

Elahi Cotton Mills Limited

Annual Report 1999

COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
 MAHFOOZ ELAHI
 MAHMOOD ELAHI
 ABDUL RASHEED
 TARIQ SAYEED
 FARRUKH AHMED
 SHAHID ANWAR

CHIEF EXECUTIVE

MAHBOOB ELAHI

AUDITORS

M/S. S. M. MASOOD & CO.
 CHARTERED ACCOUNTANTS
 23 EAST, SAEED PLAZA,
 BLUE AREA,
 ISLAMABAD.

REGISTERED OFFICE

270-SECTOR I-9,
 INDUSTRIAL AREA,
 ISLAMABAD.

MILLS

JURIAN, MANDRA,
 TEHSIL GUJAR KHAN,
 DISTRICT RAWALPINDI

DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to welcome you to the 29th Annual General Meeting of your company and feel pleasure in presenting their Annual Report alongwith audited financial statements for the year ended September 30, 1999.

The year under report was the very worst year for the Company. The Company has sustained operational loss of Rs. 21.051 million as against loss of Rs. 13.033 million in the last year. The financial results of the company for the year under review are given below :-

	RUPEES IN MILLION
Operating Profit/Loss)	(21.051)
Add. Financial Charges	(18.360)
Other Income	5.298

Loss before Taxation	(34.113)
Add: Provision for Taxation	(0.347)

Net Loss after Taxation	(34,460)
Accumulated Loss brought forward	(50.757)

Accumulated Loss carried forward	(85.217)
	=====

The financial results are unfavourable as the Textile Industry has been in serious crises for the last seven years. Due to the effect of the crises our unit could not be operated 100 % for the year under review.

Main reason and factors that governed the negative results for the year are summarised below :-

The severe textile recession contained in international and domestic markets due to which the prices of yarn were not favourable.

Labour Management problem

Heavy financial burden due to higher mark up rates

Increase in production cost specially in power tariff rates, stores and spares etc.

AUDITORS

The auditor M/S. S.M. Masood & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

YEAR 2000 COMPUTER COMPLIANCE:

The Company had made necessary changes in its computer software and hardware. Hence our business activities remained normal at the commencement of new millennium.

SHAREHOLDING

A statement showing the pattern of share holding by the shareholders of the Company as on September 30, 1999 is attached herewith.

FUTURE PROSPECTS AND OUTLOOK

At present Textile Industry in Pakistan is moving towards improvement as some of the bold steps were taken by the Government. It is hoped that next year would be better for Spinning Sector and we will try to recoup part of our losses accumulated so far.

The overall Labour management relations remained pleasant. However for some period the behaviour of the Labour was uncordial due to un co-operative attitude of the Labour leaders.

I, together with my fellow Directors hope that co-operative attitude of the Labour will continue in performing their duties efficiently.

The Directors have to comment on Auditors qualification as under:

The company incurred loss of Rs. 34.460 million due to shortage of working capital, severe textile crises, Labour management problems and heavy financial burden. Due to above factors the company operated partially and suffered heavy losses. However, presently the company moving towards improvement and it is hoped that the company will recoup part of losses accumulated and will continue its operations. The company has also approached various DFTs for financing B.M.R. plan for revival of the unit, which will improve the profitability of the Company.

As regard the opinion of our Auditors in connection with the investment in the associated undertakings, the company has made investment in associated undertakings above the Bank rate as required under Companies Ordinance, 1984. However, the company is expected to recover the amount from associated undertaking and fulfil the requirement of Section 208 of the Companies Ordinance, 1984.

BY ORDER OF THE BOARD

Islamabad,
March 07, 2000.

(MAHBOOB ELAHI)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ELAHI COTTON MILLS LIMITED, as at September 30,1999 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year then ended and we state that;

The Company has suffered net loss of Rupees 34,460 million for the year ended September 30, 1999 and has accumulated loss of Rupees 85.217 million. Current liabilities exceeded its current assets by Rupees 12.608 million and total liabilities exceeded its total assets by Rupees 39 million. The company is also facing difficulties in meeting its financial obligations. Due to these factors the company may be unable to continue as going concern. These accounts have been prepared on the going concern assumption.

Considering significance of the above matter, we are unable to form an opinion on the validity of the use of going concern assumption. Consequently adjustments may be required to the recorded assets and classification of liabilities.

As referred to in note 18 to the accounts aggregate investment in associated companies exceeds thirty percent of the paid up capital plus free reserves of the company which in contravention with the requirements of section 208 of the Companies Ordinance, 1984.

Except for the effect of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves as to the matter set out above, we report that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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 cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 1999, and of the loss 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 but not deposited in the Central Zakat Fund established under section 7 of that Ordinance.

ISLAMABAD
March 05, 2000.

