

Ibrahim Textile Mills Limited

Annual Report 2000

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
(Chairman)
Sheikh Mohammad Yaseen
(Chief Executive)
Mohammad Naeem Mukhtar
Mohammad Waseem Mukhtar
Asim Yaseen
Ghazala Naeem
Bina Sheikh

Secretary

Anwar-ul-Haque
B.Com. F.C.A.,

Auditors & Tax Consultants

F. R. Merchant & Co.,
Chartered Accountants,
Karachi, Pakistan.

Information Technology Consultants

KPMG Peat Marwick Associates (Pvt) Limited
Karachi, Pakistan.

Bankers

ABN AMRO Bank N.V
Allied Bank of Pakistan Limited
Habib Bank Limited

Registered Office & Shares Department

Ibrahim Centre,
GK-7/59, Bagh-e-Zehra Street,
Kharadar,
Karachi, Pakistan.

Head Office

Ibrahim Centre,
15, Club Road,
Faisalabad, Pakistan.

Lahore Office

Ibrahim Centre,
I-A, Ahmed Block,
New Garden Town,
Lahore, Pakistan.

Mills

40-Kilometre,
Faisalabad - Sheikhpura Road,
Faisalabad, Pakistan.

Notice of Meeting

Notice is hereby given that the 26th Annual General Meeting of the shareholders of the company will be held on March 30, 2001 at 2:30 p.m. at F-352, S.I.T.E. Karachi to transact the following business:-

1. To confirm the minutes of the preceding meeting of the shareholders of the company.

2. To consider, approve and adopt the Annual Audited Accounts of the Company for the year ending September 30, 2000 together with Directors' and Auditors' Report thereon.
3. To consider, approve issue of stock dividend @ 25% as recommended by the board of Directors.
4. To appoint Auditors for the next year 2000-2001 and to fix their remuneration. The present auditors M/S. F. R. Merchant & Co., Chartered Accountants, Karachi being eligible for appointment, offer themselves for re-appointment.
5. To transact any other business with the permission of the chair.

By order of the Board

Dated: February 15, 2001
Karachi.

Anwar-ul-Haque
Company Secretary

Notes:

- i) The share transfer books of the Company shall remain closed from 21-03-2001 to 30-03-2001 (both days inclusive) to determine the names of members entitled to stock dividend and to attend the meeting. Transfers received in order at the Shares Registration Office of the company at the close of business on 20-03-2001 will be treated in time.
- ii) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf.
- iii) The proxies, in order to be effective, must be received by the Company at least 48 hours before the meeting at the Registered Office of the Company at GK-7/59, Bagh-e-Zehra Street, Kharadar, Karachi.

Directors' Reports to the Shareholders

Your Directors are pleased to present before you the 26th Annual Audited Report of the company for the year ended September 30, 2000.

OPERATING RESULTS

Your company has produced 11,518 tons of blended yarns during the year under review as compared to 9,009 tons produced during the previous year thus resulting in an increase of 28%. The production of blended yarns mainly consist of Polyester viscose yarns ranging from 24/s to 66/s attaining an average count of 35.23. Your company' undertook BMR/expansion of 20 ring spinning frames each consisting of 1,080 spindles imported from Marzoli, Italy. New ring spinning frames were commissioned during September 1999, and have mainly contributed towards the increased productivity of the Company during the year under review. The quantitative details of yarns manufactured are as follows:

<i>Types of Yarns</i>	<i>Production</i>	
	<i>2000</i> <i>Kgs.</i>	<i>1999</i> <i>Kgs.</i>
Polyester Viscose Yarn	11,232,905	7,690,607
Acrylic Yarn	164,339	955,735
Acrylic Polyester Yarn	--	18,824
Polyester Acrylic Yarn	635	241,134
Polyester Yarn	119,705	--
Mixed Yarn	--	103,058
	-----	-----
	11,517,584	9,009,358
	-----	-----

FINANCIAL RESULTS

The financial results of your company have improved significantly as compared to previous year. The revenue generated from sales of yarn has increased to Rupees 1,162 million as against Rupees 785 million during the previous year thus showing an increase of 48%. The company earned a gross profit of Rupees 160 million during the current year as against gross profit of Rupees 103 million for the previous year. The profit after tax increased to Rupees 53 million during the current financial year as against Rupees 21 million during the previous financial year thus showing an increase of 146%.

A summary of financial results are reproduced hereunder:

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Gross Profit	160,192,957	102,795,466
Operating Expenses	47,756,164	45,429,667
	-----	-----
Operating Profit	112,436,793	57,365,799
Other Income	28,524,168	7,063,914
	-----	-----
	140,960,961	64,429,713

Financial & Other Charges	60,106,736	34,421,616
Profit before Taxation	80,854,225	30,008,097
Provision for Taxation	28,015,989	8,558,147
Profit after Taxation	52,838,236	21,449,950
Unappropriated Profit Brought Forward	2,693	12,743
Profit available for appropriation	52,840,929	21,462,693

STOCK DIVIDEND

Your Directors are pleased to recommend issue of stock dividend @ 25% against profit for the year ended September 30, 2000.

