

Dewan Textile Mills Limited

Annual Report 1999

Mission Statement

The mission of Dewan Textile Mills Limited is to be the finest Organisation, and to conduct business responsibly in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, initiative and teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognises and rewards achievements at all levels of the Organisation

because

IN ALLAH WE TRUST & IN PEOPLE WE BELIEVE.

We will always conduct ourselves with integrity and strive to be the best.

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COMPANY INFORMATION

BOARD OF DIRECTORS DEWAN GHULAM MUSTAFA KHALID
Chairman

DEWAN ZIA-UR-REHMAN FAROOQUI
Managing Director/Chief Executive

DEWAN MOHAMMAD AYUB KHALID
Resident Director

DEWAN MOHAMMAD YOUSUF FAROOQUI

DEWAN MOHAMMAD HAMZA FAROOQUI

MR. IQBAL NAEEM PASHA

AUDITORS MESSRS. FEROZE SHARIF TARIQ & CO.
Chartered Accountants

TAX ADVISORS	SHARIF & COMPANY Advocates
BANKERS	MUSLIM COMMERCIAL BANK LIMITED CITI BANK N. A. HABIB BANK LIMITED STANDARD CHARTERED BANK BANK OF AMERICA AMERICAN EXPRES55 BANK SOCIETE GENERALE, THE FRENCH & INTERNATIONAL BANK ABN AMRO BANK
REGISTERED OFFICE	DEWAN CENTRE 3-A, Lalazar, Beach Hotel Road, Karachi - 74000, Pakistan.
MILLS	H/20 & H/26, S.I.T.E., Kotri, District Dadu, Sindh, Pakistan.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of Dewan Textile Mills Limited will be held on 25th March, 2000 at 2:30 p.m. at Dewan Centre, 3-A, Lalazar, Beach Hotel Road, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. Recitation from HOLY QURAN.
2. To read and confirm the minutes of the Twenty Ninth Annual General Meeting held on 24th March 1999.
3. To receive, consider and adopt the annual audited accounts for the year ended 30 September 1999, together with the Directors' and Auditor's Report thereon.
4. To approve the declaration of cash dividend at the rate of 25% and issue of bonus shares @ 10%.
5. To appoint Auditors of the Company for the year ending 30 September 2000 and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and approve short term loans and advances out of surplus funds available with the Company to Dewan Sugar Mills Limited in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.
7. To approve remuneration payable to the Chief Executive and whole-time working Director.
8. To transact any other business with the permission of the Chairman.

Date: 04 March 2000

Place: Karachi

**By and on behalf of Board of Directors
(Dewan Ghulam Mustafa Khalid)
Chairman**

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 24 March 2000 to 31 March 2000 (both days inclusive).
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint. a proxy to attend, speak and vote for him / her (A proxy must be member of the company).
3. An instrument of proxy and a power of attorney or other authority (if any) under which it is signed or a notarised certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Members are requested to notify any changes in their address immediately.

"Statement under Section 160 of the Companies Ordinance, 1984 is attached with the Annual Report circulated to the members of the company".

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of the Thirtieth Annual General Meeting of Dewan Textile Mills Limited (hereinafter referred to as DTML) to be held on 25th March, 2000 and sets out material fact concerning the Special Business to be transacted at the Meeting.

1. Investment in Associated Companies

The Board of Directors considers to advance temporary short term financing to the associated companies out of surplus funds available with the Company. Details of such financing are given below:

- | | |
|---|--|
| (i) Name of borrower Company and associated undertaking together with the amount of loan and advance. | - Dewan Sugar Mills Limited
Rupees Fifty Million only |
| (ii) Rate of interest to be charged on each loan and advance together with the particulars of collateral security to be obtained from borrower. | - 1% above the rate on which the lending Company has obtained its own borrowing
- No Security is considered necessary as all the companies are under common management control. |
| (iii) Period for which these loans and advances will be made | - Twelve Months |
| (iv) The terms of repayment or any other terms of loans and advances. | - The loans and advances are adjustable within a period of twelve months or as and when required by the lending Company. |
| (v) Purpose of loans and advances | - The purpose of loans and advances is to provide any immediate requirement of working capital of the borrowing Companies. |
| (vi) Benefits likely to accrue to the Company and its shareholders from loans and advances | - The investing Company and its shareholders will be benefited in a manner that their investment will fetch a return of one percent over and above the mark-up rate at which the investing Company has borrowed. Further, the surplus funds will not remain idle and will be invested in the most efficient manner whereby the investing Company, not only getting good return but the funds will also remain at the disposal of the investing Company as such loans and advances are repayable on demand. |

None of the Directors or their spouse has any vested or non-vested interest whether directly, or indirectly in the proposed business.

In this regard following resolution is proposed to be passed, with or without modification, as a 'SPECIAL RESOLUTION.'