S.M. MASOOD & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30TH SEPTEMBER, 1999

CAPITAL & LIABILITIES	NOTE	1999 RUPEES	1998 RUPEES
SHARE CAPITAL			
Authorised			
5,000,000 ordinary shares of Rs. 10/- each		50,000,000	50,000,000
ISSUED, SUBSCRIBED & PAID UP			
1,300,000 ordinary shares of Rs. 10/- each fully paid in cash		13,000,000	13,000,000
ACCUMULATED LOSS		(85,217,303)	(50,757,210)
REVALUATION RESERVE	3	33,215,659	33,215,659
		(39,001,644)	(4,541,551)
LONG TERM & DEFERRED LIABILITIES			
Long Term Finances -Secured	4	93,507,604	18,958,335
Obligation Under Finance Lease	5	2,145,789	2,510,915
Provision for gratuity	6	2,400,361	2,424,190
		98,053,754	23,893,440
CURRENT LIABILITIES			
Short Term Running Finances - Secured	7	4,569,801	73,100,619
Current Maturity of Long Term Liabilities	8	22,427,261	15,792,230
Due to Director		4,638,575	3,112,226
Creditors, Accrued & Other Liabilities	9	54,103,352	41,002,502
Provision for Taxation	10	5,232,077	5,072,038
		90,971,066	138,079,615
CONTINGENCIES & COMMITMENTS	11	--	--
		150,023,176	157,431,504

PROPERTY & ASSETS**TANGIBLE FIXED ASSETS**

Operating assets (at cost less depreciation)	12	71,119,009	75,932,633
Fixed assets in Bangladesh	13	--	1,334,214
Capital work in progress	14	474,884	463,435
LONG TERM INVESTMENT	15	25,000	25,000
LONG TERM SECURITY DEPOSITS		41,656	41,656

CURRENT ASSETS

Stores, spares & loose tools	16	1,776,327	3,935,944
Stock in Trade	17	37,684,116	24,432,745
Trade debtors - unsecured considered goods		230,904	3,838,740
Due from associated undertakings/directors	18	27,614,230	23,277,934
Advances, deposits, prepayments & other receivables	19	10,908,199	23,258,769
Cash and bank balances	20	148,851	890,434
		-----	-----
		78,362,627	79,634,566
		-----	-----
		150,023,176	157,431,504
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1999.

	<i>NOTE</i>	<i>1999 RUPEES</i>	<i>1998 RUPEES</i>
Sales (Net)	21	64,203,276	135,327,283
Cost of Sales	22	79,825,826	139,786,176
		-----	-----
Gross loss		(15,622,550)	(4,458,893)
OPERATING EXPENSES			
Administrative	23	4,845,150	4,868,58
Selling & Distribution	24	583,216	3,705,917
		-----	-----
		5,428,366	8,574,498
		-----	-----
Operating loss		(21,050,916)	(13,033,391)
Other Income	25	5,298,113	2,525,648
		-----	-----
		15,752,803	(10,507,743)
Financial Charges	26	18,359,783	17,967,468
		-----	-----
NET LOSS BEFORE TAXATION		(34,112,586)	(28,475,211)
PROVISION FOR TAXATION - Current		347,507	676,637
		-----	-----
NET LOSS AFTER TAXATION		(34,460,093)	(29,151,848)
BALANCE BROUGHT FORWARD		(50,757,210)	(21,605,362)
		-----	-----
BALANCE CARRIED FORWARD		(85,217,303)	(50,757,210)
		=====	=====
LOSS PER SHARE	27	(26.51)	(22.42)

AUDITORS REPORT TO THE MEMBERS IS ANNEXED.

The annexed notes form an integral part of these accounts.

Chief Executive

Director

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

<i>NOTE</i>	<i>1999 RUPEES</i>	<i>1998 RUPEES</i>
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CASH FLOW FROM OPERATING ACTIVITIES

Net (Loss) before Taxation	(34,112,586)	(28,475,211)
Adjustment for		
Depreciation	5,056,100	5,684,012
Financial charges	18,359,783	17,967,468
Provision for gratuity - Net	(23,829)	(53,934)
Fixed assets in Bangladesh	1,334,214	--
Gain on sale of fixed assets	(162,085)	--
	-----	-----

LOSS BEFORE WORKING CAPITAL CHANGES	(9,548,403)	(4,877,665)
--	-------------	-------------

Changes in working capital:

Increase in inventories	(11,091,754)	14,518,352
Decrease in Trade debtors	3,607,837	3,746,330
Decrease in advances, deposits, prepayments and other receivable	12,350,570	(4,430,624)
Decrease in short term finances	68,530,818	(9,164,205)
Increase in creditors, accrued and ,other liabilities	13,797,307	18,427,824
	-----	-----
Cash generated from operations	(49,866,858)	23,097,677
	-----	-----
Financial charges paid	(19,056,239)	(15,571,614)
Income Tax paid	(187,470)	(1,844,964)
	-----	-----
	(69,110,567)	5,681,099
	-----	-----
Net cash from operating activities	(78,658,970)	803,434
	-----	-----

CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(305,391)	(10,647,622)
Disposal of fixed assets	225,000	--
Capital work in progress	(11,449)	(193,506)
	-----	-----
Net cash flow from investing activities	(91,840)	(10,841,128)
	-----	-----

CASH FLOW FROM FINANCING ACTIVITIES :

Long term financing (Net)	82,000,000	24,644,349
Obligation under finance lease	(1,180,826)	(2,223,690)
Associated undertakings / Directors	(2,809,947)	(12,654,875)
	-----	-----
Net cash flow from Financing activities	78,009,227	9,765,784
	-----	-----
Net (decrease) in cash and cash equivalents	(741,583)	(271,910)
Cash and cash equivalents at the beginning of the year	890,434	1 162,344
	-----	-----
Cash and cash equivalents at the end of the year (20)	148,851	890,434
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1999**1. STATUS AND NATURE OF BUSINESS:**

The company was incorporated as a public limited company on June 26, 1970 and is listed on Karachi and Islamabad Stock Exchanges. The company is engaged in the manufacturing and sale of yarn.