APPROPRIATION

	<i>2000</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Transfer to capital reserve for issue of stock dividend @ 25% (1999- Cash dividend @ NIL (1999 - @ 15%)	34,000,000	--
Transfer to general reserve	18,815,000	1,060,000
	52,815,000	21,460,000
Unappropriated Profit Carried Forward	25,929	2,693
Earning per share	3.89	1.58

GENERAL OVERVIEW

The Directors of your company are of the view that present improvement in demand/prices of blended yarn will continue to persist and hope that the company will earn more profit in the years to come.

AUDITORS

The present auditors M/s F. R. Merchant & Co., Chartered Accountants retire and being eligible, consented for reappointment for the next financial year 2000-2001.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is annexed.

ACKNOWLEDGEMENT

The management wishes to place on record its appreciation for the hard work and positive efforts made by the executives and employees. The management would also like to thank its valued Customers, Bankers, Financial Institutions and Shareholders for their cooperation and support and also hope to get the same in future.

On behalf of the Board

Dated: February 15, 2001
Karachi

SHEIKH MOHAMMAD YASEEN
Chief Executive

Pattern of Shareholding as at September 30, 2000

<i>No. of Shareholders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
208	1	100	20,800	0.153
242	101	500	65,800	0.484
71	501	1000	67,400	0.496
116	1001	5000	397,200	2.921
21	5001	10000	151,500	1.114
5	10001	15000	57,800	0.425
6	15001	20000	113,500	0.835
4	20001	25000	98,500	0.724
2	25001	30000	60,000	0.441
2	30001	35000	61,000	0.449
1	35001	40000	40,000	0.294
1	40001	45000	45,000	0.331
1	60001	65000	64,600	0.475
1	80001	85000	85,000	0.625
1	95001	100000	197,000	1.449
5	110001	115000	571,500	4.202
1	140001	145000	142,500	1.048
5	190001	195000	971,500	7.143
1	195001	200000	200,000	1.471
1	310001	315000	314,200	2.310
4	385001	390000	1,554,400	11.429

2	395001	400000	800,000	5.882
1	430001	435000	432,500	3.180
1	445001	450000	446,800	3.285
1	655001	660000	657,100	4.832
1	745001	750000	746,600	5.490
1	775001	780000	777,100	5.714
1	1315001	1320000	1,316,000	9.676
1	1495001	1500000	1,496,000	11.000
1	1645001	1650000	1,648,700	12.123

709			13,600,000	100.000
=====				

Categories of Shareholders

<i>Particulars</i>	<i>Number of Shareholders</i>	<i>Number of Shares held</i>	<i>Percentage</i>
Individuals	671	10,550,900	77.580
Financial Institutions	9	2,303,900	16.940
Joint Stock Companies	19	119,700	0.880
Investment Companies	5	436,500	3.211
Modaraba Companies	4	188,000	1.382
Others	1	1,000	0.007

	709	13,600,000	100.000
=====			

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **IBRAHIM TEXTILE MILLS LIMITED**, as at September 30, 2000 and the related Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by managements, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, Statement of Changes in Equity and Cash Flow Statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 and the profit, changes in equity and its cash flows for the year then ended; and

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

Karachi.
February 15, 2001

(F.R. MERCHANT & CO.,)
Chartered Accountants

Balance Sheet as at September 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CAPITAL AND RESERVES			
Authorized 20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid-up	3	136,000,000	136,000,000
Capital reserve	4	34,000,000	--
General reserve	5	69,900,000	51,085,000
Unappropriated profit		25,929	2,693
		239,925,929	187,087,693
LONG TERM LOANS	6	175,000,000	214,969,268
LIABILITIES AGAINST ASSETS SUBJECT TO	7	82,470,761	117,471,536
DEFERRED LIABILITY			
Provision for gratuity	8	22,629,468	18,485,047
CURRENT LIABILITIES			
Short term borrowings	9	131,891,506	156,781,658
Current portion of long term liabilities	10	49,353,247	21,311,325
Creditors, provisions and accrued liabilities	11	48,322,512	67,150,121
Provision for taxation		28,015,989	8,558,147
Proposed dividend		--	20,400,000
		257,583,254	274,201,251
CONTINGENT LIABILITIES /COMMITMENTS	12	--	--
		777,609,412	812,214,795

The annexed notes from 1 to 34 form an integral part of these accounts.

