

BAIG SPINNING MILLS LIMITED

Annual Report 1997

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BOARD OF DIRECTORS

Mr. Mirza Ikhtiar Baig	Chairman & Chief Executive
Mr. Mirza Ishtiaq Baig	Director
Mr. Mirza Mukhtar Baig	Director
Mrs. Qudsia Baig	Director
Mrs. Shireen Baig	Director
Mrs. Afreen Baig	Director
Mr. Taj Muhammad	Director (Nominee I.C.P.)

COMPANY SECRETARY

Nadeem Khan

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

REGISTERED OFFICE

208-A, Clifton Centre, Block - 5,
Clifton Karachi-Pakistan.
Telephone ' (92-21) 5863931-35
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MILLS

A-5/A, Manghopir Road, S.I.T.E.,
Karachi - Pakistan.
Tel · 2426927 - 2426932
Fax ' 2423593

BANKERS

Citi Bank, N.A.
Islamic Investment Bank Limited
Habib Bank Limited
Allied Bank Limited
National Bank of Pakistan Limited
United Bank Limited
Metropolitan Bank Limited

:

NOTICE OF 25th ANNUAL GENERAL MEETING

Notice is hereby given. that the 25th Annual General Meeting of the shareholders of Baig Spinning Mills Limited will be held on Monday 30th, March 1998 at 2:00 p.m. at Company Registered office, Karachi to transact the following business

1. To receive and adopt the Audited Accounts of the Company for the year ended September 30, 1997 together with Directors and Auditors report thereon.
2. To appoint auditors for the period ending on the date of next annual general meeting and fix their remuneration. The retiring Auditors M/s. Hyder Bhimji and Co. Chartered Accountants, have offered themselves for Re-appointment.
3. To transact any other business with the permission of the Chair.

Dated: March 7th, 1998

NOTES:

1. The Share Transfer books of the Company will be closed from March 24th, 1998 to March 30th, 1998 (both days inclusive)
2. A Members of the Company entitled to attend and vote may appoint another person as his/her proxy to attend and vote instead of himself/herself.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to place before you Company's Annual Report together with audited account and auditors report thereon for the year ended 30th September 1997. The year under review has proved to be a better year of operation as there has considerable improvements in the sales, gross profit and profit before financial charges. Though the net result before tax ended in loss, mainly due to heavy financial charges, the loss for. the year has been substantially lower than the pervious year.

MANUFACTURING AND OPERATING RESULTS

a) Production

The company has attained 91% (as against 89 % in 1996) utilization in production capacity of Cotton Yarn. Both production volume and sales revenue reached a

level where it could be anticipated that the company would at least break even. Unfortunately due to high financial charges, raise in the power traffic and turnover tax burden (inspite of assessed losses) the operation has turned into loss.

b) Sales and Marketing

During the year under review the company's overall sales have improve to Rs. 390.36 M from 349.28 M the previous year, recorded an increase of about 12%. However, the company's export have sharply declined to 1.78 M from Rs. 41.00 M in the previous year. This is mainly due to our Yarn Prices could not complete in the world market coupled with economic crises in the Far Eastern countries.

c) Gross and Net Profit

Gross profit for the year under review increased by 4.7% to Rs. 33.793 M from Rs. 13.806 M the previous year mainly due to increase in the sales volume leading to reduction in the per unit fixed cost and incidental reduction in the cost of sales by 4.7% to Rs. 356.576 M from Rs. 335.478 M the previous year. The administrative and selling expenses though fractionally reduce by 0.37% reflect appreciable control in the face of double digit inflation. The profit before financial charges has increase by 5% to Rs. 23.827 M from Rs. 3.815 M in the previous year. The company is carrying heavy financial charges. During the year the company could succeed to reduce financial charges by 14.7% to 40.86 M from Rs. 47.90 M the previous year. However, the operation could not absorb financial charges in totte and there is a loss before tax of Rs. 17.039 M as compared to loss of Rs. 44.094 M in the previous year. After decision of the Honourable Supreme Court in favour of CBR the company has paid 1/2% turnover tax for the previous three years of operations. The after tax loss of Rs. 23.464 M for the year with previous accumulated losses of Rs. 96.742 M are instrumental in complete erosion of the equity base and turning it into negative equity at Rs. 13.207 M.

EXPANSION

The existing project of 12,186 spindles is an undersize unit and the only way to make it viable is to increase the number of spindles to about 14,000 plus. The directors have decided to enhance production capacity of the cotton yarn by increasing the existing spindles from 12,816 to 14,560 spindles the maximum possible numbers the project can operate with within the space constraints. The expansion will make the project more cost effective and will also result in additional cash generation. The expansion work has already been undertaken which envisages setting up of four additional rings frames of 1744 spindles alongwith one blow room scutcher, three cards, two draw frames, one match coner, one simplex, two compressors. The replacement of spindles with bloster and electric motors have also been undertaken in order to improve production. The majority of the machineries have arrived and the erection and related civil work is in progress.