"Resolved that the Board of Directors of the Company be and is hereby authorised to make temporary short term loans / advances to Dewan Sugar Mills Limited up to maximum limit of Rs. 50 million at the mark up rate of 1% above the rate on which the Company has obtained the borrowing.

These temporary loans / advances shall be adjusted as and when required by the Company and shall not exceed 12 months period."

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the 30th Annual Report of the Company together with the audited accounts for the financial year ended on 30 September, 1999.

Alhamdulillah, the results for the year under review are satisfactory despite adverse factors like instability in yarn prices and failure of cotton crop, etc.

By the Grace of Almighty Allah, your company has earned a Net Profit of Rs. 43.11 million as compared with Net profit of Rs. 33.14 million of last year. The highlights of the accounts are as follows:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	
Gross Sales	1,907,147,124	1,913,427,949
Cost of Sales	1,567,364,807	1,635,513,021
Gross Profit	312,308,240	248,192,334
Taxation	22,200,000	22,000,000
Net Profit After Tax	43,119,186	33,147,163

We humbly and gratefully bow our heads before Almighty Allah, the Most Gracious and Merciful, who has rewarded and blessed your Company with His innumerable bounties in difficult times.

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

Your Directors are pleased to propose appropriation of profit in the following manner:

Profit For the Year 1998-99	Rs. 43,119,186
Un-appropriated Profit Brought Forward	Rs. 194,468,870

Profit Available For Appropriation	Rs. 237,588,056
	=====
Appropriation	
Cash Dividend - 1997-98	Rs. 13,721,400
Final Cash Dividend	Rs. 19,057,500
Reserve for Issue of Bonus Shares	Rs. 7,623,000
Un-appropriated Profit Carried Forward	Rs. 197,186,156

Total	Rs. 237,588,056
	=====

The Board of Directors has taken the decision for appropriation of the profit keeping in view expectations of shareholders from Dewan Mushtaq Group, statutory requirements, future profitability and present scenario of Textile Industry.

The Board also decided to apprise its valued shareholders current status and future situation of

Textile Industry in detail through this report.

SALIENT FEATURES OF THE ACCOUNTS:

1. Total gross sales of your company amounted to Rs. 1.907 billion as compared with Rs. 1.913 billion last year.
2. Earning Per Share of your Company works out to Rs. 5.66 as compared with last years EPS, which was Rs. 4.76.
3. During the year under review, textile industry remained in the clutches of grave crisis. Cotton crop once again failed miserably and cotton prices remained at high level, Average price of cotton hovered around Rs. 2,200/- per maund, excluding 15% sales tax.
4. The Board is pleased to inform its shareholders that the major work of Balancing, Modernisation and Replacement (BMR) has been successfully carried out. This has resulted in increased productivity and improved quality, as is evident from better margins.
5. Alhamdulillah, your company has been able to meet all its financial obligations on time and from its own resources.

FUTURE PROSPECTS

The outlook for local textile industry appears encouraging for the next year. The 1999-2000 cotton crop is expected to be around 9.75 million bales (25% more than 1998-1999). The size of cotton crop is more than the requirement of local textile industry which needs around 9.00 million bales in the current season for domestic consumption, up from 8.30 million bales in 1999. This would leave a reasonable buffer stock to help keep the prices stable.

The large cotton harvest has provided much needed impetus to the textile trade both in domestic end export market. Due to lower prices of cotton a sizable number of idle spindles and closed spinning units have come into production. Infact due to low price of cotton certain number of textile mills switched from high Polyester Cotton blended yarn to blends with more ratio of cotton than polyester. This has given a substantial boost to the export of cotton and polyester cotton blended yarn. As a result, export of textiles increased by 10.5 percent to Rs. 3.088 billion from Rs. 2.794 billion in the corresponding period last year.

The management has successfully implemented a major Balancing, Modernizing and Replacement program to bring the productive capacity upto date in order to remain competitive in its field of operation. The production facilities were temporarily shut down to carry out renovation work for building and ancillary facilities. Though production of several weeks was lost due to this BMR work but your Company was able to maintain it's sales revenue and increased it's profitability over the past year as the quality of yarn and it's productivity increased due to this equipment modernisation.

VOTE OF THANKS:

The board puts on record its gratitude to its valuable shareholders, federal and provincial government functionaries, banks, and customers whose co-operation, continued support and patronage have enabled your company to surpass the desired results.

The board also express its thanks for the valuable teamwork, loyalty and laudable efforts rendered by the executives, staff members and workers of your Company, during the year under review and wishes to place on record its appreciation for the same.

AUDITORS:

The Auditors of your Company, M/s. Feroz Sharif Tariq & Co., Chartered Accountants, retire and offer their services for re-appointment for the ensuing year on the same remuneration.