Chief Executive

FIXED CAPITAL EXPENDITURE			
Operating assets	13	500,079,472	528,657,424
CAPITAL WORK IN PROGRESS	14	30,704,349	--
LONG TERM INVESTMENTS	15	5,000,000	5,000,000
CURRENT ASSETS			
Stores, spares and loose tools	16	13,256,212	17,432,713
Stocks in trade	17	137,322,015	165,177,915
Trade debtors	18	1,554,391	--
Advances, deposits and other receivables	19	65,930,872	77,489,743
Cash & bank balances	20	23,762,101	18,457,000
		241,825,591	278,557,371
		777,609,412	812,214,795

Director**Profit and Loss Account
for the year ended September 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SALES	21	1,161,558,719	784,864,047
COST OF SALES	22	1,001,365,762	682,068,581
GROSS PROFIT		160,192,957	102,795,466
OPERATING EXPENSES			
Administrative	23	41,564,570	38,955,531
Selling	24	6,191,594	6,474,136
		47,756,164	45,429,667

OPERATING PROFIT		112,436,793	57,365,799
MISCELLANEOUS REVENUE	25	3,304,769	3,476,921
PROFIT/(LOSS) ON TRADING	26	25,219,399	3,586,993
		28,524,168	7,063,914
		140,960,961	64,429,713
OTHER CHARGES			
Financial	27	55,807,826	32,836,949
Zakat		43,424	5,293
Workers' profit participation fund		4,255,486	1,579,374
		60,106,736	34,421,616
PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION		80,854,225	30,008,097
PROVISION FOR TAXATION - Current Year		28,015,989	8,558,147
PROFIT / (LOSS) FOR THE YEAR AFTER TAXATION		52,838,236	21,449,950
UNAPPROPRIATED PROFIT BROUGHT FORWARD		2,693	12,743
SURPLUS AVAILABLE FOR APPROPRIATION		52,840,929	21,462,693
APPROPRIATION			
Transfer to capital reserve for issue of stock dividend @ 25% (1999- Cash dividend @ Nil (1999 @ 15%)		34,000,000	--
Transfer to general reserve		18,815,000	1,060,000
		52,815,000	21,460,000
UNAPPROPRIATED PROFIT / (LOSS) CARRIED FORWARD		25,929	2,693

The annexed notes from 1 to 34 form an integral part of these accounts

Chief Executive

Director

Statement of Changes in Equity for the year ended September 30, 2000

	Share Capital Rupees	Capital Reserve For issue of stock dividend Rupees	Revenue Reserves		Total Rupees
			General Reserve Rupees	Unappropriated profit Rupees	
Balance as at October 01, 1998	136,000,000	--	50,025,000	12,743	186,037,743
Net profit for the year	--	--	--	21,449,950	21,449,950
	136,000,000	--	50,025,000	21,462,693	207,487,693
Appropriations					
Proposed dividend	--	--	--	(20,400,000)	(20,400,000)
Transfer to general reserve	--	--	1,060,000	(1,060,000)	--
Balance as at September 30, 1999	136,000,000	--	51,085,000	2,693	187,087,693
Balance as at October 01, 1999	136,000,000	--	51,085,000	2,693	187,087,693
Net profit for the year	--	--	--	52,838,236	52,838,236
	136,000,000	--	51,085,000	52,840,929	239,925,929
Appropriations					
Transfer to capital reserve for issue of stock dividend	--	34,000,000	--	(34,000,000)	--
Transfer to general reserve	--	--	18,815,000	(18,815,000)	--
Balance as at September 30, 2000	136,000,000	34,000,000	69,900,000	25,929	239,925,929

The annexed notes from 1 to 34 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement for the year ended 30 September, 2000

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
a) CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	80,854,225	30,008,097
Adjustments for		
Depreciation	56,195,661	34,210,006
Profit on disposal of fixed assets	(652,252)	(311,477)
Provision for gratuity	6,460,330	9,549,727
Gratuity paid	(2,315,909)	(1,029,899)
Financial charges	55,807,826	32,836,949
	-----	-----
Operating profit before working capital changes	196,349,881	105,263,403
	-----	-----
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	4,176,501	(5,514,946)
Stock in trade	27,855,900	(42,858,717)
Trade debtors	(1,554,391)	--
Advances, deposits and other receivables	11,558,871	18,590,434
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	(12,176,408)	8,891,707
	-----	-----
	29,860,573	(20,891,522)
	-----	-----
Cash generated from operations	226,210,354	84,371,881
Financial charges paid	(62,511,074)	(33,610,032)
Taxes paid	(8,558,147)	(15,387,475)
	-----	-----
Net cash (used in)/from operating activities	155,141,133	35,374,374
	=====	=====
b) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(60,373,675)	(276,236,986)
Proceeds from disposal of fixed assets	2,703,869	6,424,837
	-----	-----
Net cash (used in)/from investing activities	(57,669,806)	(269,812,149)
	=====	=====
c) CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	100,000,000	214,969,268
Repayment of long term loans	(114,969,268)	(103,431,839)
Lease liability	--	139,912,420
Repayment of lease liability	(31,958,853)	(10,439,704)
Repayment of Custom debentures	--	(2,536,935)
Dividend paid	(20,347,953)	(27,200,000)
Increase/(decrease) in short term borrowings	(24,890,152)	6,731,525
	-----	-----
Net cash (used in)/from financing activities	(92,166,226)	218,004,735
	-----	-----
NET INCREASE/(DECREASE) IN CASH & BANK BALANCES (a)	5,305,101	(16,433,040)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YE	18,457,000	34,890,040
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	23,762,101	18,457,000
	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended 30 September, 2000

