequent to the balance sheet date has got approval through Extra Ordinary General Meeting held on July 27, 2000 to sell further assets of the company namely 20,520 spindles of spinning unit including land, building, plant & machinery; termed as spinning unit-3 to pay off/settle the debts of the company as part of major financial restructuring with its lenders. These accounts have been prepared on going concern basis validity of which is mainly dependent on the ability of 'company to attain profitable and efficient level of turnover from the remaining units of the company, continuous compliance with restructuring terms with its lenders and bringing its liabilities to serviceable levels and availability of adequate working capital.
- ii. We have not received direct confirmation from lenders of long term facilities (refer note 6) as to nature of funding, restructuring arrangements and other terms and conditions, we have however placed reliance on the settlement / sanction / restructuring agreements of the company with lenders and representation by the management.
- iii. Stores & Spares includes Rs. 37.08 million pertaining to weaving unit (1998: Rs. 45.865 million) (refer to note 16) which remained unverified owing to incomplete purchase documentation and the basis of valuation thereof. Consequently an amount of Rs. 8.79 million charged to cost of sales also remain unverified.
- iv. The company has not complied with the statutory requirement u/s 158 and 245 of the Companies Ordinance, 1984 regarding holding of annual general meeting and publication of half-yearly accounts.

Except for the above and matters stated in note 12.2 to the accounts and to the extent to which these may affect the results of the company, 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 except for matter stated in note 12.2 to the accounts;
- 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 purposes of the company's business; and
  - iii) the business conducted, investment 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 and subject to the eventual outcome of the matters stated in paragraphs i to iv above and the contents to the note 12.2 to the accounts; the balance sheet, profit & loss account, statement of changes in equity and statement of changes in financial position, 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 state of the company's affairs as at September 30, 1999 and of the loss, changes in equity and the changes in financial position for the year then ended; and

d) In our opinion no Zakat was deductible at source during the year under the Zakat and Ushr Ordinance, 1980, however, Zakat deducted at source during 1992 under the Zakat and Ushr Ordinance, 1980, amounting to Rs. 3,346,507 (1998 Rs. 3,346,507) have not been deposited so far in the central zakat fund established under section 7 of the Ordinance and consequential penalties, if any, under the said Ordinance have not been provided for in these accounts.

Lahore  
September 07, 2000

**CHARTERED ACCOUNTANTS**

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

<b>CAPITAL AND LIABILITIES</b>	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized</b>			
75,000,000 ordinary shares of Rs. 10 each		750,000,000	750,000,000
(1998: 75,000,000 ordinary shares of Rs. 10 each)		-----	-----
<b>Issued, Subscribed &amp; Paid-up</b>	3	746,680,690	746,680,690
<b>Deposit for shares</b>		661,678	661,678
<b>Accumulated loss</b>		(1,064,627,041)	(1,848,442,960)
		-----	-----
		(317,284,673)	(1,101,100,592)
<b>REVALUATION SURPLUS</b>	4	578,511,324	--
<b>REDEEMABLE CAPITAL-SECURED</b>	5	--	18,629,462
<b>LONG TERM LOANS-SECURED</b>	6	554,817,508	717,872,218
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	7	27,000,000	16,504,839
<b>DEFERRED LIABILITY - Gratuity</b>		6,651,061	5,774,050
<b>CURRENT LIABILITIES</b>			
Short term running finances	8	332,443,633	451,008,651
Current portion of redeemable capital, long term loans and finance lease	9	193,310,166	886,659,131
Creditors, accrued and other liabilities	10	242,776,909	588,285,581
Taxation		16,457,103	21,384,531
		-----	-----
		784,987,811	1,947,337,894
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-----	-----
		1,634,683,031	1,605,017,871
		=====	=====

**PROPERTY AND ASSETS****FIXED CAPITAL EXPENDITURE**

Operating fixed assets - Tangible	12	1,358,420,227	1,306,586,796
Assets subject to finance lease	13	20,779,826	23,088,695
Capital work in progress		--	11,773,150
		-----	-----
		1,379,200,053	1,341,448,641

**LONG TERM ADVANCES**

	14	--	58,481,197
--	----	----	------------

**LONG TERM DEPOSITS AND DEFERRED COSTS**

	15	2,274,967	8,507,748
--	----	-----------	-----------

**CURRENT ASSETS**

Stores and spares	16	74,470,665	80,811,740
Stock-in-trade	17	156,942,577	37,437,980
Trade debts	18	7,983,530	2,675,365
Advances, deposits, prepayments and other receivables	19	13,376,325	69,978,687
Cash and bank balances	20	434,914	5,676,513
		-----	-----
		253,208,011	196,580,285
		-----	-----
		1,634,683,031	1,605,017,871
		=====	=====

The annexed notes form an integral Part of these accounts.

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>SALES</b>	21	723,718,057	623,228,891
<b>COST OF GOODS SOLD</b>	22	734,954,882	649,019,283
		-----	-----
<b>GROSS LOSS</b>		(11,236,825)	(25,790,392)
<b>OPERATING EXPENSES</b>			
Administrative	23	27,817,148	51,629,764
Selling and distribution	24	7,131,486	15,117,171
		-----	-----
		34,948,634	66,746,935
<b>OPERATING LOSS</b>		(46,185,459)	(92,537,327)
<b>OTHER INCOME</b>	25	57,820,758	1,062,442
		-----	-----
		11,635,299	(91,474,885)
<b>FINANCIAL CHARGES</b>	26	84,348,884	65,139,673
		-----	-----
		(72,713,585)	(156,614,558)

<b>PRIOR PERIODS ADJUSTMENTS</b>	27	--	2,782,684
<b>EXTRA ORDINARY ITEM</b>	28	860,459,294	--
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>		787,745,709	(159,397,242)
<b>TAXATION</b>	29	3,929,790	3,134,344
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</b>		783,815,919	(162,531,586)
<b>ACCUMULATED LOSS BROUGHT FORWARD</b>		(1,848,442,960)	(1,685,911,374)
<b>ACCUMULATED LOSS CARRIED TO BALANCE SHEET</b>		(1,064,627,041)	(1,848,442,960)
<b>EARNING PER SHARE - Basic</b>	31	10.50	(2.13)
<b>EARNING PER SHARE - Excluding the effect of extra ordinary item</b>	31	(1.03)	(2.13)

The annexed notes form an integral part of these accounts.

#### CHIEF EXECUTIVE

#### DIRECTOR

### STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED SEPTEMBER 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit/(Loss) for the year before taxation</b>		787,745,709	(159,397,242)
<b>Add/(less) adjustment for non cash charges and other items</b>			
Depreciation		48,947,316	54,721,229
Amortization of deferred costs		217,257	479,507
Provision for gratuity		877,011	1,084,551
(Profit)/Loss on sale of fixed assets		1,689,105	(960,927)
Extra ordinary item		(860,459,294)	--
Amortization of assets subject to finance lease		2,308,870	2,565,410
Financial charges		84,348,884	65,139,673
		(722,070,852)	123,029,443
<b>Profit/(Loss) before working capital changes</b>		65,674,858	(36,367,799)
<b>Effect on cash flow due to working capital changes</b>			
Decrease in stores and spares		6,341,075	3,055,435
(Increase)/Decrease in stock in trade		(119,504,597)	26,436,317
(Increase)/Decrease in trade debts		(5,308,165)	2,805,497
Decrease in Advances, deposits, prepayments and other receivables		56,602,362	31,346,838
Increase/(Decrease) in creditors, accrued and other liabilities		56,602,362	12,280,056
Increase/(Decrease) in short term running finances		(118,565,018)	79,861,264
		(181,436,971)	155,785,407
<b>Cash generated from operations</b>		(115,762,114)	119,417,608
Financial charges paid		(45,471,968)	(26,017,725)
Taxes paid		(8,857,218)	(2,677,556)