YEAR 2000

The onset of Year 2000 has Cleared all the hyperbole regarding the famous Y2K problem. We are pleased to inform our shareholders that all our Hardware and Software is functioning as usual without any problem. Alhamdulillah, all the applications are working perfectly and the results obtained

from computer generated information reconciles to the manual records that were maintained in order to cater to any unforeseen circumstances.

CONCLUSION:

In conclusion, we bow, beg and Pray to Almighty Allah, Rehman-o-Rahim, in the name of our beloved prophet, Mohammad, peace be upon him, for continued showering of His Blessings, Guidance, Strength, Health and Prosperity to us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa-Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

For and on behalf of the Board of Directors

DEWAN GHULAM MUSTAFA KHALID
Chairman

Karachi: March 02, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan Textile Mills Limited, as at 30 September, 1999 and the related Profit and Loss Account and Cash Flow Statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge mad belief were necessary for the purpose of our audit and, after due verification thereof, we report that;

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 1999 and of the profit and Cash Flow for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi.
Date: 02 March, 2000

Feroze Sharif Tariq & Company
Chartered Accountants

BALANCE SHEET AS AT 30 SEPTEMBER 1999

Notes *1999* *1998*

(Rupees)

CAPITAL AND LIABILITIES**SHARE HOLDER'S EQUITY****SHARE CAPITAL****Authorised**

30,000,000 Ordinary shares of Rs. 10/- each

300,000,000 300,000,000

Issued, Subscribed and Paid-up

3

76,230,000 69,300,000

Reserves and surplus

4

537,809,156 534,398,870

614,039,156 603,698,870

LIABILITY AGAINST ASSETS -**SUBJECT TO FINANCE LEASE**

5

224,143,656 76,100,118

DEFERRED LIABILITIES:

Staff Gratuity

25,179,712 29,242,207

Taxation

26,252,244 26,252,244

51,431,956 55,494,451

CURRENT LIABILITIES

Current portion of assets subject to finance lease

52,733,460 20,598,751

Short-term finances - Secured

6

1,021,197,487 639,378,169

Creditors, accrued expenses and other liabilities

7

401,960,617 88,122,548

Dividends

8

29,775,631 81,385

Provision for taxation

139,287,660 117,087,660

1,644,954,855 865,268,513

Contingencies & Commitments

9

2,534,569,623 1,600,561,952

PROPERTY AND ASSETS**OPERATING FIXED ASSETS - (at cost less**

accumulated depreciation)

10

478,468,569 213,570,175

CAPITAL WORK IN PROGRESS

11

41,713,636 106,481,010

LONG TERM INVESTMENT

12

210,000,000 210,000,000

LONG TERM DEPOSITS

13

5,074,919 5,074,919

CURRENT ASSETS

Stores and spares

14

43,963,347 52,070,112

Stock - in - Trade

15

905,679,922 462,806,806

Stock- in- Transit

123,529,089 --

Trade debts (Considered good)

16

414,336,897 271,844,851

Advances, deposits, prepayments and

other receivables

17

300,691,104 276,677,768

Cash and bank balances

18

11,112,140 2,036,311

1,799,312,499 1,065,435,848

2,534,569,623 1,600,561,952

The annexed notes form an integral part of these accounts.

DEWAN GHULAM MUSTAFA KHALID
Chairman

DEWAN ABDUL REHMAN FAROOQUI
Director

Note: Chief Executive of the Company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account are signed by two Directors.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1999

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees)</i>	
SALES	19	1,885,021,600	1,886,666,248
Less: Export Duty		3,258,463	2,960,893
		-----	-----
		1,879,763,137	1,883,705,355
COST OF SALES	20	1,567,364,897	1,635,513,021
		-----	-----
GROSS PROFIT		312,398,240	248,192,334
OPERATING EXPENSES			
Administrative & general expenses	21	18,161,583	20,420,693
Selling and distribution expenses	22	63,533,109	79,545,108
		-----	-----
		91,694,692	99,965,801
		-----	-----
OPERATING PROFIT		230,703,548	148,226,533
OTHER CHARGES			
Financial charges	23	160,055,369	120,079,987
Donation	24	516,000	570,950
Workers' profit participation fund		3,506,609	1,378,780
Workers' welfare fund		1,306,384	513,663
		-----	-----
		165,384,362	122,543,380
		-----	-----
		65,319,186	25,683,153
OTHER INCOME	25	--	29,464,010
		-----	-----
PROFIT BEFORE TAXATION		65,319,186	55,147,163
TAXATION			
Current Year		22,200,000	22,000,000
		-----	-----
PROFIT AFTER TAXATION		43,119,186	33,147,163
UN-APPROPRIATED PROFIT BROUGHT FORWARD		194,468,870	168,251,707
		-----	-----
		237,588,056	201,398,870
APPROPRIATION			
Final cash dividend - 25 % (1998: Nil)		19,057,500	--
Cash dividend - 18 % 1997-98		13,721,400	--
Reserve for issue of bonus share - 10% (1998: 10%)		7,623,000	6,930,000
		-----	-----
UN-APPROPRIATED PROFIT CARRIED FORWARD		197,186,156	194,468,870
		=====	=====

The annexed notes form an integral part of these accounts.