1. THE COMPANY AND ITS OPERATIONS

Ibrahim Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the company are listed on Stock Exchanges in Pakistan. The company is engaged in the manufacture and sale of Cotton, Polyester, Viscose and Acrylic Yarn. The plant is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

2. ACCOUNTING POLICIES

2.1 The accounts have been prepared under historical cost convention as modified by adjustments of exchange rate fluctuations.

2.2 Provision for gratuity

The company maintained an unfunded gratuity scheme for all its employees. Provisions are being made in the accounts on the basis of 1/12th of total gross salary multiplied by the total number of years completed by the employees to cover the obligation under the scheme.

2.3 Taxation**Current**

Provision for current taxation is based on taxable income at current tax rates after taking into account for tax rebates and tax credits 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 differences will not reverse in the foreseeable future.

2.4 Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation. The cost of plant and machinery consists of historical cost and adjustment of exchange difference in respect of foreign currency loan utilized for acquisition thereof.

Depreciation is charged applying the reducing balance method at the rates specified in the operating asset note.

Normal repair and maintenance are charged to expenses as and when incurred. Major repairs and renewals are capitalized.

Gain or loss on disposal of assets is included in the profit & loss account.

2.5 Capital work in progress

All costs/expenditures connected with specific assets are collected under this head. These are transferred to specific assets, when assets are available for use.

2.6 Un-allocated capital expenditure

All costs/expenditure not directly related to specific assets, incurred during the project implementation period are stated under this head. These are apportioned to plant and machinery and building at the time of completion of the project.

2.7 Accounting for leases

The company accounts for the assets acquired under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the assets over its estimated useful life in view of the certainty of ownership of assets at the end of the lease period.

2.8 Investments

The long term investments are valued at cost with comparative market value on the balance sheet date.

Short term investments are stated at lower of cost and net realisable value.

2.9 Deferred cost

These are written off in maximum period of five years from the year of deferment.

2.10 Stores, spares and loose tools.

These are valued at moving average cost.

2.11 Stocks in trade

- a) Raw materials are stated at weighted average cost.
- b) Work in process are stated at average manufacturing cost.
- c) Finished goods are valued at lower of average cost and net realisable value.
- d) Wastes are stated at net realisable value.

2.12 Trade debtors

Known bad debts are written off and specific provisions are made for debts considered doubtful.

2.13 Rate of exchange

Assets and liabilities in foreign currencies are converted into Pak Rupees at the rate of exchange ruling on the balance sheet date, except those covered under forward exchange contract and exchange risk cover scheme which are converted at the cover rate. Exchange differences other than those mentioned in 2.4 are included in current income.

2.14 Revenue recognition

Sales are recorded on despatch of goods.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

5,950,000 Ordinary shares of Rs. 10/- each fully paid up in ca	59,500,000	59,500,000
--	------------	------------

850,000 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	8,500,000	8,500,000
6,800,000 Ordinary shares of Rs. 10/- each fully paid up in cash as Right shares.	68,000,000	68,000,000
-----	-----	-----
13,600,000	136,000,000	136,000,000
=====	=====	=====

4. CAPITAL RESERVE

For issue of stock dividend	34,000,000	--
	=====	=====

5. GENERAL RESERVE

Balance as at October 1, 1999	51,085,000	50,025,000
Transferred from Profit & Loss Account	18,815,000	1,060,000
	-----	-----
Balance as on September 30, 2000	69,900,000	51,085,000
	=====	=====

6. LONG TERM LOANS

Local currency loan	200,000,000	214,969,268
Payable within one year shown under current liabilities	(25,000,000)	--
	-----	-----
	175,000,000	214,969,268
	=====	=====

6.1 The local currency loan has been obtained from Banking Companies and is secured against the charge over the stocks of raw materials, finished goods, book debts, shares and personal guarantees of the sponsors Directors.

6.2 Out of the total local currency loan, demand finance amounting to Rs. 100 million is repayable in 8 equal half yearly installments. First installment is payable on 30-12-2000 and the last installment will be payable on 30-06-2004. Rest of the local currency loan is repayable in 4 equal quarterly installments. First installment is payable on 31-12-2001 and the last will be payable on 30-09-2002.