2. BASIS FOR PREPARATION OF ACCOUNTS

The financial statements have been prepared in compliance with the requirements of International Accounting standards as adopted by The Institute of Chartered Accountants of Pakistan which are applicable to the Company.

Following accounting policies have been consistently applied in preparation of accounts:

2.1 ACCOUNTING CONVENTION

The accounts have been prepared under historical cost convention except that certain fixed assets have been included at revalued amounts.

2.2 STAFF RETIREMENT BENEFITS

The company operates defined contributory unfunded gratuity scheme for officers and employees. Provision for gratuity is made on the basis of last month's drawn slurry for each completed year of service. Minimum qualifying period for gratuity benefit is one year of service from date of joining. Gratuity becomes payable on lumpsum basis on the date of retirement or resignation. The Company

does not contribute towards or maintain any pension or provident fund.

2.3 TAXATION

The company provides for deferred taxation using liability method on all major timing differences which are expected to reverse in the foreseeable future. However, provision for deferred taxation for the current year is not considered necessary due to heavy losses. Deferred taxation on timing differences not accounted for is due to:

	(Rupees)
- accelerated tax depreciation	7,000,814
- carry forward of business losses	(31,990,190)

	(24,989,376)
	=====

In view of available tax losses, provision for current taxation represents the minimum tax due under Section 80-D of the Income Tax Ordinance, 1979. For the purpose of current taxation, unassessed losses available for carry forward at September 30, 1999 are estimated at Rs 96,939,970 (1998 :Rs. 31,855,396).

2.4 TANGIBLE FIXED ASSETS

OWNED

Operating fixed assets except freehold land are stated at cost or revalued amounts less accumulated depreciation. Freehold land is stated at cost or revalued amount and capital work in progress is stated at cost.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. The full annual rate of depreciation is applied on the cost of additions while no depreciation is charged on assets disposed off during the year. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred.

Major renewals and repairs are capitalised and the assets so replaced are retired. Gains or losses on disposal of fixed assets are accounted for as profit or loss for the year.

LEASED

Plant and machinery and vehicles are stated at amounts computed on the basis of discounted value of total minimum lease payment and residual value of the asset at the end of lease period guaranteed, if any, by the company. Financial charges are allocated to accounting period in the manner so as to provide a constant periodic rate of charge on the outstanding liability under finance lease agreement.

Depreciation charge is based on the estimated useful life of asset in view of the certainty of the ownership of the asset at the end of the lease.

2.5 STORES, SPARES AND LOOSE TOOLS

These have been valued using moving average cost.

2.6 STOCK IN TRADE

Raw materials are valued at moving average cost.

Work in process is valued at production cost which includes related portion of factory wages and overheads.

Finished goods are valued at lower of cost or net realisable value. Net realisable value signifies prevailing selling price in the ordinary course of business less costs incidental to sale of goods.

2.7 INVESTMENTS

These are valued at cost less taking any permanent devaluation in the market value thereof. Dividends in cash are accounted as income on receipt basis whereas bonus dividend is accounted by increasing the number of shares held.

2.8 REVENUE RECOGNITION

Local sales are recorded on dispatch of goods to customers and export sales are recorded on shipment of goods.

2.9 BORROWING COST

Mark up, interest and other borrowing cost are charged to income in the year in which they are incurred

2.10 FOREIGN CURRENCY TRANSLATIONS

Assets and liabilities in foreign currencies are translated into Rupees at exchange rates

approximating those prevailing at the Balance Sheet date and exchange difference arising from translation are taken to profit and loss accounts.

2.11 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand , cash at Banks and short term investments with maturity of not later than three months at known amount in Rupees.

2.12 FINANCIAL INSTRUMENTS.

All the financial assets and liabilities are recognised at the time the company becomes party to the contractual provisions of the instruments. Any gain or loss on recognition and derecognition of the financial assets ad liabilities is included in the profit and loss for the period in which it arises.

3. REVALUATION RESERVE

	1999 RUPEES	1998 RUPEES
Surplus on revaluation of fixed assets	33,215,659	33,215,659
	=====	=====

Freehold land and building was revalued on June 30, 1996 by M/S. Zia Consultants, an independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold land and replacement value for building. At the above date the revaluation resulted in a surplus of Rs. 33,215,659/- over the cost of Rs 9,117,753/- of these assets.

		<i>1999</i> <i>RUPEES</i>	<i>1998</i> <i>RUPEES</i>
4. LONG TERM FINANCES -Secured			
Muslim Commercial Bank - Demand Finance	4.1	9,625,000	13,125,000
Restructured Finances (Note 4.6 and 4.7)			
Habib Bank Limited - Demand Finance	4.2	--	5,833,335
Habib Bank Limited - Demand Finance -I	4.3	33,582,604	--
Habib Bank Limited - Demand Finance-II	4.4	39,000,000	--
Habib Bank Limited - Demand Finance-III	4.5	11,300,000	--
		-----	-----
		83,882,604	5,833,335
		-----	-----
		93,507,604	18,958,335
		=====	=====
4.1 Demand Finance from Muslim Commercial Bank		17,500,000	17,500,000
Less: Current Maturity and overdue		7,875,000	4,375,000
		-----	-----
		9,625,000	13,125,000
		=====	=====

It represents short term running finance converted into long term finance with effect from July 01. 1998. The facility is secured against pad passu charge on fixed assets of the company. Mark-up rate is 38 paisas per thousand per diem. Principal is repayable in 20 quarterly instalments along with mark-up from July 07.1998.