DEWAN GHULAM MUSTAFA KHALID
Chairman

DEWAN ABDUL REHMAN FAROOQUI
Director

Note: Chief Executive of the Company is out of Pakistan, therefore the Balance Sheet and Profit and Loss

Account are signed by two Directors.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1999

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	65,319,186	55,147,163
Adjustment for non-cash charges and other items		
Depreciation	56,215,720	25,527,242
Financial charges accrued	160,055,369	120,079,987
Provision for gratuity	10,202,018	8,845,075
Gain on sale of fixed assets	--	(484,010)
	-----	-----
	291,792,293	209,115,457
Changes in operating assets and liabilities		
Decrease / (Increase) in Stores and spares	8,106,765	(13,394,206)
(Increase) in Stock in Trade	(442,873,116)	(103,862,303)
(Increase) in Stock in Transit	(123,529,089)	--
(Increase) in Trade Debts	(142,492,044)	(192,637,601)
Decrease / (Increase) in Advances, Deposits		
Prepayments and Other Receivables	48,273,156	(118,950,887)
Increase in Short Term Ruing Finance	381,819,318	449,793,637
Increase / (Decrease) in Creditors, Accrued Expenses & Other Liabilities	317,610,647	(8,282,290)
	-----	-----
	46,915,635	12,666,350
Taxes paid	(72,286,492)	(25,269,288)
Gratuity paid	(14,264,513)	(4,413,640)
	-----	-----
	(86,551,005)	(29,682,928)
	-----	-----
	252,156,923	192,098,879
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(7,908,687)	(5,571,003)
Acquisition of leases-net	(26,546,177)	(13,001,385)
Increase in Long term deposit	--	(4,836,790)
Sale proceeds of fixed assets	--	1,479,000
Capital work in Progress	(41,713,636)	(53,848,475)
	-----	-----
Net cash flow from investing activities	(76,168,500)	(75,778,653)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(3,084,654)	(20,238,955)
Financial charges paid	(163,827,940)	(96,226,844)
	-----	-----
Net cash flow from financing activities	(166,912,594)	(116,465,799)
	-----	-----
Net Increase/(Decrease) in cash & bank balance	9,075,829	(145,573)
Cash & Bank balance at beginning of the year	2,036,311	2,181,883
	-----	-----
Cash & Bank balances at the end of the year	11,112,140	2,036,310
	=====	=====

DEWAN GHULAM MUSTAFA KHALID

DEWAN ABDUL REHMAN FAROOQUI

Chairman

Director

Note: Chief Executive of the Company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account are signed by two Directors.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

1. STATUS AND NATURE OF BUSINESS

Dewan Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges. The Principal activity of the Company is manufacturing and sale of yarn.

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 un-funded gratuity scheme. Annual provisions are made in the financial statements to cover obligations under this scheme.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

The Company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not crystallize in the fore-seeable future.

2.4 Fixed Assets and Depreciation

Owned

Fixed assets are stated at cost less accumulated depreciation except lease-hold which is stated at cost.

Depreciation is charged to income using the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged in the year of acquisition, while no depreciation is charged on assets deleted during the year.

Leased

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 obligations under the lease are accounted for as liabilities. Assets acquired under finance lease are amortized over the useful life of the assets and such amortization included in the depreciation is computed commencing from the year of acquisition in which the assets are put to use.

The Company opts to capitalise borrowing cost on Assets acquired through external lease financing for the period the Assets have not initiated commercial production.

Major repairs and renewals are capitalised, Gains or losses on disposal of fixed assets are included in the income currently.

2.5 Stores and Spares

These are valued at average cost except for those in transit, which are valued at cost.

2.6 Stock-in-Trade

These are valued as follows:

Raw Material	At average cost
Finished Goods	At lower of Cost or Net Realizable Value.
Waste	At selling price
Work-in-process	At average cost
Stock in Transit	At cost
Stock at fair price shop	At cost calculated on the basis of First-in-first-out method of valuation.

Cost of finished goods comprise of prime cost and appropriate portion of production overheads.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

2.7 Foreign currencies

Transactions in foreign currencies, if any, are recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies, if any, are translated into rupees at the exchange rates prevailing on the Balance Sheet date except where forward exchange contracts have been entered into in which case the rates contracted for are used. Exchange gains and losses, if any, are included in income currently.

2.8 investments

The company follows the 'cost method' of accounting for long-term investments. The carrying amount is reduced to recognise a decline, other than temporary, in the value of investment.