6.3 The local currency loans carries mark-up @ 12.5% to 15% p.a.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as at October 1, 1999	138,782,861	9,310,145
Obtained during the year	--	139,912,420
	-----	-----
	138,782,861	149,222,565
Paid during the year	(31,958,853)	(10,439,704)
	-----	-----
	106,824,008	138,782,861
Installments due within following twelve months shown under current liabilities	(24,353,247)	(21,311,325)
	-----	-----
Balance as on September 30, 2000	82,470,761	117,471,536
	=====	=====

The company has acquired machinery under lease agreements from different leasing companies. The liability represents total minimum lease payments discounted at the rate from 19% to 22% per annum, being the company's effective rate of borrowing. The purchase option is available to the company on payment of last installment and surrender of deposit under the lease agreement.

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

<i>Year ending September 30,</i>	<i>Rupees</i>
2001	42,671,404
2002	42,935,300
2003	40,278,859
2004	19,543,408

	145,428,971
Financial charges pertaining to future periods	38,604,963

	106,824,008
	=====

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

8. DEFERRED LIABILITY**8.1 Provision for gratuity**

Balance as at October 1, 1999	18,485,047	9,965,219
Paid during the year	(2,315,909)	(1,029,899)

	-----	-----
	16,169,138	8,935,320
Provision for the year	6,460,330	9,549,727
	-----	-----
Balance as on September 30, 2000	22,629,468	18,485,047
	=====	=====

8.2 The company maintained an unfunded gratuity scheme for all its employees. Provisions are being made in the accounts on the basis of 1/12th of total gross salary multiplied by the total number of years completed by the employees to cover the obligation under the scheme.

9. SHORT TERM BORROWINGS

Under mark up arrangements - Secured
Banking Companies

Cash Finance	(Note No. 9.1)	98,870,968	106,895,974
Running Finance	(Note No. 9.2)	33,020,538	49,885,684
		-----	-----
		131,891,506	156,781,658
		=====	=====

9.1 Cash Finance

The cash finance facility is secured against hypothecation of stocks of raw materials, finished goods and personal guarantee of directors. The rate of mark-up is @13% per annum.

9.2 Running Finance

Running finance is secured against hypothecation of stocks and first parri passu charge on the fixed assets of the company. The rate of mark up is @ 16% per annum.

10. CURRENT PORTION OF LONG TERM LIABILITIES

Local Currency Loan	25,000,000	--
Liability against assets subject to finance lease	24,353,247	21,311,325
	-----	-----
	49,353,247	21,311,325
	=====	=====

11. CREDITORS, PROVISIONS AND ACCRUED LIABILITIES

Creditors	33,904,574	49,710,740
Accrued liabilities	5,517,493	3,540,049
Interest/markup/excise duty on secured loans	391,730	7,094,978
Sales tax payable	1,896,859	3,868,465
Withholding tax	344,366	260,722
Dividend payable	299,117	247,070
Other liabilities	1,712,887	848,723
Workers' profit participation fund (Note No. 11.1)	4,255,486	1,579,374
	-----	-----
	48,322,512	67,150,121
	-----	-----

11.1 Workers' profit participation fund

Balance as at October 1, 1999	1,579,374	2,180,233
Interest on Funds utilized in company's business	87,212	147,240
	-----	-----
	1,666,586	2,327,473
Less: paid during the year	1,666,586	2,327,473
	-----	-----
	--	--
Contribution for the year @ 5%	4,255,486	1,579,374
	-----	-----
Balance as on September 30, 2000	4,255,486	1,579,374
	=====	=====

12. CONTINGENT LIABILITIES / COMMITMENTS

Guarantees given to CCI & E against difference of Import Licence fee, Collector of Customs, and Market Committee, Jaranwala.	3.209 Mln	3.209 Mln
Guarantee given to FESCO	0.647 Mln	--
Commitments against irrevocable letters of credits	166.132 Mln	58.379 Mln

13. SCHEDULE OF OPERATING ASSETS

DESCRIPTION	COST				Rate %	DEPRECIATION			
	As on October 1, 1999	Additions/ (Deletions)	Transfer from leased assets to own assets	Total Cost as on September 30, 2000		Accumulated as on October 1, 1999	For the year	Adjustments	as on September 30, 2000