4.2 Habib Bank Limited - Demand Finance	4.6	--	10,000,000
Less: Current Maturity and overdue		--	4,166,665
		-----	-----
		--	5,833,335
		=====	=====
4.3 Habib Bank Limited - Demand Finance -I	(4.6.1)	39,000,000	--
Less: Current Maturity and overdue		5,417,396	--
		-----	-----
		33,582,604	--
		=====	=====

Mark up is chargeable @ 38.5 paisas per thousand per diem. Finance is repayable in 60 monthly instalments commencing from April 1999 to April 2004.

4.4 Habib Bank Limited - Demand Finance -II (4.6.2)		39,000,000	--
Less: Current Maturity		--	--
		-----	-----
		39,000,000	--
		=====	=====

The finance carries no mark-up. It is repayable in monthly instalments of Rs. 730,000/- each and repayments shall commence after Demand finance-I would be fully repaid.

4.5 Habib Bank Limited - Demand Finance -III (4.6.3)		14,000,000	--
Less: Current Maturity and overdue		2,700,000	--

-----	-----
11,300,000	--
=====	=====

This finance is mark-up free and repayable in 93 monthly instalments of Rs. 150,000/- each from April 1999 to January 2007.

4.6 Habib Bank Limited vide its letter No. MAH /CAD dated May 10, 1999 communicated a package for restructuring of short terms and long term liabilities Effective from April 1999. outstanding liabilities were restructured as follows .

	(Rupees)
4.6.1 Finance against packing credit	10,000,000
Demand finance	10,000,000
Cash finance	14,324,112
Letter of credit payable	4,675,888

Restructured as Demand Finance-I	39,000,000
	=====
4.6.2 Export refinance I	16,990,350
Export refinance II	21,000,000
Balance from cash finance	801,650
Accrued mark-up capitalised	208,000

Restructured as Demand Finance-II	39,000,000
	=====
4.6.3 Export refinance I	2,233,000
Export refinance II	2,893,000
Demand finance	1,397,000
Finance against packing credit	1,627,000
Cash finance and running finance	5,742,262
Letter of credit payable	107,738

Restructured as Demand Finance -III	14,000,000
	=====

4.7 Above referred facilities are secured by way of equitable mortgage over factory land and charge over fixed assets and pledge of stocks of the company. In case of consecutive default in repayment of three due instalments, restructuring arrangement shall stand cancelled upon one month notice by the lender bank.

5. OBLIGATION UNDER FINANCE LEASE:

The amounts of future minimum lease payments and related periods in which these payments shall fall due are:

	1999	1998
	RUPEES	RUPEES
Payable not later than one year	7,487,180	9,615,857
Payable not later than five years	3,375,000	3,835,536
Obligation committed under finance lease agreement	10,862,180	13,451,393
Less: financial charges not yet due	1,101,085	2,332,361
	-----	-----
	9,761,095	11,119,032
Less: current maturity and overdues of long term obligation	7,615,306	8,608,117
	-----	-----
	2,145,789	2,510,915
	=====	=====

5.1 The company has entered into lease finance agreements on following terms and conditions:

	<i>Note</i>	<i>No. of Monthly Instalments</i>	<i>Start of repayments</i>	<i>Rate of Return %</i>
B. R.R. International Modaraba	5.2	60	July 1999	12.89
B. R.R. International Modaraba		36	June 1997	27.40
Atlas lease Limited		48	April 1995	21.43
National Development Leasing Corporation		36	February 1996	25.53

5.2 The Company has rescheduled its obligation against an agreement with BRR International Modaraba. Accordingly rate of return has been revised from 22.71% per annum to 12.89 % per annum and period of repayment has been extended which shall expire on June 30, 2004.

1999	1998
RUPEES	RUPEES

6. PROVISION FOR GRATUITY

Opening Balance	2,424,190	2,478,124
Add: Provision for the year	184,999	500,405
	-----	-----
	2,609,189	2,978,529
Less: Paid during the year	208,828	554,339
	-----	-----
	2,400,361	2,424,190
	=====	=====

7. SHORT TERM RUNNING FINANCES - SECURED

Habib Bank Limited Cash Finance # 72-96	(7.1)	4,569,801	
Habib Bank Limited Running Finance		--	27,386,879
Finance against Packing Credit		--	10,000,000
Export Refinance Part 1		--	14,520,000
Export Refinance Part 2			21,000,000
Citi Bank Running Finance	(7.1)		193,740
		-----	-----
		4,569,801	73,100,619
		=====	=====

7.1 The sanction limit of finance obtained to meet working capital requirements is Rs. 9 million which shall expire on March 31,2000. The facility is secured against pledge of stocks and personal guarantees by all sponsoring Directors. Cash Finance carries mark up @ 50 paisas per diem per thousand on outstanding amount. (For the year ended September 30, 1998, rate of mark up ranged from 54 to 55 paisas per thousand per diem on finances from HBL while 15 % p.a on Running Finance from City Bank N.A.)

As explained in Note 4 to the accounts, the company has arrived at a restructuring arrangement with the Habib Bank Limited (HBL) with effect from April 01, 1999. Due to this arrangement, short term facilities except cash finance # 72-96 have been classified under Long Term Finances.