2.9 Revenue Recognition

2.9.1 Revenue from sales is recognized on despatch of goods to customers.

2.9.2 Dividend income is recognized on receipt basis.

2.10 Trade Debts

Debts considered bad, if any, by the management are written off and provision is made against those considered doubtful. No general provision is made for bad and doubtful debts.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
<i>(No. of Shares)</i>			<i>(No. of Shares)</i>	
1,500,000	1,500,000	Ordinary shares of Rs.10/- each fully paid in cash	15,000,000	15,000,000
225,000	225,000	Ordinary shares of Rs.10/- each issued for consideration other than cash	2,250,000	2,250,000
5,898,000	5,205,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	58,980,000	52,050,000
-----	-----		-----	-----
7,623,000	6,930,000		76,230,000	69,300,000
=====	=====		=====	=====

4. RESERVES AND SURPLUS

General reserve	333,000,000	333,000,000
Reserve for issue of Bonus Shares	7,623,000	6,930,000
Un-appropriated profit carried forward	197,186,156	194,468,870
	-----	-----
	537,809,156	534,398,870
	=====	=====

5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 01 October	96,698,869	57,067,720
Leases acquired during the year	206,724,424	52,632,535
	-----	-----
Less: Payments made	303,423,293	109,700,255
	26,546,177	13,001,386
	-----	-----
	276,877,116	96,698,869
Less: Transferred to current maturity	52,733,460	20,598,751
	-----	-----
	224,143,656	76,100,118
	=====	=====

The company has obtained certain plant and machinery trader finance lease arrangements. Rentals are payable in 16 to 20 equal quarterly installment. Financing rates of approximately 20 to 23 percent per annum have been used as discounting factors.

The amount of future payments for the lease and the period in which these payment will become due are as follows:

	1999	1998
	<i>(Rupees)</i>	
Year to 30 September 1999	--	37,041,562
Year to 30 September 2000	103,526,328	37,041,562
Year to 30 September 2001	103,258,466	32,973,512
Year to 30 September 2002	89,877,042	19,592,086
Year to 30 September 2003	72,676,648	7,239,167
Year to 30 September 2004	41,437,634	--
	-----	-----
Less: Financial charges allocated to future period	410,776,118	133,887,889
	133,899,002	37,189,019
	-----	-----
	276,877,116	96,698,870
	=====	=====

6. SHORT TERM FINANCES

Running Finance	426,338,046	639,378,169
Export Refinance	594,859,441	--
	-----	-----
	1,021,197,487	639,378,169
	=====	=====

6.1 RUNNING FINANCE

This represents short term running finances obtained from commercial banks against the available facilities of Rs. 428 million (1998: Rs. 845.00 million). These carry mark-up ranging from 41 to 45 paisa (1998: 41 to 48 paisa) per Rs 1,000 per day and are secured by way of hypothecation of stock-in-trade and book debts. These arrangements are generally for one year and are renewable at the end of the period.

6.2 EXPORT REFINANCE

This represents finance to support exports obtained from various commercial banks against the available facilities of Rs. 617.50 Million. These carry mark-up ranging from 20 to 22 paisa

per Rs. 1.000 per day and are secured by way of hypothecation of stock-in-trade and book debts. These financing arrangements are generally for a period of 120 days.

7. CREDITORS, ACCRUED EXPENSES & OTHER LIABILITIES

Creditors for goods		321,335,484	3,915,242
Accrued expenses		68,856,279	75,872,665
Workers' profit participation fund	7.1	3,506,609	1,378,780
Workers' welfare fund		8,262,245	6,955,861
		-----	-----
		401,960,617	88,122,548
		=====	=====

7.1 Worker's Profit Participation Fund

Add: Provision for the year		1,378,700	770,500
		3,506,609	1,378,780
		-----	-----
Less: Paid during the year		4,885,309	2,149,280
		1,378,700	770,500
		-----	-----
		3,506,609	1,378,780
		=====	=====

8. DIVIDEND

Unclaimed Dividend		10,718,131	81,355
Proposed Cash Dividend		19,057,500	--
		-----	-----
		29,775,631	81,385
		=====	=====

9. CONTINGENCIES & COMMITMENTS

Outstanding Letter of Guarantee / Credit issued by Commercial bank and Insurance Company		75,015,753	146,373,871
		=====	=====