Land-freehold	460,590	2,571,600	--	3,032,190	10%	--	--	--	--	3,032,190
Land-leasehold	408,500	--	--	408,500	10%	--	--	--	--	408,500
Roads	793,980	--	--	793,980	10%	565,187	22,879	--	588,066	205,914
Building on freehold land	79,835,851	21,482,792	--	101,318,643	10%	44,284,385	5,703,426	--	49,987,811	51,330,832
Building on leasehold land	4,061,618	--	--	4,061,618	10%	2,454,052	160,757	--	2,614,809	1,446,809
Plant & machinery	611,359,843	1,040,146	13,614,580	626,014,569	10%	291,105,987	33,479,513	113,455	324,698,955	301,315,614
Electric installations	17,276,214	473,290	--	17,749,504	10%	8,673,606	907,590	--	9,581,196	8,168,308
Mills & Office equipment	9,499,616	1,006,555	--	10,355,091	10%	3,149,973	731,304	(107,922)	3,773,355	6,581,736
		(151,080)								
Furniture & fixtures	3,199,059	38,607	--	3,237,666	10%	1,674,094	156,357	--	1,830,451	1,407,215
Vehicles	17,786,224	3,056,336	--	15,099,255	20%	9,711,935	1,824,433	(3,734,846)	7,801,522	7,297,733
		(5,743,305)								
	744,681,495	29,669,326	13,614,580	782,071,016		361,619,219	42,986,259	113,455	(3,842,768)	400,876,165
		(5,894,385)								
Assets subject to finance lease										
Machinery	150,412,420	--	(13,614,580)	136,797,840	10%	4,817,272	13,209,402	(113,455)	17,913,219	118,884,621
	150,412,420	--	(13,614,580)	136,797,840		4,817,272	13,209,402	(113,455)	17,913,219	118,884,621
		(5,894,385)								
Rupees- 2000	895,093,915	29,669,326	--	918,868,856		366,436,491	56,195,661	(3,842,768)	418,789,384	500,079,472
		(29,969,908)								
Rupees-1999	648,826,837	276,236,986	--	895,093,915		356,083,033	34,210,006	(23,856,548)	366,436,491	528,657,424

13.1 Depreciation for the year has been apportioned as follows:

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Manufacturing	53,483,567	32,283,529
Administration	2,712,094	1,926,477
	56,195,661	34,210,006

13.2 Profit / (loss) on disposal/transfer of assets

<i>Sale of</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sales/ Transfer</i>	<i>Profit/ (Loss)</i>	<i>Sold/Mode of disposal</i>
Vehicle						
Vehicle R-0014	2,424,450	2,099,047	325,403	600,000	274,597	Mr. Raheel Tahir, Lahore. (By Negotiation)
Vehicle LOY-55	707,391	475,593	231,798	231,798	--	Miss Hina Ahmed, Lahore. (By Negotiation)
Vehicle AB-0878	650,000	437,008	212,992	350,000	37,008	Mrs Nishat Bhai, Karachi. (By Negotiation)
Vehicle FDR-9415	427,500	287,417	140,083	140,083	--	Mr. Javid Choudhary (Employee)
Vehicle FDV-8966	411,869	82,374	329,495	382,500	53,005	Premier Insurance Co. (Insurance Claim)
Vehicle ACL-0689	849,000	169,800	679,200	850,000	170,800	Premier Insurance Co. (Insurance Claim)
Vehicle FDS-2156	273,095	183,607	89,488	89,488	--	Mr. Qurban Ali (Employee)
Mills & Office Equipment						
Photocopier	151,080	107,922	43,158	60,000	16,842	Jaffer Brothers (Pvt) Ltd., Lahore. (By Negotiation)
Total:-	5,894,385	3,842,768	2,051,617	2,703,869	652,252	

14. CAPITAL WORK IN PROGRESS

Civil work (Colony Mills)	30,704,349	--
---------------------------	------------	----

15. LONG TERM INVESTMENTS

Associated undertaking		
50,000 ordinary shares of Rs. 100/- each of Ibrahim Modaraba (Pvt) Limited	5,000,000	5,000,000
Equity held 25% (1999 - 25%)		
Break up value of the share is Rs. 139.61 each		

Chief Executive - Mr. Mohammad Naeem Mukhtar

	5,000,000	5,000,000
--	-----------	-----------

16. STORES, SPARES AND LOOSE TOOLS

General Store	7,519,316	8,281,917
Spare parts and accessories	327,429	2,296,477
Spare parts in transit	--	1,447,168
Machinery in store	5,387,355	5,387,355
Loose tools	22,112	19,796
	13,256,212	17,432,713

17. STOCKS IN TRADE

Raw material	59,348,272	63,942,605
Raw material in transit	--	31,826,957
Work in process	8,320,683	7,834,725
Finished goods and waste	69,653,060	61,573,628
	137,322,015	165,177,915

18. TRADE DEBTORS

Local-Unsecured considered good	1,554,391	--
---------------------------------	-----------	----

**19. ADVANCES, DEPOSITS AND OTHER RECEIVABLES-
UNSECURED CONSIDERED GOOD**

Advances to employees	3,279,135	1,434,942
Advances to suppliers / contractors	267,892	11,415,270
Excise duty/sales tax - current account	--	38,608
Advance income tax	54,734,407	55,273,831
Deposits and other receivables	7,313,363	9,327,092
Letters of credit	336,075	--
	65,930,872	77,489,743