<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(A)</b>	(170,091,300)	90,722,327
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale proceeds of fixed assets		490,766,162	2,244,380
Long term advances		58,481,197	--
Fixed capital expenditures		(2,951,541)	(5,635,515)
Long term deposits and deferred costs		6,015,524	--
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(B)</b>	552,311,342	(3,391,135)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of redeemable capital and long term loans		(387,461,642)	(84,102,101)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(c)</b>	(387,461,642)	(84,102,101)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALEN(A+B+C)</b>		(5,241,599)	3,229,091
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		5,676,513	2,447,422
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		434,914	5,676,513

CHIEF EXECUTIVE

DIRECTOR

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

### 1. STATUS AND NATURE OF BUSINESS

Zahur Textile Mills Limited was incorporated on August 20, 1985 under the Companies Ordinance, 1984 and its shares are quoted on the Lahore and Karachi Stock Exchanges in Pakistan. The principal activity of the company is the manufacture and sale of yarn and fabric.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Overall Valuation

These accounts have been prepared under the historical cost convention except to the extent that certain fixed assets have been included at revalued amount and modification made on account of capitalization of certain exchange differences referred to in note 2.7 to the accounts.

#### 2.2 Taxation

Charge for current taxation is based on taxable income at the current rate of tax after taking into account available tax rebates and credits.

The company accounts for deferred taxation, using the liability method on all major timing differences. However, deferred tax is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

#### 2.3 Tangible Fixed Assets and Depreciation

These are stated at cost or revalued amount less accumulated depreciation except capital work in progress which is stated at cost.

Depreciation on tangible operating assets is charged on reducing balance method at the rates specified in note 12 to the accounts.



Full year's depreciation is charged on additions during the year except additions made for expansion in production capacity or installation of additional units where depreciation is charged on pro-rata basis beginning with the month in which the commercial production is commenced of the expanded facilities. No depreciation is charged on assets deleted during the year.

Cost in relation to certain plant, machinery and building signifies historical cost plus all related cost incurred upto the commencement of commercial production including borrowing cost for financing the project.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is recognized in the current year's income.

#### **2.4 Assets subject to Finance Lease**

These are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets so acquired are amortized over the useful lives of the assets in view of certainty of ownership of the assets at the end of the lease period.

#### **2.5 Stores and Spares**

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

#### **2.6 Stock-in-trade**

Stock in trade is stated at lower of cost and net realizable value except waste which is stated at net realizable value. Cost of major items of stock-in-trade is determined as follows:

<b>Raw materials</b>	At annual average cost.
<b>Raw materials in transit</b>	At cost accumulated to the balance sheet date.
<b>Work in process</b>	At raw materials cost and appropriate production overhead.
<b>Un-packed production and finished goods</b>	Prime cost including related production overheads.

Net realizable value signifies estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

#### **2.7 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into rupees at exchange rates ruling on the balance sheet date except foreign currency long term loans covered under State Bank of Pakistan Exchange Risk Scheme which are converted at contracted rates. Exchange differences on translation of foreign currency long terms loans adjusted towards the cost of plant and machinery acquired out of the proceeds of the foreign currency loans. All other exchange differences are accounted for in the income currently.

#### **2.8 Revenue Recognition**

Export sales are accounted for on shipment basis and resultant exchange difference on realization of export proceeds are adjusted in the income currently. Local sales are recorded on dispatch of goods to the customers.

#### **2.9 Deferred Costs**

The deferred costs are amortized over a period of five years.

#### **2.10 Staff Retirement Benefits**

The company operates an unfunded gratuity scheme for all its employees who have completed their qualifying period and provision is made annually to cover obligations under the scheme by a charge to

income for the year.

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
Issued for cash		
72,881,752 ordinary shares of Rs. 10 each (1998: 72,881,752 shares)	728,817,520	728,817,520
Issued as fully paid bonus share		
1,786,317 ordinary shares of Rs. 10 each (1998: 1,786,317 shares)	17,863,170	17,863,170
	-----	-----
	746,680,690	746,680,690
	=====	=====

**4. SURPLUS ON REVALUATION OF FIXED ASSETS**

	<b>Revalued</b>	<b>Written Down</b>	<b>Revaluation</b>	<b>Revaluation</b>
	<b>Amount</b>	<b>Value</b>	<b>Surplus</b>	<b>Surplus</b>
			<b>1999</b>	<b>1998</b>
<b>Statement of revalued operating assets:</b>				
Freehold Land	27,902,813	8,808,434	19,094,379	--
Building	207,137,309	118,617,118	88,520,191	--
Plant & machinery	1,111,466,856	640,570,102	470,896,754	--
	-----	-----	-----	-----
	1,346,506,978	767,995,654	578,511,324	--
	=====	=====	=====	=====

Revaluation of freehold land, building and plant & machinery at September 30, 1999 produced a revaluation surplus of Rs.578,511,324 which is credited to surplus on revaluation of fixed assets account. Revaluation is carried out by an independent valuers M/s Inspectorates Corporation International (Pvt.) Ltd., registered surveyors and valuation consultants.

**5. REDEEMABLE CAPITAL- Secured**

**TERM FINANCE CERTIFICATES - Bankers Equity Limited - BEL**

BEL Syndicate	--	1,335,219
BEL I	--	1,327,371
BEL II	--	13,809,510
BEL III	--	10,036,203
	-----	-----
	--	26,508,303
	-----	-----
Current portion	--	2,980,716
Over due	--	4,898,125
	-----	-----
	--	7,878,841
	-----	-----
	--	18,629,462
	=====	=====

The company has negotiated a restructuring package for all outstanding balances, including the redeemable capital, towards the bank. The restructured liability is classified as long term loan (refer note 6.2.2 to 6.2.4). The details and terms and conditions of redeemable capital before restructuring were as under:

<b>Particulars</b>	<b>BEL</b>	<b>BEL</b>	<b>BEL</b>	<b>BEL</b>
	<b>Syndicate</b>	<b>I</b>	<b>II</b>	<b>III</b>

Mark up price of redeemable capital before rebates	4,388,410	56,583,519	32,168,640	21,905,664
Aggregate rebates on timely payment of all the inst	684,197	3,310,636	1,588,992	1,154,880
Approximate rate of mark-up after rebate	15% p.a.	16% p.a.	17.5% p.a.	16% p.a.
No. of installments and duration	16 half yearly	24 quarterly	96 monthly	96 monthly
First installment due on	April 01, 1990	Jun 11, 1991	Jan. 01, 1998	Jan. 01, 1998

Bankers Equity, Limited (BEL) extended financial assistance to the Company by way of purchase of Term Finance Certificates (TFC's) issued for consideration received in cash.

These were secured by way of first mortgage and first floating charge on all the present and future movable and immovable properties of the company ranking pari-passu with the charges created in favour of Pakistan Industrial Credit and Investment Corporation Limited, Allied Bank of Pakistan Limited, Habib Bank Limited and Mashreq Bank psc and personal securities of the sponsors of the company.