8. CURRENT MATURITY OF LONG TERM LIABILITIES

Muslim Commercial Bank- Demand Finance	7,875,000	4,375,000
Habib Bank Limited - Demand finance	--	4,166,665
Habib Bank Limited - Demand Finance	5,417,396	--
Habib Bank Limited - Demand Finance-III	2,700,000	--
Obligation under finance lease	6,434,865	7,250,565
	-----	-----
	22,427,261	15,792,230

8.1 Current maturity includes overdue instalments of Rs.4,375,000/- on demand finance from Muslim Commercial Bank Limited, Rs. 19,681,083/- on finances from Habib Bank Limited and Rs. 5,810,766/- on obligation under finance lease.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1999	1998
	RUPEES	RUPEES
Creditors	34,241,009	22,396,814
Accrued expenses	3,932,706	6,828,679
Accrued interest on:		
Mark-up on secured finances	6,567,813	7,087,159
Finance charge leased assets	1,180,441	1,357,552
	7,748,254	8,444,711
Deposits (interest free payable on demand)	65,000	65,000
Other liabilities	8,022,973	3,185,359
Workers profit participation Fund	9.1	93,410
	-----	-----
	54,103,352	41,002,502
	=====	=====

9.1 WORKER'S PROFIT PARTICIPATION FUND

Opening Balance	81,939	71,563
Interest credited on funds utilised by the Company	11,471	10,376
	-----	-----
	93,410	81,939
	=====	=====

10. PROVISION FOR TAXATION

Provision for Income Tax Brought Forward	5,072,038	6,240,365
Provision for the year	347,507	676,637
	-----	-----
	5,419,545	6,917,002

Less: payments / adjustments	(187,468)	(1,844,964)
	-----	-----
	5,232,077	5,072,038
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

There were no commitments of capital expenditure at close of the year (1998: Rs. 1,125,000/-). The company has provided demand promissory note amounting to Rs. 101 million favouring Habib Bank Limited against long and shod term finances.

12. FIXED ASSETS:

Particulars	As on 1.10.98	Additions	Disposals	COST		Rate %	DEPRECIATION			Book Value as at 30.09.1998
				As at 30.09.99	As on 1.10.1998		For the year	Adjustments	As on 30.09.1998	
Land free hold	25,515,000	--	--	25,515,000	--	--	--	--	--	25,515,000
Residential building on free hold Land	2,257,500	--	--	2,257,500	5	321,976	96,776	--	418,752	1,838,748
Factory Building on free hold Land	12,413,747	--	--	12,413,747	10	3,236,587	917,716	--	4,154,303	8,259,444
Plant & Machinery	56,613,238	305,391	--	56,918,629	10	33,693,407	2,322,522	--	36,015,929	20,902,700
Furniture, Fixture & Office equipment	966,375	--	--	966,375	10	579,579	38,680	--	618,259	348,116
Power and other Installations	2,016,400	--	--	2,016,400	10	1,218,529	79,787	--	1,298,316	718,084
Factory equipment & Scientific instruments	2,001,887	--	--	2,001,887	10	1,435,137	56,675	--	1,491,812	510,075
Motor Vehicles	2,121,758	--	300,000	1,821,758	20	1,610,700	42,212	237,085	1,415,827	405,931
ASSETS SUBJECT TO FINANCE LEASE										
Plant & Machinery	20,190,370	--	--	20,190,370	10	6,962,409	1,322,796	--	8,285,205	11,905,165
Motor Vehicles	1,555,140	--	--	1,555,140	20	660,458	178,936	--	839,394	715,746
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees 1999:	125,651,415	305,391	300,000	125,656,806		49,718,782	5,056,100	237,085	54,537,797	71,119,009
	=====	=====	=====	=====		=====	=====	=====	=====	=====
Rupees 1998	111,003,793	14,647,622	--	125,651,415		44,034,770	5,684,012	--	49,718,782	75,932,633
	=====	=====	=====	=====		=====	=====	=====	=====	=====

12.1 DEPRECIATION HAS BEEN ALLOCATED AS FOLLOWS:

	1999 (Rupees)	1998 (Rupees)
Cost of sales	4,699,496	5,187,730
Administrative expenses	356,604	496,282
	-----	-----
	5,056,100	5,684,012
	=====	=====

12.2 DETAIL OF DISPOSAL OF FIXED ASSETS

The vehicle costing Rs. 300,000/- (Book value Rs. 62,195) was sold through negotiation to Mr. Masood S/O Ghulam Qadir, General Manager, International Beverages (Pvt) Limited (Associated undertaking of the Company) Islamabad for Rs. 225,000/-

Gain on disposal amounting to Rs. 162,805/- has been included in other income for the year.

12.3 Depreciation for the year includes an additional charge amounting to Rs. 583,451/- (1998 : Rs.644,600/-) due to revaluation of fixed assets. Of the revaluation surplus of Rs. 33,215,659/-, the amount of Rs. 5,880,221/- (1998: Rs. 6,463,674/-) remains undepreciated and is included in the Book value of Fixed Assets.