20. CASH AND BANK BALANCES

Cash in hand	14,896,052	9,358,153
Cash at banks		
in current accounts	6,311,888	3,043,600
in deposit accounts	2,554,161	6,055,247
	23,762,101	18,457,000

21. SALES

Yarn - Local	1,160,227,954	783,837,592
Waste - Local	1,596,157	1,059,840
	1,161,824,111	784,897,432
Less: Excise duty	16,211	--
Commission and discount	249,181	33,385
	265,392	33,385
	1,161,558,719	784,864,047

22. COST OF SALES

Opening stocks	61,573,628	43,026,181
Cost of goods manufactured (Note 22.1)	1,009,445,194	700,616,028
	1,071,018,822	743,642,209
Less: Closing stocks	69,653,060	61,573,628
	1,001,365,762	682,068,581

22.1 Cost of goods manufactured

Raw material consumed (Note 22.2)	755,426,418	512,636,539
Packing material consumed	15,173,025	11,768,945
Salaries, wages and benefits	44,001,556	32,126,256
Stores consumed	19,606,525	10,148,515
Fuel and power	120,445,123	101,046,593

Other expenses	1,794,937	3,776,055
Depreciation	53,483,567	32,283,529
	-----	-----
	1,009,931,151	703,786,432
	-----	-----
Add: Opening work in process	7,834,726	4,664,322
Less: Closing work in process	(8,320,683)	(7,834,726)
	-----	-----
	(485,957)	(3,170,404)
	-----	-----
	1,009,445,194	700,616,028
	=====	=====

22.2 Raw Material Consumed

Polyester fibre (Note 22.2.1)	573,019,602	324,457,060
Viscose fibre (Note 22.2.2)	172,895,411	118,758,816
Acrylic fibre (Note 22.2.3)	9,511,405	69,420,663
	-----	-----
	755,426,418	512,636,539
	=====	=====

22.2.1 Polyester fibre

Opening stocks	1,681,254	204,639,701
Purchases	578,596,465	305,674,344
	-----	-----
	580,277,719	326,138,314
Less: Closing stocks	7,258,117	1,681,254
	-----	-----
Cost of polyester fibre consumed	573,019,602	324,457,060
	=====	=====

22.2.2 Viscose fibre

Opening stocks	3,315,932	8,366,751
Purchases	203,017,773	124,993,199
Less: Cost of viscose fibre sold	--	(11,285,202)
	-----	-----
	206,333,705	122,074,748
Less: Closing stocks	33,438,294	3,315,932
	-----	-----
Cost of viscose fibre consumed	172,895,411	118,758,816
	=====	=====

22.2.3 Acrylic fibre

Opening stocks	58,945,419	12,249,448
Purchases	35,952,481	139,469,027
Less: cost of acrylic fibre sold	(66,734,634)	(23,352,393)
	-----	-----
	28,163,266	128,366,082
	18,651,861	58,945,419
	-----	-----
Cost of acrylic fibre consumed	9,511,405	69,420,663
	=====	=====

23. ADMINISTRATIVE EXPENSES

Directors remunerations	2,790,000	1,860,000
Directors meeting fee	--	1,000
Salaries and benefits	22,159,476	21,506,509
Postage, telephone and telex	2,322,106	1,452,182
Motor vehicle expenses	2,110,139	2,014,934
Printing & stationery	868,303	1,082,350
Rent & utilities	1,263,118	1,240,028
Travelling & conveyance	1,492,837	1,331,228
Entertainment	1,538,945	1,565,809
Fees & subscription	891,609	488,788
Legal & professional charges	548,773	135,700
Insurance	552,628	946,031
Repair & maintenance	834,388	1,536,506
Audit fee	100,000	100,000
Donation (23.1)	390,400	11,650
Other expenses	882,554	1,672,824
Advertisement	107,200	83,515
Depreciation	2,712,094	1,926,477
	-----	-----
	41,564,570	38,955,531
	=====	=====

23.1 No director or his/her spouse had any interest in the donees fund.

24. SELLING EXPENSES

Freight Forwarding expenses	6,132,806	6,096,011
Other expenses	58,788	378,125
	-----	-----
	6,191,594	6,474,136
	=====	=====

25. MISCELLANEOUS REVENUE

Dividend Income	--	1,000,000
Sale of stores/scrap	1,984,275	1,767,204
Interest income	668,242	392,268
Profit/(loss) on sale of fixed assets	652,252	311,477
Misc. Income	--	5,972
	-----	-----
	3,304,769	3,476,921
	=====	=====