## 6. LONG TERM LOANS - Secured

<i>Amount in Rupees</i>								
	<i>Loan No.</i>		<i>Sanctioned/ Disbursed amount</i>	<i>1999 Balance</i>	<i>1998 Balance</i>	<i>Rate of interest/ mark-up</i>	<i>Date of comm- encement of installments</i>	<i>No. of installments</i>
	<i>Before Restructuring</i>	<i>New/ Restructuring</i>						
<b>FINANCIAL INSTITUTIONS</b>								
<b>Pakistan Industrial Credit and Investment Corporation Ltd.</b>								
IBRD-2380/IDA-1439/6-85	6.1.1		--	--	11,541,979	14% per annum	01.05.1991	69 monthly
ADB-775-776/1-9399	6.1.2		--	--	65,635,318	14% per annum	01.05.1991	111 monthly
ADB-878-879-000430	6.1.3		--	--	57,127,518	14% per annum	01.05.1991	123 monthly
SBR FIR/9 5876	6.1.4		--	--	25,000,000	14% per annum	01.05.1990	28 quarterly
PLS/28/005512	6.1.5		--	--	19,631,150	0.45/1000/day	01.01.1992	12 quarterly
Restructured Loan	6.1.6		--	--	73,902,041			
					-----			
				--	252,838,006			
<b>Restructured-Loan</b>	6.2.1		133,366,000	133,366,000	--			
				-----	-----			
				133,366,000	252,838,006			
<b>Bankers Equity Limited</b>								
ADB Lines	6.1.7		--	--	174,827,846	14% per annum	01.01.1998	96 monthly
Mark-up loan	6.1.8		--	--	54,787,807	Interest free	01.01.1998	96 monthly
LMM - I	6.1.9		--	--	2,736,712	13% per annum	01.01.1989	32 quarterly
				-----	-----			
				--	232,352,365			
<b>Restructured Loans</b>								
Loan against L/G issued to Mashreq B	6.2.2		46,600,000	26,100,000	--	--	30.12.1999	02 biannually
Loan against L/G issued to ABL	6.2.3		57,867,000	6,009,515	--	--	30.10.1999	12 monthly
Loan - BEL Charges	6.2.4		2,500,000	2,500,000	--	--	30.08.1999	06 monthly
				-----	-----			
				34,609,515	--			
				-----	-----			
				34,609,515	232,352,365			
<b>National Development Finance Corporation</b>								
LCY-GTF	6.2.5		40,000,000	40,000,000	--	20.8% per annum	16.03.1999	05 biannually

**Pak Libya Holding Company**

Demand Finance	6.2.6	30,000,000	30,000,000	--20% per annum	15.03.1999	06 biannually
----------------	-------	------------	------------	-----------------	------------	---------------

**COMMERCIAL BANKS**

**Mashreq Bank psc**

BNC	6.1.10		--	52,037,157 6% per annum	01.09.1994	36 monthly
Long term Loan	6.1.11		--	372,851,000 14% per annum	01.04.1995	5 yearly
Demand finance loan	6.1.12		--	85,000,000 14% per annum	01.04.1995	84 monthly

				-----		
			--	509,888,157		
Restructured Loans	6.2.7		--	--		
			--	-----		
			--	509,888,157		

**National Bank Of Pakistan**

Supplier's credit-4	6.1.13		--	9,222,829 7.6% per annum	30.05.1993	12 half yearly
Demand Finance Loan	6.1.14		--	33,609,831 0.45/1000/day	01.12.1997	36 monthly
Demand Finance- I	6.1.15		--	7,913,670		
Medium term Loan	6.1.16		--	16,117,913 19% per annum	30.11.1994	12 monthly

			--	-----		
			--	66,864,243		

**Restructured Loans**

Demand Finance	6.2.8		5,359,015	--	--	25.10.99	2 monthly
NBP M-up	6.2.9		29,000,000	--	--	27.12.99	8 Quarterly
Medium Term Loan- Mehran Bank	6.2.10		6,182,913	--	--	26.01.00	4 equal monthly
NBP Mark-up Mehran Bank	6.2.11		5,442,000	--	--	26.01.00	4 equal monthly

			45,983,928	--		
			-----			
			45,983,928	66,864,243		

**Allied Bank Of Pakistan Limited**

Demand finance loan	6.1.17		--	113,000,000 14% per annum	01.04.1995	14 half yearly
Medium Term Loan	6.1.18		--	311,375,000 20% per annum	31.12.1996	Lumpsum

			--	-----		
			--	424,375,000		

**New Loan**

Demand Finance	6.2.12	100,000,000	100,000,000	-- 14% per annum	15.06.1999	10 half yearly
----------------	--------	-------------	-------------	------------------	------------	----------------

			100,000,000	424,375,000		
--	--	--	-------------	-------------	--	--

**Doha Bank Ltd.**

Suppliers credit	6.1.19		--	9,451,145 7.9% per annum	17.04.1994	12 half yearly
Restructured Loan	6.2.13		--	--		

			--	-----		
			--	9,451,145		

**Habib Bank Limited**

Demand Finance	6.2.14	45,650,000	45,650,000	--	--	01.01.2000	36 monthly
----------------	--------	------------	------------	----	----	------------	------------

**INVESTMENT BANKS**

**Islamic Investment Bank Limited**

IIB Medium term Loan-I	6.1.20		--	58,519,170 19% per annum	01.08.1997	42 monthly
IIB Medium term Loan-II	6.1.21		--	13,400,531 16% per annum	01.08.1997	24 monthly

		--	71,919,701			
<b>Restructured Loans</b>						
Restructured Loan-I	6.2.15	31,326,591	-- 12% per annum	07.07.1999	36 monthly	
Restructured Loan-II	6.2.16	27,191,640	--08% per annum	07.03.2000	36 monthly	
		-----	-----			
		58,518,231	--			
		-----	-----			
		58,518,231	71,919,701			
<b>Crescent Investment Bank Ltd.</b>						
Demand Finance	6.2.17	40,000,000	-- 15.5% per annum	16.09.1999	06 half yearly	
Cres Investment Placement	6.2.18	10,000,000	---	10.12.1999	04 fortnightly	
		-----	-----			
		50,000,000	--			
<b>Al-Faysal Investment Bank Ltd.</b>						
Demand Finance	6.2.19	190,000,000	--20% per annum	16.09.1999	06 half yearly	
<b>Total Long Term Loans</b>		<b>728,127,674</b>	<b>1,567,688,617</b>			
<b>Less:</b>						
Current maturity		172,439,983	144,500,016			
Overdue		870,183	705,316,383			
		-----	-----			
		173,310,166	849,816,399			
		-----	-----			
		<b>554,817,508</b>	<b>717,872,218</b>			
		=====	=====			

**Other Terms and Conditions:**

6.1 The other terms & conditions of these financing facilities prior to restructuring were:

**Pakistan Industrial Credit and Investment Corporation Ltd.**

**Loans 6.1.1 to 6.1.6.**

Penal interest @ 7 % per annum was to be charged in case of default.

**Loan 6.1.4.**

The loan carried rebate @ 10 paisa per thousand per day for prompt payment.

**Loan 6.1.6.**

The loan represented over due principal and mark up on loan 6.1.1,6.1.2 & 6.1.3 upto September. 30, 1996.

Securities

i. First charge by way of an equitable mortgage on all immovable properties, hypothecation of plant and machinery and a floating charge on all present and future assets.

ii. Demand promissory note.

**Bankers Equity Limited**

**Loan 6.1.8.**

The Bankers Equity Limited (BEL) has created a new long term loan (rescheduled loan) by adjusting the over due mark up on Foreign Currency Loans due upto June 30, 1997. The rescheduled loan was interest free.

**Loan 6.1.9.**

The loan obtained for the purchase of locally manufactured machinery.

#### **Securities**

Loans 6.1.7 to 6.1.9 were secured by way of mortgage of the company's present and future immovable properties ranking pari-passu with the mortgage and hypothecation created in favour of PICIC, ABL, MBL and HBL.