10. FIXED ASSETS - at cost less accumulated depreciation

Particulars	COST				DEPRECIATION			
	As at 01 October 1998	Additions (Deletions) during the year	As at 30 September 1999	Rate Percent	As at 01 October 1998	For the year (On disposals)	As at 30 September 1999	Written Down value as at 30 September 1999
OWNED								
Lease hold Land	778,000	--	778,000	--	--	--	--	778,000
Factory Building	39,169,391	20,037,333	59,206,724	10	29,919,957	2,928,677	32,848,634	26,358,090
Labour Quarters	13,591,824	1,459,297	15,051,121	25	13,163,556	471,891	13,635,447	1,415,674
Plant and Machinery	405,709,674	26,459,186	432,168,860	10	274,718,078	15,745,078	290,463,156	141,705,704
Electric Installation	7,758,229	7,378,787	15,137,016	15	6,340,355	1,319,499	7,659,854	7,477,162
Air-Conditioning Plant	11,713,324	--	11,713,324	10	8,731,648	298,168	9,029,816	2,683,508
Factory Equipment	2,375,711	--	2,375,711	10	1,844,443	53,127	1,897,570	478,141
Vehicles	26,421,123	6,186,809	32,607,932	20	15,184,979	3,729,805	18,914,784	13,693,148
Furniture & Fixtures	5,002,708	12,800	5,015,508	10	1,796,891	321,862	2,118,753	2,896,755
Office Equipments	4,847,474	222,950	5,070,424	15	2,778,155	343,840	3,121,995	1,948,429
	-----	-----	-----		-----	-----	-----	-----
Total	517,367,458	61,757,162	579,124,620		354,478,062	25,211,947	379,690,009	199,434,611
Leased								
Plant and Machinery	64,415,101	259,356,959	323,772,060	10	13,734,329	31,003,773	44,738,102	279,033,958
	-----	-----	-----		-----	-----	-----	-----
1999	581,782,559	321,114,121	902,896,680		368,212,391	56,215,720	424,428,111	478,468,569
	-----	-----	-----		-----	-----	-----	-----

1998	577,676,556	5,571,003 (1,465,000)	581,782,559	343,155,152	25,527,242 (470,010)	368,212,391	213,570,175
	=====	=====	=====	=====	=====	=====	=====

1999	1998
(Rupees)	

10.1 Depreciation has been allocated as follows

Cost of Sales	54,858,964	24,370,759
Administrative & General Expenses	1,356,756	1,156,483
	-----	-----
	56,215,720	25,527,242
	=====	=====

11. CAPITAL WORK IN PROGRESS

Building Constructions	17,277,841	21,496,630
Plant & Machinery	24,435,795	32,351,845
Plant & Machinery - Leased	--	52,632,535
	-----	-----
	41,713,636	106,481,010
	=====	=====

12. LONG TERM INVESTMENT**IN LISTED SECURITIES**

Shares in Dewan Salman Fibre Ltd.
(A listed associated company)
51,101,400 (1998: 44,436,000) Fully
paid Ordinary Shares of Rs. 10/- each
Including 30,101,400 of shares received
as bonus shares

210,000,000	210,000,000
=====	=====

Aggregate Market Value as at 30 September

1732.337 Million	1222.047 Million
=====	=====

Percentage of equity held in associated company

31.862%	31.862%
=====	=====

13. LONG TERM DEPOSITS

Security deposits	5,069,669	5,069,669
Guarantee Margin	5,250	5,250
	-----	-----
	5,074,919	5,074,919
	=====	=====

14. STORES AND SPARES

Packing Material	13,297,933	19,559,749
Stores	631,654	620,722
Spares	30,033,760	31,889,641
	-----	-----
	43,963,347	52,070,112
	=====	=====

15. STOCK-IN-TRADE

Raw Material	386,023,195	176,938,147
Work in Process	25,238,311	17,992,339
Finished Goods	494,418,416	267,876,320
	-----	-----
	905,679,922	462,806,806
	=====	=====

16. TRADE DEBTS -- Considered good

Export Proceeds Receivable - Secured	16.1	251,450,766	115,357,631
Trade Debts Local - Unsecured		162,886,131	156,487,220
		-----	-----
		414,336,897	271,844,851
		=====	=====

16.1 Export Debtors - Secured

This represents the net amount of Export debtors of the company after setting off short term finance obtained against certain portion of Export Debtors. These short term finance are obtained from various commercial bank against available facilities of 196.61 Million (1998: 308.39 Million) at a markup rate ranging between 35 paisa to 41 paisa per 1000 per day. These facilities are secured against lien over export documents & are generally repayable on the receipts of such export proceeds.

17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances			
-- to Staff		1,458,011	2,868,338
-- to Suppliers		903,443	61,239,137
-- Income Tax		193,966,475	121,679,986
-- against Imports		36,531,426	54,716,725
-- Others		3,211,366	3,664,933
Short Term Deposits		2,886,451	921,572
Sales Tax receivables		61,733,929	31,587,077
		-----	-----
		300,691,104	276,677,768
		=====	=====

18. CASH AND BANK BALANCES

Cash in hand		272,149	914,116
Cash at bank - current account		10,839,991	1,122,195
		-----	-----
		11,112,140	2,036,311
		=====	=====