26. PROFIT ON TRADING

Sales		
Viscose fibre	--	12,537,842
Acrylic fibre	91,954,033	25,773,742
	-----	-----
	91,954,033	38,311,584
Cost of sales		
Viscose fibre	--	11,285,202
Acrylic fibre	66,734,634	23,352,393
Selling expenses	--	86,996
	-----	-----
	66,734,634	34,724,591
	-----	-----
Net profit/(loss) on trading	25,219,399	3,586,993
	=====	=====

27. FINANCIAL EXPENSES

Mark-up/interest on		
Long term and short term loans	30,890,867	28,218,017
Custom debentures	--	100,942
Lease financing	24,453,237	4,050,863
Bank & other financial charges	376,510	319,887
W.P.P.F.	87,212	147,240
	-----	-----
	55,807,826	32,836,949
	=====	=====

28. TAXATION

28.1 Provision for tax has been made in these accounts for the year ended on 30th September 2000 Rs. 28,015,989/- (1999 Rs. 8,558,147/-). The assessments of the company has been finalized upto assessment year 1999-2000.

28.2 No provision has been made in these accounts for deferred tax. There is no deferred tax liability as for the present there is no material timing difference requiring provision for this liability.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**29.1 Concentration of Credit Risk**

Credit risk arises from the possibility of one party to a financial instrument failing to meet its obligations causing the other party to incur financial loss.

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk.

29.2 Fair Values of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

29.3 Interest Risk Management

Interest rate risk is the risk that value of a financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates can adversely affect the rates charged on interest bearing assets/liabilities. This can result in an increase in interest expense relative to finance income or vice versa. The company manages its risk by maintaining a fair balance between interest rates, financial assets and liabilities.

Particulars	Notes	Mark-up Bearing		Non Mark-up		Total Rupees
		Within one year	One year to five year	Within one year	One year to five year	

Financial Assets

Lease Assets	13	--	118,884,621	--	--	118,884,621
Long term investment	15	--	--	--	5,000,000	5,000,000
Stores, spares & loose tools	16	--	--	--	13,256,212	13,256,212
Stock in trade	17	--	--	--	137,322,015	137,322,015
Trade debtors	18	--	--	1,554,391	--	1,554,391
Advances, deposits & pre-payme	19	--	--	--	65,930,872	65,930,872
Cash and bank balances	20	--	--	23,762,101	--	23,762,101
		--	118,884,621	25,316,492	221,509,099	365,710,212

Financial Liabilities

Long term loans	6	25,000,000	175,000,000	--	--	200,000,000
Lease liabilities	7	24,353,247	82,470,761	--	--	106,824,008
Short term borrowings	9	131,891,506	--	--	--	131,891,506
Creditors, accrued & other liabiliti	11	--	--	48,322,512	--	48,322,512
		181,244,753	257,470,761	48,322,512	--	487,038,026
Net financial assets (Liabilities)		(181,244,753)	(138,586,140)	(23,006,020)	221,509,099	(121,327,814)

29.4 Effective Mark-up rates

The effective mark-up rates for the company's financial assets and liabilities are as follows:-

Financial assets

Investment in lease finance	19%	--	22%
-----------------------------	-----	----	-----

Financial Liabilities

Long term loans	12.5%	--	15%
Short term borrowings	13%	--	16%

30. EARNING PER SHARE

There is no dilutive effect on the basis earning per share of the company, which is based on:

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Profit after taxation (Rupees)	52,838,236	21,449,950
Weighted average number of ordinary shares	13,600,000	13,600,000
Earning per share (Rupees)	3.89	1.58

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OFFICERS

Particulars	Chief Executive		Officers	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Salaries	1,800,000	1,200,000	7,822,678	6,555,720
Housing & conveyance	810,000	540,000	3,658,005	2,950,134
Reimbursable expenses	180,000	120,000	781,373	7,779.54
	-----	-----	-----	-----
	2,790,000	1,860,000	12,262,056	10,283,808
	=====	=====	=====	=====
No. of persons	1	1	48	34

31.1 The Chief Executive was also provided company maintained car and telephone at residence.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Power charges	137,769,011	102,744,979
Purchases of goods	579,363,561	319,206,871
Sale of goods	92,175,113	26,454,519
Rent, electricity and telephone charges	360,000	432,000

33. PLANT CAPACITY AND ACTUAL PRODUCTION

Total no. of spindles installed	58,080	58,080
Average no. of spindles worked	57,774	44,980
No. of shifts worked per day	3	3
Total installed capacity converted to 20/S Kgs	19,881,998	19,881,998
Actual production converted to 20/s Kgs.	20,288,013	15,614,164

33.1 Installed capacity has been recalculated after the installation during the later part of the previous year ended September 30, 1999.

33.2 The conversion into 20/s count depict the approximate production efficiency since it fluctuates with changes in count of yarn spun and count mix in a particular period

34. FIGURES

34.1. Of the prior year have been rearranged wherever necessary for the purpose of comparison.

34.2. Have been rounded off to the nearest rupees.

Chief Executive

Director