	1999 RUPEES	1998 RUPEES
--	----------------	----------------

13. FIXED ASSETS (IN BANGLADESH)

Land	217,256	217,256
Building	8,954	8,954
Machinery	1,108,004	1,108,004
	-----	-----
	1,334,214	1,334,214
Less: Provision	1,334,214	--
	-----	-----
	--	1,334,214
	=====	=====

13.1 These assets represent claim lodged by the Company with Evacuee Trust Property Board.

14. CAPITAL WORK IN PROGRESS

Opening Balance	463,435	463,435
Addition during the year	11,449	--
	-----	-----
	474,884	463,435
Transferred to fixed depreciable asset	--	--
	-----	-----
	474,884	463,435
	=====	=====

14.1 Capital work in progress represent incomplete building and civil works (boundary wall at factory)

15. LONG TERM INVESTMENTS:

Investment in listed companies

Faysal Bank Limited, 550 fully paid ordinary shares of Rs.10/- each (1998: 550 ord. Shares)	15,000	15,000
Market value Rs. 13,125/- (1998: Rs.5,250)		
Tri-pack Films Limited, 500 fully paid ordinary shares of Rs.10/each (1998: 500 ord. Shares)	5,000	5,000
Market value Rs. 14,000 (1998: Rs. 5,500)		
	20,000	20,000
Investment in listed Modaraba		
First Paramount Modaraba, 500 certificates of Rs. 10/-each (1998:500 certificates) Market value Rs. 5,375 (1998:4,775)	5,000	5,000
	-----	-----
	25,00	25,00
	=====	=====

1999	1998
RUPEES	RUPEES

16. STORES, SPARES AND LOOSE TOOLS:

Stores	701,650	2,250,649
Spares	1,012,506	3,318,045
Loose Tools	62,171	195,700
	-----	-----
	1,776,327	5,764,394
Provision for obsolete and slow moving items	--	(1,828,450)
	-----	-----
	1,776,327	3,935,944
	=====	=====

17. STOCKS IN TRADE

Raw Material	28,859,602	16,580,511
Work in process	5,055,903	1,931,145
Finished goods	3,761,258	5,622,423
Waste Materials	7,353	298,666
	-----	-----
	37,684,116	24,432,745
	=====	=====

18. DUE FROM ASSOCIATED UNDERTAKINGS / DIRECTORS

International Beverages (Pvt) Limited	318,012	109,276
Taxila Cotton Mills Limited	27,006,423	22,970,765
Taj Mills Limited	108,962	91,769
	-----	-----
	27,433,397	23,171,810
Due from Directors	180,833	106,124
	-----	-----
	27,614,230	23,277,934
	=====	=====

18.1 The company has purchased and sold in aggregate, from associated companies materials, fixed assets and services, etc. None of the associated undertakings has been paid commission on these transactions. Mark-up on balances due from associated undertakings (including amount due from Directors) is charged at the rate of 50 paise per diem per thousand. Detail of transactions during the year is given below:

Sales of raw materials and yarn	462,392	1,299,264
Sales of fixed assets	300,000	--
Purchase of raw material	413,407	1,463,313
Mark-up on balances due from associated undertakings	5,076,729	2,219,193

Following are the maximum balances due from associated undertakings / Directors at the end of any month during the year:

International Beverages rages (Pvt) Ltd	719,786	694,772
/Taxila Cotton Mills Limited	27,006,424	22,970,765
Taj Mills Limited	108,962	91,769
Due from Directors	196,136	106,124

	1999	1998
	RUPEES	RUPEES
19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Sales tax receivable	1,891,445	2,963,240
Income Tax deducted at source	3,707,511	3,655,587
Advances to		
Employees	1,270,278	731,349
Suppliers	2,514,213	10,695,363
Others	1,362,058	5,008,227
	5,146,549	16,434,939
Prepayments	27,012	29,448
Other receivables	135,682	175,555
	-----	-----
	10,908,199	23,258,769
	=====	=====

There were no advances or loans to Chief Executive and executives (1998: Nil)

20. CASH AND BANK BALANCES:

Cash in Hand	16,912	430,325
Cash at Bank (current Accounts)	131,939	460,109
	-----	-----
	148,851	890,434
	=====	=====

21. SALES (NET)

Local	62,202,382	82,812,460
Export	1,835,724	50,606,708
Rebate on export	74,250	4,529,509
Waste net	187,967	487,211
	-----	-----
	64,300,323	138,435,888
Less:		
Export development surcharge	4,511	128,162
Commission	92,536	2,980,443
	-----	-----
	97,047	3,108,605
	-----	-----
	64,203,276	135,327,283
	=====	=====

22. COST OF SALES

Raw material consumed (22.1)	46,731,666	86,295,403
Stores & spares consumed (22.2)	4,909,962	6,527,897
Salaries, Wages & other benefits	5,740,884	10,205,031
Power charges	18,494,714	23,445,272
Insurance	131,066	275,914
Repairs & Maintenance	90,319	82,940
Provision for obsolete and slow moving Stores	--	1,828,450
Depreciation (12.1)	4,699,496	5,187,730
	-----	-----
	80,798,107	133,848,637
Opening work in process	1,931,145	2,839,528
Closing work in process	(5,055,904)	(1,931,145)
	-----	-----
	(3,124,759)	908,383
	-----	-----
Cost of goods produced during the year	77,673,348	134,757,020
Opening Stock of Finished Goods	5,921,089	10,291,288
Finished Yarn purchased	--	658,957
Closing stock-finished goods	(3,768,611)	(5,921,089)
	-----	-----
	2,152,478	5,029,156
	-----	-----
	79,825,826	139,786,176
	=====	=====

22.1 RAW MATERIAL CONSUMED

Opening Stock	16,580,511	21,632,091
Purchases	57,417,825	78,109,494
Direct expenses	1,592,932	3,134,329
	-----	-----
Cost of raw materials available for use	75,591,268	102,875,914
Closing Stock	(28,859,602)	(16,580,511)
	-----	-----
	46,732,666	86,295,403
	=====	=====

22.2 STORES, SPARES AND LOOSE TOOLS CONSUMED

Opening stock	5,764,394	8,124,134
Purchases	2,750,345	4,168,157
Write off of stock against provision	(1,828,450)	--
	-----	-----
	6,686,289	12,292,291
Closing stock	(1,776,327)	(5,764,394)
	-----	-----
	4,909,962	6,527,897
	=====	=====