#### **Mashreq Bank psc**

##### **Loan 6.1.11.**

The company agreed to repay the outstanding balance @ Rs. 40 million per year in the first 5 years (from April 01, 1995 to March 31, 2000) and the balance amount was payable on demand after 5th year in lumpsum. The company also undertaken to route export business through the bank equal to the funded facility. Failure to do so would entail additional charge @ 1% of shortfall beside reduction in the facility to the extent of the shortfall.

#### **Securities**

Loans 6.1.10 to 6.1.12 were secured by way of first charge on the fixed assets of the company ranking pari-passu with the charges created in favour of PICIC, BEL, ABL and HBL. National Bank Of Pakistan has pari-passu charge on the land, building and machinery of the company by way of Memorandum of deposit of title deed.

#### **National Bank Of Pakistan**

##### **Loan 6.1.15.**

The National Bank of Pakistan (NBP) created a new long term loan (Demand Finance-I) by adjusting the mark up on Supplier's Credit -4. The mark-up rate, terms and conditions of repayments were not finalized.

#### **Securities**

Loans 6.1.13 and loan 6.1.14 were secured against:

- Pari passu charge on present and future fixed assets of the company.
- Personal guarantees of all the directors.
- Demand promissory note.

Loan 6.1.16 was secured against hypothecation of stock in trade and deposit of sponsors shares.

#### **Allied Bank Of Pakistan Limited**

##### **Securities**

The loan 6.1.17 was secured by way of first charge on the specific machinery amounting to Rs. 105,500,000 and hypothecation of stock in trade.

The loan 6.1.18 was secured by way of:

- Hypothecation of stocks meant for export backed by export L/c's / firm orders.
- Second charge on the fixed assets of the company to be registered with Registrar Joint Stock Companies.
- Bank's floating charge on the current assets of the company.
- Personal guarantees of all the directors of the company.

#### **Doha Bank Ltd,**

##### **Loan 6.1.1 9.**

This loan was payable in foreign currency converted at the rate of exchange ruling on the date of disbursement under the State Bank of Pakistan exchange risk coverage scheme.

Exchange risk coverage fee and acceptance commission was payable @ 7.5% per annum and 1.6% per annum respectively on the outstanding amount.

#### **Securities**

Loan 6.1.1 9 was secured by way of bank guarantee provided by Islamic Investment Bank Limited.

The guarantee was secured by way of charge on the specific machinery.

Islamic Investment Bank Limited

#### **Loan 6.1.20**

This loan represented total outstanding principal amount due to the Islamic Investment Bank Limited. According to the revised agreement Rs. 1,000,000 per month was payable effective Aug. 01, 1996 to fulfill the liability (refer loan No. 6.1.21) of Doha Bank Limited for which the bank had provided the guarantee. The payment of mark up was deferred until the full settlement of the loan and was payable in 30 equal monthly installments commencing February 01, 2001. Deferred mark up carried interest @ 16% per annum.

#### **Loan 6.1.21**

This loan represented outstanding mark up on the facilities provided by the bank upto July 31, 1996. Mark up on this loan was payable on monthly basis commencing from August 01, 1997.

#### **6.2 NEW / RESTRUCTURED LOANS - Other terms & conditions**

The company has succeeded in getting its financing facilities restructured. The other terms and conditions of these restructured and new loans are:

#### **Pakistan Industrial Credit and Investment Corporation Ltd.**

##### **Loan 6.2.1**

The total outstanding liabilities (Loan 6.1.1 - 6.1.5) have been restructured mainly through payment of Rs. 50 million and adjustment of bank guarantee of Rs. 79.064 million from Al-Faysal Investment Bank Limited in terms of settlement package dated December 26, 1998. The final liability after restructuring is Rs. 133.366 million. However, the terms and conditions as regard to rate of mark-up, repayment and other conditions has not yet been finalized.

##### **Securities**

The loan is secured by way of exclusive first charge on land measuring 89 Kanal situated at Mouza/Village Kamogil, Tehsil Chunian, District Kasur and all superstructure thereon and weaving plant and machinery installed in weaving unit-I.

#### **Bankers Equity Limited**

##### **Loan 6.2.2 - 6.2.4**

All long term loans, redeemable capital and accrued mark-up thereon outstanding towards the bank have been restructured as a result of settlement package agreed upon between the bank and the company. As a result of the settlement the company has paid Rs. 16.40 million and sold weaving unit - 2 at an agreed price of Rs. 260 million. The final liability after restructuring was settled at Rs. 106.967 million. During the year further payments amounting to Rs 72.967 million were paid leaving a balance at the year end of Rs 34.609 million.

##### **Securities**

These loans are secured against pledge of 8,598,700 shares held by BEL alongwith duly verified transfer deed of Zahur Textile Mills Limited in marketable lots. The shares however, will be released on prorata basis on the reduction of liability.

#### **National Development Finance Corporation**

##### **Loan 6.2.5**

The company has obtained local currency general trade finance (LCY-GTF) of Rs.40 million from NDFC. According to the loan agreement NDFC purchased fixed assets worth Rs.40 million from the company and simultaneously resold to the company at a mark-up price of Rs.53,299,710 at mark-up rate of 30%. A rebate of 9.2 % shall be provided if the company make payments on due dates and the effective mark-up rate will be 20.8%. However the rebate shall not be provided if any default in payments is made.

##### **Securities**

The loan is secured by way of:-

- First mortgage on the Spinning Unit - 2 & 3 consisting of 47,880 spindles ranking pari-passu with all other creditors
- First floating charge on all business undertakings and other assets and properties.

- Hypothecation of all the movable properties including book debts and other receivables.
- Personal guarantees of all sponsoring directors.
- Promissory note.

#### **Pak Libya Holding Company**

##### **Loan 6.2.6**

The company has obtained this loan through master facility agreement which is a consortium finance agreement of banks and financial institutions. Being a member of this consortium Pak Libya Holding company has provided a mid term finance of Rs. 30 million and entitled to all the securities provided under the master facility agreement (refer note for loan 6.2.19).

#### **Mashreq Bank psc**

##### **Loan 6.2.7**

The company has succeeded in getting full and final settlement of all outstanding liabilities by way of payment of Rs. 175 million, adjustment of mark-up capitalized, additional charges and penalties etc. and adjustment of bank guarantee of Rs. 46 million issued by Bankers Equity Limited.

#### **National Bank Of Pakistan**

##### **Loan 6.2.8 - 6.2.11**

The company has entered into restructuring agreement with the bank by payment of Rs 40.0 million and after adjusting for all other overdues the restructured amount is Rs 45.983 million.

#### **Securities**

- Pari passu charge on present and future fixed assets of the Spinning Unit-2 & 3.
- Personal guarantees of all the directors.
- Demand promissory note.
- Hypothecation of stock in trade and deposit of sponsors shares.
- Deposit of sponsors shares.

#### **Allied Bank Of Pakistan Limited**

##### **Loan 6.2.12**

The company has fully settled all its outstanding liabilities towards the bank by transfer of liabilities relating to Spinning Unit - 1 to M/s Sarfraz Yaqoob Mills (Pvt.) Ltd as a result of sale of this unit and adjustment of guarantee issued by Bankers Equity Limited and mark-up capitalized, additional charges and penalties etc.

The company has obtained fresh demand finance from ABL of Rs. 100 million during the year.