The total capital outlay on the expansion program was estimated to fall in the region of Rs. 22.00 M and the best of it was that the directors intended not to resort to costly outside borrowings but to meet the substantial part of the cost through their own resources. In this connection the directors have already given interest free loan of Rs. 13.00 M to the company. During the year under review the company has incurred cost of Rs. 18.362 M on the expansion

plan. The expansion would generate additional production of lbs 1,100,000 per annum and additional cash generation would be about Rs. 10.00 M which will help redeeming debt burden of the company. Needles to mention that the company will also have increased profitability.

BORROWING AND PAYMENTS

The Directors have regularized all loan accounts of the company with the banks. On request of the company the HBL has enhanced cash finance limit from Rs. 10.00 m to Rs. 50.00 m. During the year under review the company have. made financial payments to the banks of Rs. 46.767 M comprising of interest and mark-up of Rs. 36.810 M and F.C.. loan installment of Rs. 9.957 M against financial charges and custom debentures of Rs. 12.415 M paid during the previous year. The company have also cleared turnover tax liability of Rs. 4.473 M of the previous three years of operations of the company.

FUTURE PROSPECTS

On raw cotton front the spinners have mixed feelings. However, there are no sign of crisis so far. During the current year the company has been maintaining average raw cotton purchase price at Rs. 2250/- which is almost at the year under review level. The current operation of the company has so far followed positive trends set by the year under review and the directors anticipate that this pursuit would continue and Insha-Allah we will see current year as yet another year of good result.

However, the long term future prospects of the Yarn and Fabric local industry is uncertain. Our exports have been badly effected by the crises in the Far Eastern Countries. The textile sector is already facing anti-dumping duty threat by the European union on Pakistani Fabric. The devaluation of Pak Rupee has failed to bring any positive impact on country's export.

Recently the America has propose. d the introduction of Yarn, Fabric forward policy in the WTO rules which the Asian Countries have out rightly rejected deeming it a serious threat to their textile industry. If U.S.A proposal succeed it would prove more injurious than dumping charges.

EMPLOYEES RELATIONSHIP

Directors are happy to report that we have cordial relationship with all our workers, staff and executives who have been very co-operative and responsive to the need of the Company.

AUDITORS

The present Auditors M/s. Hyder Bhimji & CO, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

ACKNOWLEDGMENT

In the end we wish to express special thanks to our Bankers and financial institutions for their support and cooperation. We would also like to thank all the personnel of the Company for their hard work and dedication.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BAIG SPINNING MILLS LIMITED as at 30th September, 1997 and the related profit and loss account and statement of changes in Financial Position (Cash Flow), 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 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 the 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 statement of changes in Financial Position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1997 and of the loss and the changes in financial position (Cash Flow) for the year then ended and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion we draw attention to the Note No. 27 in the Financial Statement wherein the events more fully explained in the said note substantiates that the Company will be able to continue as a going concern.

HYDER BHIMJI & CO.

Chartered Accountants

Karachi 24th February, 1998

BALANCE SHEET AS AT SEPTEMBER

	Note	1997 Rupees	1996 Rupees
CAPITAL & LIABILITIES.			
SHARE CAPITAL.			
Authorised			
10,000,000 Ordinary Shares of Rs. 10/- Each.		100,000,000	100,000,000

		=====	=====
Issued, Subscribed and Paid-up.			
9,100,000 Ordinary Shares of Rs: 10/- each fully paid in Cash.		91,000,000	91,000,000
CAPITAL RESERVE.		16,000,000	16,000,000
ACCUMULATED (LOSS).		(120,207,004)	(96,742,326)
		-----	-----
SURPLUS ON REVALUATION		(13,207,004)	10,257,674
OF FIXED ASSETS.		29,828,087	29,828,087
LOAN FROM DIRECTORS.	3	13,000,000	--
REDEEMABLE CAPITAL.	4	96,080,863	74,662,150
DEBENTURES & LONG-TERM LOAN.	5	79,657,061	99,571,327
DEFERRED LIABILITY-Gratuity.	6	726,962	745,936
CURRENT LIABILITIES.			
Short Term Finance Utilized under Mark-up arrangements.	7	45,860,921	36,010,644
Overdue Custom Debentures.		4,995,590	4,995,590
Current Portion of Long-Term Loan.	5.1	19,914,266	19,914,266
Creditors, Accrued & Other Liabilities.	8	13,351,257	21,509,262
Provision for Turnover Tax.	24	1,951,883	--
		-----	-----
		86,073,917	82,429,762
CONTINGENCIES AND COMMITMENTS.	9	--	--
		-----	-----
Total		292,159,886	297,494,936
		=====	=====
PROPERTY AND ASSETS.			
TANGIBLE FIXED ASSETS.			
Operating Fixed Assets.	10	179,008,057	191,881,767
CAPITAL WORK IN PROGRESS.	11	18,362,119	--
LONG-TERM DEPOSITS AND			
DEFERRED COST.	12	2,979,667	4,163,861
CURRENT ASSETS.			
Stores, Spares & Loose 'tools	13	6,175,377	5,974,516
Stock-in-Trade.	14	51,012,356	55,584,824
Trade Debts.	15	27,257,742	25,565,456
Advances, Deposits & Prepayments.	16	3,960,823	2,044,158
Cash & Bank Balances.	17	3,403,745	12,280,354
		-----	-----
		91,810,043	101,449,308
		-----	-----
Total		292,159,886	297,494,936
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED SEPTEMBER 30, 1997.**