1999 **1998**
RUPEES **RUPEES**

23. ADMINISTRATIVE EXPENSES

Salaries and other benefits	1,429,179	1,830,431
Travelling, Conveyance & entertainment	235,563	450,965
Rent Rates & Taxes	149,344	133,237
Motor running expenses	358,332	529,126
Electricity, water and gas	51,443	83,449
Printing, Stationery & Periodicals	115,797	209,989
Postage, telephone and telegram	476,177	741,286
Advertisement	48,600	20,910
Repair & Maintenance	60,636	59,154
Audit Fee	40,000	40,000
Depreciation (12.1)	356,604	496,282
Provision against assets in Bangladesh	1,334,214	0
Interest on WPPF	11,471	10,376
Legal & Professional expenses	102,930	103,700
Textile Cess	12,432	12,432
Other expenses	62,428	147,244
	-----	-----
	4,845,150	4,868,581
	=====	=====

23.1 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	1999 (Rupees)		1998 (Rupees)	
	Chief Executive	Executive	Chief Executive	Executive
Managerial Remuneration	278,400	230,400	278,400	546,000
Retirement benefits	--	12,750	--	30.95
Utilities and Medical	--	60,000	--	60,000
	-----	-----	-----	-----
	278,400	303,150	278,400	636,950
	=====	=====	=====	=====
Number of persons	1	1	1	1

Chief executive has been provided a free maintained vehicle. No fee was paid to the directors of the company during the year (1998: Nil)

24. SELLING AND DISTRIBUTION EXPENSES

Carriage outward	89,933	2,360,508
Other export expenses	493,283	1,345,409
	-----	-----
	583,216	3,705,917
	=====	=====

1999 **1998**
RUPEES **RUPEES**

25. OTHER INCOME

Gain on sale fixed assets	1.2.2	162,085	--
Mark-up on balance due from Associated undertakings	18.10	5,076,729	2,219,193
Foreign exchange gain		20,102	12,452
Miscellaneous income		39,197	292,266
Dividend income		--	1,737
		-----	-----
		5,298,113	2,525,648
		=====	=====

26. FINANCIAL CHARGES

Mark-up on term finances		17,459,353	16,147,421
Bank commission and charges		185,617	156,900
Lease Finance Charges		714,813	1,663,147
		-----	-----
		18,359,783	17,967,468
		=====	=====

27. LOSS PER SHARE

Loss after taxation for the year		(34,460,093)	(29,151,848)
Issued shares		1,300,000	1,300,000
Loss per share		(26.51)	(22.42)

28. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital (Rupees)</i>	<i>Revaluation Reserve (Rupees)</i>	<i>Accumulated Loss (Rupees)</i>	<i>Net Equity (Rupees)</i>
Opening balance as at October 01, 1998	13,000,000	33,215,659	(50,757,210)	(4,541,551)
Loss for the year ended September 30, 1999	--	--	(85,217,303)	(85,217,303)
Closing balance as at September 30, 1999	----- 13,000,000	----- 33,215,659	----- (135,974,513)	----- (89,758,854)
Opening balance as at October 01, 1997	13,000,000	33,215,659	(21,605,362)	24,610,297
Loss for the year ended September 30, 1998	--	--	(29,151,848)	(29,151,848)
Closing balance as at September 30, 1998	----- 13,000,000	----- 33,215,659	----- (50,757,210)	----- (4,541,551)

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**29.1 INTEREST/MARK-UP RATE**

The Company's exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarised as follows:

	1999			
	Financial	Interest/ -up bearing mark	Non interest/	
	Instruments	Due within one year Rupees	Due after one year Rupees	Mark-up bearing Rupees
ASSETS				
Long term investments	25,000	--	--	25,000
Security deposits	41,656	--	--	41,656
Trade debts	230,904	--	--	230,904
Due from associated undertakings	27,614,230	27,614,230	--	--
Advances, deposits, prepayments and other receivables	10,908,199	--	--	10,908,199
Cash and bank balances	148,851	--	--	148,851
	-----	-----	-----	-----
	38,968,840	27,614,230	--	11,354,610
	=====	=====	=====	=====
LIABILITIES				
Long term finances	109,500,000	15,992,396	40,507,604	53,000,000
Liabilities against assets subject to finance lease	9,761,095	7,615,306	2,145,789	--

Provision for gratuity	2,400,361	--	--	2,400,361
Short term finances	4,569,801	4,569,801	--	--
Due to directors	4,638,575	--	--	4,638,575
Creditors, accrued and other liabilities	52,922,911	93,410	--	52,829,501
	-----	-----	-----	-----
	183,792,743	28,270,913	42,653,393	112,868,437
	=====	=====	=====	=====

1998

Financial	Interest/ -up bearing mark	Non interest/		
<i>Instruments</i>	<i>Due within one year</i>	<i>Due after one year</i>	<i>Mark-up bearing</i>	
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
ASSETS				
Long term investments	25,000	--	--	25,000
Security deposits	41,656	--	--	41,656
Trade debts	3,838,740	--	--	3,838,740
Due from associated undertakings	23,277,934	23,277,934	--	--
Advances, deposits, prepayments other receivables	23,258,769	--	--	23,258,769
Cash and bank balances	890,434	--	--	890,434
	-----	-----	-----	-----
	51,332,533	23,277,934	--	28,054,599
	=====	=====	=====	=====