#### **Securities**

- Registered first charge on fixed assets of Spinning Unit 2 & 3 for Rs. 50 million ranking pari passu with other creditors.
- Registered second charge on fixed assets of Spinning Unit 2 & 3 for Rs. 50 million.
- Equitable mortgage of House No. 31, Cavalry Ground, Lahore Cantt.
- Personal guarantees of sponsors

#### **Doha Bank Ltd.**

##### **Loan 6.2.13**

The liabilities towards Doha Bank Ltd have been fully settled mainly by transfer of space in a commercial building situated at 34-S, Gulberg II, Lahore being constructed by M/s Trade Tower (Pvt.) Ltd.

#### **Habib Bank Limited**

##### **Loan 6.2.14**

The restructuring/rescheduling package was agreed after making payment of Rs. 20.519 million and adjustment of mark-up capitalized, additional charges and penalties etc. The restructured liability comprise of Rs. 46.65 million as Demand Finance and Rs. 86.60 million as Cash Finance



#### **Securities**

- The loan is secured by way of second charge on entire present and future fixed assets of spinning unit - 2 & 3, 47,880 spindles accepted by the consortium member banks and other charge holders.
- Personal guarantees of all sponsoring directors.

#### **Islamic Investment Bank Limited**

##### **Loan 6.2.15 & 6.2.16**

Restructuring agreement has been arrived at with the bank comprising mainly of payment of Rs. 16.31 million out of which Rs. 10 million represents placements provided through Cres Investment Bank and adjusting for other overdues. The final liability after restructuring was settled at Rs 58.518 million.

The terms of repayment contain penalties for delay; the delay of more than 15 days will be considered overdue and interest rate of 18% will be charged for number of days overdue.

#### **Securities**

Second charge by way of equitable mortgage of fixed assets of the Spinning Unit - 2 & 3.  
Personal guarantees of two sponsoring directors.

#### **Crescent Investment Bank Ltd.**

##### **Loan 6.2.17**

The company has obtained this loan through master facility agreement which is a consortium finance agreement of banks and financial institutions. Being a member of this consortium Crescent Investment Bank Ltd has provided a mid term finance of Rs. 40 million and entitled to all the securities provided under the master facility agreement (refer note for loan 6.2.19).

##### **Loan 6.2.18**

This represent the placements provided to Islamic Investment Bank Limited for restructuring package of Islamic Investment Bank Limited loans.

#### **Securities**

- Promissory note.
- Promissory note discount agreement.
- First exclusive charge over the assets of the Spinning Unit - 2 & 3.
- Personal guarantees of sponsors alongwith net worth statements.
- Pledge of 4 million shares of Zahur Textile Mills Limited.
- All other securities which may be offered to other consortium members.

#### **Al-Faysal Investment Bank Ltd.**

##### **Loan 6.2.19**

The company has arranged a consortium loan of Rs 220 million for overall restructuring package through a master facility agreement with AFIBL and other financial institutions on March 10, 1999. The following banks and institutions and the credit commitment of each bank being the extent upto which they are required to participate in the facilities is as under:

<i>Sr. No.</i>	<i>Name of the Bank</i>	<i>Amount(000)</i>
Long term Loans		
1	Al-Faysal Investment Bank Ltd. (AFIBL)	125,000
2	Crescent Investment Bank Limited (CIBL)	40,000
3	Pak Libya Holding Co. Pvt. Limited (PL)	30,000
Shod term Loan		
4	Prime Commercial Bank Limited (PCBL)	25,000

In addition to its commitment of Rs. 125 million under master facility agreement AFIBL has also extended Rs. 65 million as out of consortium loan and its total loans aggregate Rs. 190 million.

In the event of default the master facility banks may by written notice to the company through the lead bank require immediate payment of facilities then outstanding.

**Securities**

- First charge over the Spinning Unit - 2 & 3 in favour of master facility banks ranking pari-passu with the charge created or to be created by the company in favour of other financial institutions only upto the limit of Rs. 270.675 million.

- Irrevocable power of attorney in favour of the lead bank

- Demand promissory notes in favour of each of the Master Facility banks to the extent of the credit commitment of each master facility banks.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>7. LIABILITIES AGAINST ASSETS</b>		
<b>SUBJECT TO FINANCE LEASE</b>		
Liabilities against leased assets (1998: Present value of minimum lease payment)	47,000,000	45,468,730
	-----	-----
Less: Current maturity	12,000,000	11,844,313
Overdue	8,000,000	17,119,578
	-----	-----
(Note 9)	20,000,000	28,963,891
	-----	-----
	27,000,000	16,504,839
	=====	=====

**Before restructuring:**

The value of minimum lease rental payments discounted using an implicit interest rate of 19% per annum approximately to arrive at their present value. The balance rentals due under the lease as a result of restructuring agreement dated June 05,1998 aggregate to Rs. 55,362,500 (1997: Rs.55,362,500) and were payable in monthly installments plus a lump sum payment of Rs.6.016 million (1997:Rs.6.016 million) for the residual value. Taxes, repairs and insurance cost were borne by the lessee. In case of termination of the agreements, the lessee is to pay the entire rent for the unexpired period of the lease. The liability was partly secured by way of deposit of Rs. 6.015 million

**After restructuring:**

The company has entered into a restructuring agreement with National Development Leasing Corporation (NDLC), according to the terms and conditions of full and final agreement with NDLC the company is liable to pay Rs. 50 million against full discharge of its leasing liabilities as per schedule:

- Down payment of Rs. 3 million in June 1999
- Payment of Rs.3 million in July 1999
- Payment of Rs.3 million in August 1999
- Balance of Rs.40 million to be paid in 40 equal monthly installments commencing from September 1999.

**8. SHORT TERM RUNNING FINANCES**

	<i>Refer</i> <i>Note</i>	<i>Sanctioned</i> <i>Limit (M)</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>	<i>Rate of mark up</i>
<b>SECURED</b>					
<b>Commercial banks</b>					
Cash finance	8.1	331.60	326,261,461	258,810,342	44 paisa to 54 paisa per thousand per diem
Pre-shipment	8.2			139,138,702	44 paisa to 50 paisa per thousand per diem
<b>UNSECURED</b>					
Commercial banks	8.3		479,985	2,342,292	

Others		5,702,187	50,717,315
	-----	-----	-----
	331.60	332,443,633	451,008,651
	=====	=====	=====

8.1 These are secured against pledge of fully pressed cotton bales, first pari passu charge on land, building, plant & machinery of spinning, exclusive mortgage of agriculture property and personal guarantees of the sponsors directors.

8.2 These are secured against first pari passu charge on entire fixed assets of spinning units and first Pari passu hypothecation charge on entire present and future current assets including charge on inventories, stocks, receivable etc and personal guarantees of sponsors directors.