19. SALES

Yarn Local		593,932,540	605,545,501
Export		1,372,573,500	1,362,905,499
Waste		17,950,731	13,792,255
		-----	-----
		1,984,456,771	1,982,243,255
		-----	-----
Less: Sales Tax		77,309,647	68,815,306
Commission:			
On Local Sales		2,600,841	2,767,375
On Export Sales		21,524,683	23,994,326
		-----	-----
		24,125,524	26,761,701
		-----	-----
		1,883,021,600	1,886,666,248
		=====	=====

20. COST OF SALES

Raw Material Consumption			
Opening stock		176,938,147	96,386,292
Purchases		1,634,197,785	1,283,283,540
		-----	-----
		1,811,138,932	1,379,669,832

Less: Sales	79,909,199	--
Sales Tax	(10,420,889)	--
	-----	-----
Less: Closing Stock	(386,023,195)	(176,938,147)
	-----	-----
	1,355,624,487	1,202,731,683
Packing Material Consumed	44,328,546	34,379,449
Stores & Spares Consumed	27,736,049	21,703,271
Salaries, Wages & Other Benefits	123,638,600	100,820,649
Fuel, Power & Water	179,241,003	163,688,882
Rent, Rates & Taxes	1,104,524	515,266
Insurance	5,068,396	4,478,417
Cotton & Textile Cess	1,467,638	1,296,485
Travelling & Conveyance	492,788	653,696
Vehicle Expenses	1,520,519	1,437,397
Repair and Maintenance	1,579,026	2,149,391
Depreciation	54,858,964	24,370,759
	-----	-----
	1,796,660,540	1,558,225,347
Add: Work in process (Opening)	17,992,339	19,352,714
Less: Work in process (Closing)	(25,238,311)	(17,992,339)
	-----	-----
Cost of goods manufactured	1,789,414,568	1,559,585,722
Add: Finished Goods (Opening)	267,876,320	243,205,497
Purchase of Yarn	4,492,425	100,598,122
	-----	-----
	2,061,783,313	1,903,389,341
Less: Finished Goods (Closing)	(494,418,416)	(267,876,320)
	-----	-----
	1,567,364,897	1,635,513,021
	=====	=====

21. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, allowances & other benefits	21.1	7,937,694	7,866,142
Communication		1,990,403	1,889,737
Vehicle expenses		1,244,991	2,042,285
Legal and professional		200,200	513,342
Auditors remuneration	21.2	50,000	40,000
Printing and stationery		724,588	1,114,888
Fees & subscription		344,061	393,438
Entertainment		304,672	301,160
Travelling and conveyance		3,126,725	2,846,102
Rent, rates and taxes		713,847	1,448,304
Repairs & maintenance		163,646	808,812
Depreciation		1,356,756	1,156,483
		-----	-----
		18,161,583	20,420,693
		=====	=====

21.1 REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	1999 (Rupees)				1998 (Rupees)			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	600,000	312,000	3,326,244	4,238,244	600,000	312,000	3,022,318	3,934,318

House Rent Allowance	270,000	144,000	1,496,772	1,910,772	270,000	144,000	1,220,405	1,634,405
Utilities	30,000	24,000	332,624	386,624	30,000	24,000	302,232	356,232
Meeting Fees	--	2,000	--	2,000	--	--	--	2,000
Medical	--	--	105,600	105,600	--	--	96,209	96,209
Conveyance	--	--	54,000	54,000	--	--	50,000	50,000
Total	900,000	482,000	5,315,240	6,697,240	900,000	482,000	4,691,164	6,073,164
No. of Persons	1	1	15	17	1	1	12	14

21.2 Auditors' Remuneration

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	
Audit fees	45,000	35,000
Other services	5,000	5,000
	-----	-----
	50,000	40,000
	=====	=====

22. SELLING AND DISTRIBUTION EXPENSES

Advertisement & publicity	922,523	347,514
Freight & octroi	8,895,330	11,010,455
Export expenses	15,994,284	16,970,102
Ocean freight	35,864,700	49,849,767
Packing expenses	1,856,272	1,367,270
	-----	-----
	63,533,109	79,545,108
	=====	=====

23. FINANCIAL EXPENSES

Mark-up on running finance	121,314,798	107,960,925
Mark-up on Export refinance (Pre-Shipment)	10,274,505	--
Mark-up on Export refinance (Post-Shipment)	8,014,373	--
Mark-up on lease	19,405,998	10,401,614
Bank charges	1,045,695	1,717,448
	-----	-----
	160,055,369	120,079,987
	=====	=====

24. DONATION

None of the Directors or their spouse has any interest in the donee fund.

25. OTHER INCOME

Profit on sale of fixed assets	--	484,010
Dividend income	--	28,980,000
	-----	-----
	--	29,464,010
	=====	=====

26. TAXATION

The income tax assessment of the company have been finalised up to and including assessment year 1999-2000. However the company has filed certain appeals which are pending with the income tax authorities in respect of assessment years from 1994-95 to 1999-2000. The appeals are related inter-alia to the dis-allowance of certain expenses and proration of expenses between local and export sales. In certain appeals, the appellate authorities have set-aside the proration of expenses in favour of the company.