1998

Financial	Interest/ -up bearing mark	Non interest/		
<i>Instruments</i>	<i>Due within one year</i>	<i>Due after one year</i>	<i>Mark-up bearing</i>	
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
LIABILITIES				
Long term finances	34,587,159	15,628,824	18,958,335	--
Liabilities against assets subject to finance lease	11,119,032	8,608,117	2,510,915	--
Provision for gratuity	2,424,190	--	--	2,424,190
Short term finances	73,100,619	73,100,619	--	--
Due to directors	3,112,226	--	--	3,112,226
Creditors, accrued and other liabilities	32,557,791	81,939	--	32,475,852
	-----	-----	-----	-----
	156,901,017	97,419,499	21,469,250	38,012,268
	=====	=====	=====	=====

29.2 Non-interest / mark-up bearing financial assets and liabilities include Rs. 66,656 (1998: 66,656) and Rs. 52,706,361 (1998: Rs. 2,424,190) respectively maturing after one year.

29.3 EFFECTIVE INTEREST / MARKUP RATES

	1999	1998
Financial assets		
Due from associated undertakings	18 % per annum	18 % per annum
Financial liabilities		
Long term finances	13.68 % to 13.86 % per annum	13.68 % to 19.80 % per annum
Liabilities against assets subject to finance lease	12.89 % to 25.53 % per annum	21.43 % to 27.40 % per annum
Short term finances	18 % per annum	31% to 21.6 % per annum
Due to Directors	Nil	Nil
Creditors, accrued and other liabilities (except WPPF)	Nil	Nil

29.4 CREDIT RISK

The company's credit risk exposure is not significantly different from that reflected from financial statements.

29.5 FOREIGN EXCHANGE RISK MANAGEMENT

Import bills payable exposed to foreign currency risk amounting to Rs. 2,850,000/-.

29.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of all financial assets and liabilities reflected in the financial statements approximate their fair value.

30. PLANT CAPACITY AND PRODUCTION:

	<i>Units</i>	<i>Units</i>
No. of spindles installed	12,432	12,432
Installed Capacity (Converted into 20's count)	4,750,000 Lbs.	4,750,000 Lbs.
Actual production (20's count)	2,492,431 Lbs.	5,338,075 Lbs.

Actual production in Lbs.	1,635,511	3,009,720
Average count manufactured	30	35
No. of shifts worked daily (average)	3	3
No. of employees	246	275

30.1 REASONS FOR UNDER UTILISATION OF CAPACITY

Plant capacity could not be fully utilised due to shortage of working capital and partial closure of plant due to labour problems.

31. COMPARATIVE FIGURES

Figures in these accounts have been rounded - off to the nearest rupee. Prior year's figures have been regrouped, where necessary for the purpose of comparison.

Chief Executive

Director

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT SEPTEMBER 30, 1999.

NO. OF SHAREHOLDERS		SHAREHOLDERS		TOTAL SHARES HELD		
1999	1998			1999	1998	
41	41	1	to	100	4,100	4,100
3	3	101	to	500	1,300	1,300
11	11	501	to	1,000	10,467	10,467
345	345	1,001	to	5,000	615,366	615,366
3	3	70,001	to	75,000	222,000	222,000
--	--	75,001	to	80,000	--	--
--	--	80,001	to	85,000	--	--
--	--	85,001	to	90,000	--	--
--	--	90,001	to	95,000	--	--
1	1	95,001	to	100,000	96,000	96,000
1	1	155,001	to	160,000	159,867	159,867
--	--	160,001	to	165,000	--	--
--	--	165,001	to	170,000	--	--
--	--	170,001	to	175,000	--	--
--	--	175,001	to	180,000	--	--
--	--	180,001	to	185,000	--	--
--	--	185,001	to	190,000	--	--
1	1	190,001	to	195,000	190,900	190,900
-----	-----	-----	-----	-----	-----	-----
406	406			1,300,000	1,300,000	

CATEGORIES OF SHAREHOLDERS:

	NUMBER		SHARES HELD		PERCENTAGE	
	1999	1998	1999	1998	1999	1998
Individuals	404	404	949,233	949,233	73.02	73.02
Investment Company	1	1	159,867	159,867	12.30	12.30
Insurance Company	--	--	--	--	--	--
Joint Stock Companies	--	--	--	--	--	--
Financial Institutions	1	1	190,900	190,900	14.68	14.68
	-----	-----	-----	-----	-----	-----
	406	406	1,300,000	1,300,000	100	100
	=====	=====	=====	=====	=====	=====

NOTICE OF 29TH ANNUAL GENERAL MEETING

Notice is hereby given that 29th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector 1/9, Industrial Area, Islamabad on March 31, 2000 at 10.30 a.m. to transact the following business:-

- To Confirm the minutes of the 28th Annual General Meeting.
- To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 1999 together with Auditors and Directors Reports thereon.
- To appoint Auditors of the Company for the next financial year and to fix their remuneration.
- To transact any other ordinary business of the Company with the

prior permission of the Chairman.

Islamabad,
March 08, 2000.

BY ORDER OF THE BOARD

(MAHBOOB ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company shall remain closed from March 26, 2000 to March 31, 2000 (both days inclusive)

2. A member entitled to attend and vote in the meeting is authorised to appoint any other member of the Company a proxy to attend, speak and vote for him or her.

3. In order to valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or Authority, must be reached at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

4. Share holders are requested to notify immediately any change in their registered address.