8.3 These are temporary overdraft due to excess issuance of cheques at the balance sheet date.

#### 9. CURRENT PORTION OF REDEEMABLE CAPITAL, LONG TERM LOANS AND FINANCE LEASE

Redeemable capital	(Note 5)	--	7,878,841
Long term loans	(Note 6)	173,310,166	849,816,399
Liabilities against assets subject to finance lease	(Note 7)	20,000,000	28,963,891
		-----	-----
		193,310,166	886,659,131
		=====	=====

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

Creditors		89,901,236	98,109,273
Accrued liabilities		17,634,918	13,887,411
Advance from customers		27,762,743	15,881,985
Interest accrued on secured borrowings		33,762,629	242,372,451
Profit accrued on redeemable capital - secured		--	4,776,287
Mark-up accrued on secured short term running finances		5,114,287	125,628,800
Lease finance charges		--	10,605,422
Income tax deductions		14,617,901	17,924,566
Provident fund		1,135,110	1,147,026
Sales tax	(Note 19.2)	42,825,984	31,470,208
Zakat		3,346,507	3,346,507
Collector of Customs		--	1,494,600
Workers' profit participation fund	(Note 10.1)	2,969,967	16,537,580
Unclaimed dividends		467,600	467,600
Looms tax payable		--	1,008,000
Other payables		3,238,027	3,627,865
		-----	-----
		242,776,909	588,285,581
		=====	=====

#### 10.1 Workers' profit participation fund

Opening balance		16,538,580	14,380,504
Less: Repayments		13,956,000	--
		-----	-----
		2,582,580	14,380,504
Interest		387,387	2,157,076
		-----	-----
		2,969,967	16,537,580
		=====	=====

#### 11. CONTINGENCIES .AND COMMITMENTS

11.1 There is a contingent liability of Rs. 3,509,000 (1998: 3,509,000) in respect of four foreign bills sent for collection which were negotiated with B.C.C.I. The B.C.C.I has been liquidated and the commercial bank has filed the cases with liquidator of B.C.C.I. The company is confident that matter will be resolved in favour of the company.

11.2 Letter of credit outstanding Rs. 45,065,722 (1998: Rs. 2.6 million)

11.3 In cases of those banks from whom the company has agreed upon a restructuring package and availed waiver on settlement and where the balances are still outstanding, the company would be contingently liable to the extent of the waiver availed, in case it does not abide by the terms and conditions of repayment. The maximum amount of such contingencies pertaining to the waiver is Rs 90.916 million.

**12. OPERATING FIXED ASSETS - Tangible**

PARTICULARS	COST						Depreciation			Written down	
	As at	Additions/ (Deletions)	Adjustments	Revaluation Surplus	As at	Rate	As at	Depreciation for the year	Adjustments	As at	Written down value as at
	October 01, 1998				September 1999		October 01, 1998			September 30, 1999	
Rs.	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.	
Land-free hold	14,829,664	160,000 (6,021,230)	--	18,934,379	27,902,813	--	--	--	--	--	27,902,813
Building on free hold land	386,481,806	12,173,982 (149,103,307)	(131,095,362)	88,680,191	207,137,310	10	200,664,275	13,161,902	(213,826,177)	--	207,137,310
Plant and machinery	1,838,361,456	-- (736,769,879)	(461,021,475)	470,896,754	1,111,466,856	5	747,464,584	33,714,216	(781,178,800)	--	1,111,466,856
Tools and equipment	485,186	-- (253,912)	--	--	231,274	10	306,542	9,260	(167,864)	147,938	83,336
Furniture and fixture	8,884,082	87,100 (2,966,872)	--	--	6,004,310	10	4,893,764	288,010	(1,769,545)	3,412,229	2,592,082
Office equipment	5,686,156	1,306,979 (1,835,660)	--	--	5,157,475	10	2,837,494	335,794	(1,037,961)	2,135,327	3,022,148
Telephone installation	1,604,346	-- (862,148)	--	--	742,198	10	831,771	36,498	(454,556)	413,713	328,485
Tube well	758,807	-- (386,992)	--	--	371,815	10	485,288	13,402	(247,497)	251,193	120,622
Vehicles	18,346,786	996,630 (1,058,686)	--	--	18,284,730	20	12,381,919	1,345,505	-- (824,713)	12,902,711	5,382,019
Fire Fighting Equipment	348,475	-- (67,788)	--	--	280,687	10	198,637	12,725	(45,197)	166,165	114,522
Weighing Scale	823,364	-- (823,364)	--	--	--	10	283,155	--	(283,155)	--	--
Arms	105,300	--	--	--	105,300	10	64,978	4,032	--	69,010	36,290
Lab equipment	435,519	-- (33,000)	--	--	402,519	10	151,745	25,972	(8,943)	168,774	233,745
1999	2,277,150,946	14,724,691 (900,182,838)	(592,116,837)	578,511,324	1,378,087,286		970,564,152	48,947,316	(999,019,695) (824,713)	19,667,060	1,358,420,227
1998	2,279,621,240	1,172,365 (3,642,660)			2,277,150,945		918,202,127	54,721,229	--	970,564,149	1,306,586,796

1999 1998

*Rupees**Rupees***12.1 Depreciation for the year has been allocated as follows:**

Cost of goods sold	(Note 22)	46,941,509	52,384,283
Administrative expenses	(Note 23)	2,005,807	2,336,946
		-----	-----
		48,947,316	54,721,229
		=====	=====

12.2 The company has not maintained fixed assets register as prescribed under section 230(1) of the Companies Ordinance, 1984 and Technical Release "TR 6- Fixed Assets Register" of the Institute of Chartered Accountant of Pakistan.

12.3 Useful lives of the revalued assets are reviewed and adjustment is made wherever required based on economic benefit expected to be derived. The rate of depreciation of Plant & Machinery has been changed from 10% to 5% as a change in accounting estimate.

**12.4 Disposal of Fixed Assets**

<i>Particulars of assets</i>	<i>Sold to</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Gain/(Loss) on disposal</i>	<i>Mode of disposal</i>
<b>MOTOR CARS</b>							
Suzuki Khyber	Mohd. Naveed Awan	350,500	206,935	143,565	240,000	96,435	Negotiation
Suzuki Mehran	Abdul Mujeeb (employee)	152,100	120,202	31,898	63,322	31,424	Hire Purchase
Suzuki Pick-up	Mohd. Shafique	104,476	90,454	14,022	55,000	40,978	Negotiation
Honda Accord	Mohd. Asif Karim	419,297	383,279	36,018	392,000	355,982	Negotiation
<b>MOTOR BIKES</b>							
Honda CD-70	Mr. Nadeem (employee)	32,313	23,843	8,470	15,840	7,370	
<b>Spinning Unit-1</b>	Sarfraz Yaqoob Textile Mills (Pvt.)	454,000,960	226,031,990	227,968,970	230,000,000	2,031,030	
<b>Weaving Unit-2</b>	Bankers Equity Limited	445,123,192	180,870,868	264,252,324	260,000,000	(4,252,324)	
		-----	-----	-----	-----	-----	
		900,182,838	407,727,571	492,455,267	490,766,162	(1,689,105)	
		=====	=====	=====	=====	=====	

**13. ASSETS SUBJECT TO FINANCE LEASE**

<i>PARTICULAR</i>	<i>COST</i>		<i>AMORTIZATION</i>			<i>Written down value as at September 30, 1999</i>	
	<i>As at October 01, 1998</i>	<i>As at September 30, 1999</i>	<i>As at October 01, 1998</i>	<i>For the year 1999</i>	<i>As at September 30, 1999</i>		
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>		
Plant & machinery	40,103,494	--	40,103,494	17,014,799	2,308,870	19,323,669	20,779,826
1998	40,103,494	--	40,103,494	14,449,389	2,565,410	17,014,799	23,088,695
	=====	=====	=====	=====	=====	=====	=====
				<b>1999</b>	<b>1998</b>		
				<b>Rupees</b>	<b>Rupees</b>		

**14. LONG TERM ADVANCES- UNSECURED**

Trade Towers (Pvt.) Limited	--	58,481,197
	=====	=====

14.1 This has been adjusted against loan settlement with Doha Bank Limited.

**15. LONG TERM DEPOSITS AND DEFERRED COSTS**

**Deposits**

Security deposits	2,274,967	2,274,967
Lease key money	--	6,015,524

**Deferred costs**

Expenses incurred on the issue of shares	217,257	696,764
Less: Amortization for the year	217,257	479,507