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

During the year aggregate transactions made by the company with the Associated Companies were purchases of Rs. NIL (1998: Rs. 54.333) and sales of Rs 69.368 million (1998: Rs. 17.685)

28. PLANT CAPACITY AND PRODUCTION

PARTICULARS	1999		1998	
	KGS	AVERAGE COUNT	KGS	AVERAGE COUNT
Actual production at actual average count	19,280,434	15.52	16,731,089	15.63
Actual production converted to 20 count	13,199,661	20.00	11,989,663	20.00
Attainable capacity	9,000,000	20.00	9,000,000	20.00
Number of spindles installed	61,704	--	50,616	--
Worked during the year	61,704	--	50,616	--
Number of shifts worked during the year	1080	--	1,074	--

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 INTEREST RATE RISK EXPOSURE

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

	Interest / Mark-up Bearing			Non Interest Bearing			1999 (Rupees) Total
	Maturity up to One year	Maturity after One year	Sub Total	Maturity up to One year	Maturity after One year	Sub Total	
Financial Assets							
Long term investment	--	--	--	--	210,000,600	210,000,000	210,000,000
Long term deposits	--	--	--	--	5,074,919	5,074,919	5,074,919
Trade Debts	--	--	--	610,954,406	--	610,954,406	610,954,406
Advance Deposits & Prepayments & other receivabl	--	--	--	44,990,697	--	44,990,697	44,990,697
Cash & Bank Balance	--	--	--	11,112,140	--	11,112,140	11,112,140
	--	--	--	667,057,243	215,074,919	882,132,162	882,132,162
Financial Liabilities							
Liabilities against subject to lease	52,733,640	224,143,656	276,877,296	--	--	--	276,877,296
Finance under Mark-up arrangement							
- Running Finance	426,338,046	--	426,338,046	--	--	--	426,338,046
- Pre-shipment	594,859,441	--	594,859,441	--	--	--	594,859,441
- Post-shipment	196,617,509	--	196,617,509	--	--	--	196,617,509
Creditors, accrued & other liabilities	38,370,666	--	38,370,666	321,335,484	--	321,335,484	359,706,150
	1,308,919,302	224,143,656	1,533,062,958	321,335,484	--	321,335,484	1,854,398,442
Average interest rates	7% - 16%	20% - 22%					

29.2 CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies approved credit limits to its customers.

29.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for long-term investments, which are stated at cost.

30. EARNING PER SHARE

	<i>1998</i>	<i>1998</i>
	<i>(Rupees)</i>	
Net profit for the year	43,119,186	33,147,163
Average ordinary shares in issue during Sep 30, 1999 Rs. 7,623,000 (1998 Rs. 6,930,000)		
Earning per share	5.66	4.76

31. GENERAL

31.1 Figures have been rounded off to the nearest rupee.

31.2 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison

DEWAN GHULAM MUSTAFA KHALID
Chairman

DEWAN ABDUL REHMAN FAROOQUI
Director

Note: Chief Executive of the Company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account are signed by two Directors.

**PATTERN OF SHAREHOLDING
AS AT 30 SEPTEMBER, 1999**

<i>No. of Shareholders</i>	<i>Share Holdings</i>				<i>Total Shares Held</i>
98	From	1	to	100	Shares 2,421
49	From	101	to	500	Shares 10,566
9	From	501	to	1,000	Shares 5,994
11	From	1,001	to	5,000	Shares 24,047
6	From	5,001	to	10,000	Shares 40,924
6	From	10,001	to	15,000	Shares 76,249
3	From	15,001	to	20,000	Shares 54,359
1	From	20,001	to	25,000	Shares 22,907
5	From	25,001	to	30,000	Shares 133,861
1	From	40,001	to	50,000	Shares 43,500
2	From	50,001	to	100,000	Shares 116,655
2	From	145,001	to	150,000	Shares 292,446
3	From	160,001	to	165,000	Shares 484,826
1	From	190,001	to	200,000	Shares 190,451
1	From	205,001	to	210,000	Shares 209,940
1	From	225,001	to	230,000	Shares 226,521
4	From	400,001	to	500,000	Shares 1,758,802
4	From	500,001	to	600,000	Shares 2,118,883
2	From	800,001	to	AND ABOVE	Shares 1,809,648
----- 209 =====				TOTAL	----- 7,623,000 =====

<i>Categories of Shareholding</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
-----------------------------------	-----------------------------------	--------------------	-------------------

Individuals	202	7,588,404	99.546
Investment Companies	3	7,047	0.092
Insurance Companies	1	385	0.005
Joint Stock Companies	1	26,446	0.347
Others	2	718	0.009
	-----	-----	-----
TOTAL	209	7,623,000	100%
	=====	=====	=====