	-----	-----
	--	217,257
	-----	-----
	2,274,967	8,507,748
	=====	=====

**16. STORES AND SPARES**

Stores	2,343,903	7,038,819
Spare parts	72,126,762	73,772,921

	-----	-----
	74,470,665	80,811,740
	=====	=====

**17. STOCK-IN-TRADE**

Raw materials	110,893,638	19,789,094
Work in process	8,020,968	3,290,033
Finished goods	38,027,971	14,358,853

	-----	-----
	156,942,577	37,437,980
	=====	=====

**18. TRADE DEBTS**

**Considered good**

Unsecured	7,983,530	2,675,365
-----------	-----------	-----------

	-----	-----
	7,983,530	2,675,365
	=====	=====

**19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advances- Unsecured

employees		692,703	1,969,111
executives	(Note 19.1)	749,369	210,101
directors	(Note 19.1)	1,006,503	199,609
suppliers		2,147,508	19,166,642
others		1,068,886	68,886

	-----	-----
	5,664,969	19,842,149
	-----	-----

Advances - Considered doubtful

employees		23,234	24,454
suppliers		1,781,966	1,773,764

	-----	-----
	1,805,200	1,798,218
	-----	-----

	-----	-----
	7,470,169	21,640,367
	-----	-----
Provision for doubtful advances	(1,805,200)	(1,798,218)

		5,664,969	19,842,149
Letters of credit		2,170,403	24,598
Margin with banks		984,679	6,817,589
Export rebate	(Note 19.2)	--	24,909,690
Excise duty on short term loans		--	17,249,091
Prepayments		392,383	--
Short term investments		424,521	--
Other receivable		3,739,370	1,135,570
		-----	-----
		13,376,325	69,978,687
		-----	-----

19.1 The maximum aggregate balance due from executives and directors at the end of any month during the year was Rs.1,905,381 (1998 Rs. 269,083) and Rs. 784,894 (1998: 254,609) respectively.

19.2 The balance has been adjusted against sales tax payable.

## 20. CASH AND BANK BALANCES

In hand		28,444	245,763
At bank - current accounts		406,470	5,430,750
		-----	-----
		434,914	5,676,513
		=====	=====

## 21. SALES

Export sales		157,464,252	233,119,574
Local sales		537,421,675	343,366,152
Processing income		20,556,610	45,258,172
Waste		12,694,706	4,062,372
		-----	-----
		728,137,243	625,806,270
		-----	-----
Less: Commission to selling agents		3,031,681	20,255,411
Discount		1,387,505	551,838
		-----	-----
		4,419,186	2,577,379
		-----	-----
		723,718,057	623,228,891
		=====	=====

## 22. COST OF GOODS SOLD

Raw materials consumed	(Note 22.1)	519,185,238	391,005,243
Salaries, wages and benefits		44,944,970	53,247,173
Stores, chemicals and sizing materials		63,607,051	40,889,696
Fuel and power		76,268,816	85,487,289
Insurance		886,662	692,306
Repairs and maintenance		3,356,098	5,668,163
Other expenses		5,855,721	6,305,741
Depreciation	(Note 12.1)	46,941,509	52,384,283
Amortization of assets subject to finance lease	(Note 13)	2,308,870	2,565,410
		-----	-----
		763,354,935	638,245,304
		-----	-----
Adjustment of Work-in-process			
Opening		3,290,033	4,883,878
Closing		(8,020,968)	(3,290,033)
		-----	-----

	(4,730,935)	1,593,845
	-----	-----
	758,624,000	639,839,149
Adjustment of Finished goods		
Opening	14,358,853	23,538,987
Closing	(38,027,971)	(14,358,853)
	-----	-----
	(23,669,118)	9,180,134
	-----	-----
	734,954,882	649,019,283
	=====	=====

**22.1 Raw Materials Consumed**

Opening stock	20,117,794	35,451,432
Add: Purchases	609,961,082	375,342,905
	-----	-----
	630,078,876	410,794,337
Less: Closing stock	110,893,638	19,789,094
	-----	-----
	519,185,238	391,005,243
	=====	=====

**23. ADMINISTRATIVE**

Director's remuneration	1,800,000	3,377,562
Salaries, wages and benefits	7,050,931	11,340,996
Rent, rates and taxes	150,729	666,445
Printing and stationery	328,828	349,609
Communication	2,310,475	2,245,585
Travelling and conveyance	4,789,445	4,424,818
Subscription and donation	(Note 23.1) 806,400	621,363
Electricity	1,939,505	587,998
Legal and professional	1,479,928	1,151,174
Repair and maintenance	670,115	811,028
Depreciation	(Note 12.1) 2,005,807	2,336,946
Deferred costs amortized	(Note 15) 217,257	479,507
Insurance	57,949	--
Auditors' remuneration	(Note 23.2) 400,000	400,000
Provision for doubtful debts	1,556,821	--
Advances written off	--	20,218,754
Others	2,252,958	2,617,979
	-----	-----
	27,817,148	51,629,764
	=====	=====

23.1 None of the directors or their spouses has any interest in the donee fund, however donation for the year ended Sep 30, 1998 included Rs. 272,793 paid to Spehar Zahur Trust, 21-A Abid Majeed Road, Lahore, in which chief executive and one of the director (Mr. Arif Zahur) are trustees.

**23.2 Auditors' remuneration**

Audit fee	250,000	250,000
Tax representation fee	150,000	150,000
	-----	-----
	400,000	400,000
	=====	=====



**24. SELLING AND DISTRIBUTION**

Salaries and other benefits	1,087,247	2,005,077
Domestic and ocean freight	5,185,167	10,060,262
Other expenses	859,072	3,051,832
	-----	-----
	7,131,486	15,117,171
	=====	=====

**25. OTHER INCOME**

Mark-up on Short term deposits	--	70,838
Profit/(Loss) on sale of fixed assets	(1,689,105)	960,927
Gain on settlement of bank liability against advance	(Note 14) 58,558,803	--
Others	951,060	30,677
	-----	-----
	57,820,758	1,062,442
	=====	=====

**26. FINANCIAL CHARGES**

Mark-up/Interest on:		
Long term loans	41,199,690	5,329,502
Short term borrowings	37,302,877	54,211,902
Workers' profit participation fund	387,387	2,157,076
Bank charges and guarantee commission	3,363,565	1,373,050
Others	2,095,365	2,068,143
	-----	-----
	84,348,884	65,139,673
	=====	=====

**27. PRIOR PERIODS ADJUSTMENTS**

Expenses relating to prior periods	--	2,782,684
	-----	-----
	--	2,782,684
	=====	=====

**27.1 PRO FORMA STATEMENT OF ACCUMULATED LOSS:**

Accumulated loss previously reported.	--	(1,685,911,374)
Adjustments of prior years' transactions	--	2,782,684
	-----	-----
Opening accumulated loss restated	--	(1,688,694,058)
Loss for the year	--	(159,748,902)
	-----	-----
Accumulated loss as at balance sheet date	--	(1,848,442,960)
	=====	=====

This statement is included in the financial statement as per allowed alternative treatment under the International Accounting Standard (IAS- 8).

**28. EXTRA ORDINARY ITEM - Waiver on settlement of liabilities with financial institutions**

It represents reversals of mark-up capitalized, compound mark-up, penalties and additional charges as a result of restructuring/settlement/adjustment of outstanding liabilities towards financial institutions.

**29. TAXATION- Current**

	3,929,790	3,134,344
	=====	=====

29.1 Income tax assessments of the company have been finalized upto assessment year 1996- 97. Full provision in the accounts have been made to cover the liability. The tax department has raised tax demand

U/S 52 of the Income Tax Ordinance, 1979 aggregating to Rs. 6,573,799 for the assessment years upto 1996-97 which has been set-aside by CIT, Appeals Zone-III, Lahore and the case is expected to be finalized in favour of the company.

29.2 Deferred taxation arising due to timing differences is unlikely to reverse in the foreseeable future.

### 30. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

An extra ordinary general meeting of the company was held on July 27, 2000 and it has been resolved that the company is authorized to sell part or whole of fixed assets of the spinning unit-3 including the land, building, 20520 spindles, and other related plant & machinery and equipment in order to pay off and settle the liabilities of the lending banks and other creditors' institutions. Effect of discontinuing operations could not be quantified as it is not practically possible to provide information of the part of the segment.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>31. EARNING PER SHARE</b>		
Earning after tax	783,815,919	(159,397,242)
Earning excluding extra ordinary item	(76,643,375)	(159,397,242)
Weighted average number of ordinary shares	74,668,069	74,668,069
Earning per share - Basic	10.50	(2.13)
Earning excluding extra ordinary item per share	(1.03)	(2.13)

### 32. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration, including benefits, to the chief executive, working directors and executives of the company are follows:

	<i>Amount in Rupees</i>					
	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Number of persons	1	1	4	4	24	23
Managerial remuneration	400,000	400,000	1,390,400	1,502,667	3,188,394	3,116,395
House rent	180,000	180,000	625,680	676,200	1,434,777	1,402,378
Utilities	20,000	20,000	69,520	75,133	159,420	155,820
Medical expenses	--	--	--	40,300	--	--
Vehicle running and maintenance	183,585	188,598	155,694	294,664	--	--
	783,585	788,598	2,241,294	2,588,964	4,782,591	4,674,593

Chief Executive, directors and some of the executives are provided with free use of Company's cars and facility of telephone at their residence.

	<i>1999</i>	<i>1998</i>
<b>33. NUMBER OF EMPLOYEES</b>		
Number of employees at year end	1,950	3,253

**34. STATEMENT OF CHANGES IN EQUITY**

	<i>Amount in Rupees</i>				
	<i>Issued Share Capital</i>	<i>Deposit for Shares</i>	<i>Revaluation Reserve</i>	<i>Accumulated Profit/(Loss)</i>	<i>Total</i>
<b>As on 01 October 1997</b>	746,680,690	661,678	--	(1,685,911,374)	(938,569,006)
Changes in Equity not passed through profit & loss account	--	--	--	--	--
Changes in Equity passed through profit & loss account	--	--	--	(162,531,586)	(162,531,586)
Income/(loss) for the year	--	--	--	(162,531,586)	(162,531,586)
<b>As on 30 September 1998</b>	746,680,690	661,678	--	(1,848,442,960)	(1,101,100,592)
Changes in Equity not passed through profit & loss account	--	--	578,511,324	--	578,511,324
Revaluation Surplus	--	--	--	783,815,919	783,815,919
Changes in Equity passed through profit & loss account	--	--	--	783,815,919	783,815,919
Income/(loss) for the year	--	--	--	783,815,919	783,815,919
<b>As on 30 September 1999</b>	746,680,690	661,678	578,511,324	(1,064,627,041)	261,226,651

**35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****35.1 Financial Assets and Liabilities**

	<i>Amount in Rupees</i>						
	<i>Interest bearing</i>			<i>Non Interest bearing</i>			
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	<i>TOTAL 1999</i>
<b>Financial Assets</b>							
Security Deposits	--	--	--	--	2,274,967	2,274,967	2,274,967
Trade Debts	--	--	--	7,983,530	--	7,983,530	7,983,530
Advances, Deposits & other receivables	--	--	--	12,983,962	--	12,983,962	12,983,962
Cash and Bank Balances	--	--	--	434,914	--	434,914	434,914
	-----	-----	-----	-----	-----	-----	-----
	--	--	--	21,402,406	2,274,967	23,677,373	23,677,373
	=====	=====	=====	=====	=====	=====	=====
<b>Financial Liabilities</b>							
Loans	193,310,166	554,817,508	748,127,674	--	--	--	748,127,674
Liabilities against assets subject to Finance Lease	--	27,000,000	27,000,000	--	--	--	27,000,000
Deferred Liability for gratuity	--	6,651,061	6,651,061	--	--	--	6,651,061
Cash Finance	332,443,633	--	332,443,633	--	--	--	332,443,633
Creditors, Accrued and other liabilities	--	--	--	215,014,166	--	215,014,166	215,014,166
	-----	-----	-----	-----	-----	-----	-----
	525,753,799	588,468,569	1,114,222,368	215,014,166	--	215,014,166	1,329,236,534
	=====	=====	=====	=====	=====	=====	=====

**35.2 Concentration of Credit Risk**

The company credit risk exposure is not significantly different from that reflected in the financial statements.

**35.3 Fair Value of Financial Assets & Liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statement approximate their fair values.

*Rupees**Rupees***36. PLANT CAPACITY AND PRODUCTION**

Weaving		
No. of looms installed	120	252
No. of looms worked	68	128
Rated capacity on actual working	16,752,476	35,180,200
Actual production (running meters)	5,041,946	12,044,530
Spinning		
No. of spindles installed	47,880	69,000
No. of spindles worked	47,880	69,000
Rated capacity converted to 20's count (in lbs)	32,992,313	47,545,313
Actual production converted to 20's count (in lbs)	15,980,235	34,909,671

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

36.2 Under utilization of available capacity is mainly due to shortage of working capital.

**37. FIGURES**

- i) of previous year have been re-arranged wherever necessary for the purpose of comparison.
- ii) have been rounded off to the nearest rupee.

**CHIEF EXECUTIVE****DIRECTOR****FORM -34****THE COMPANIES ORDINANCE, 1984****PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT SEPTEMBER 30, 1999**

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
344	1	100	16272
771	101	500	247471
479	501	1000	418995
568	1001	5000	1408552
70	5001	10000	479945
24	10001	15000	300539
10	15001	20000	176122
7	20001	25000	153461
2	25001	30000	56000
4	30001	35000	128950
4	35001	40000	151275
4	40001	45000	169000
3	45001	50000	147388
1	50001	55000	54400
1	55001	60000	56110
1	65001	70000	68500
1	70001	75000	74000
1	75001	80000	79917
1	80001	85000	84754
1	85001	90000	87590
2	120001	125000	246380

1	145001	150000	150000
1	155001	160000	159391
1	220001	225000	220688
1	230001	235000	234080
1	255001	260000	256873
1	315001	320000	320000
1	330001	335000	334681
1	425001	430000	427925
1	565001	570000	570000
1	865001	870000	870000
1	1475001	1480000	1479193
1	3175001	3180000	3176120
1	5335001	5340000	5337570
1	5375001	5380000	5377851
1	6910001	6915000	6914000
1	9995001	10000000	10000000
1	11190001	11195000	11190903
1	23040001	23045000	23043173
-----			
2317		<b>Total</b>	74668069
=====			

<i>Categories of Shareholders</i>	<i>Numbers of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individual	2270	39410325	52.780
Investment Companies	6	3262105	4.368
Insurance Companies	4	398567	0.533
Joint Stock Companies	4	5338860	7.150
Financial Institution	10	16416114	21.985
Modaraba Companies	10	252362	0.337
Others	13	9589736	12.843
-----			
<b>TOTAL</b>	2317	74668069	100.000
=====			
<b>OTHERS</b>			
Non-Resident	2	3000	0.004
Foreign Company	9	7537543	10.094
Trust	2	2049193	2.744
-----			
<b>TOTAL</b>	13	9589736	12.843
=====			