	Note	1997 Rupees	1996 Rupees
Sales	18	390,369,783	349,284,865
Cost of Sales	19	356,576,598	335,478,205
		-----	-----
Gross Profit		33,793,185	13,806,660
Operating Expenses:			
Administrative	20	6,653,003	6,387,281
Selling & Distribution.	21	3,593,501	4,062,448
		-----	-----
		10,246,504	10,449,729
		-----	-----
Operating Profit.		23,546,681	3,356,931
Other Income.	22	280,361	458,631
		-----	-----
Profit before Financial Charges.		23,827,042	3,815,562
Financial Charges.	23	(40,866,392)	(47,909,593)
		-----	-----
Loss before Tax		(17,039,350)	(44,094,031)
Provision for Income Tax -			
Current	24	(1,951,883)	--
-Prior years	25	(4,473,445)	--
		-----	-----
Net (Loss) for the year		(23,464,678)	(44,094,031)
Accumulated (Loss) brought forward		(96,742,326)	(52,648,295)
		-----	-----
Accumulated (Loss) carried to Balance Sheet		(120,207,004)	(96,742,326)
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION**FOR THE YEAR ENDED SEPTEMBER 30, 1997.**

	1997 Rupees	1996 Rupees
CASH INFLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(17,039,350)	(44,094,031)
Adjustment for :Depreciation	13,103,016	14,226,230
:Financial Charges	40,866,392	47,909,593
Loss on disposal of Fixed Asset	15,536	8,000
Provision for gratuity	269,668	357,849
Amortization of Deferred Costs	1,242,144	1,242,145
	-----	-----
Cash generated from operations before working capital changes	38,457,406	19,649,786
Changes in Working Capital		
(Increase)/Decrease in Current Assets		

Stores, Spares and Loose Tools	(200,861)	(4,812,924)
Stock-in-Trade	4,572,468	(20,706,426)
Trade Debts	(1,692,286)	9,652,426
Advances, Deposits, Prepayments and other Receivable	(1,872,052)	5,208,813
Increase in Short Term Finance	9,850,277	7,748,690
Increase/(Decrease) in Creditors, Accrued and other liabilities.	(752,245)	3,380,265
	-----	-----
	9,905,301	470,844
	-----	-----
Cash inflow from operations	48,362,707	20,120,630
Financial Charges Paid	(36,810,572)	12,054,983
Payment of Income Tax	(4,518,058)	(611,246)
Long Term Deposits	(57,950)	800
Payment of Gratuity	(288,643)	(192,008)
	-----	-----
Net Cash Inflow from operating activities	6,687,484	7,263,193
 CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of Fixed Asset	50,000	20,000
Fixed Capital Expenditure	(18,656,960)	(1,543,927)
	-----	-----
Net Cash utilised in Investing Activities	(18,606,960)	(1,523,927)
 CASH FLOW FROM FINANCING ACTIVITIES		
Demand Finance.	21,418,713	40,284,463
Loan from Directors.	13,000,000	--
Payment of Debentures & Long-Term Loans.	(9,957,133)	(361,268)
Transfer of Long Term Loan to Demand Finance.	(9,957,133)	(19,914,266)
Settlement of Interest by Demand Finance.	11,461,580)	(20,370,197)
	-----	-----
Net Cash inflow/(outflow) from financing activities.	3,042,867	(361,268)
	-----	-----
Net (Decrease)/increase in Cash and Bank Balances	(8,876,609)	5,377,998
Cash and bank balances at beginning of the year	12,280,354	6,902,356
	-----	-----
Cash and bank balances at the end of the year.	3,403,745	12,280,354
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997.**

1. STATUS AND NATURE OF BUSINESS:

The Company was incorporated on 12th August, 1972 as a Private Limited Company and was converted into Public Limited Company on 4th September, 1990. The Shares of the Company were quoted on Karachi Stock Exchange on 15th October, 1995. The principal activity of the Company is manufacturing and sale of Cotton Yarn.

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Accounting Convention:

The accounts of the Company have been prepared under historical cost convention modified by revaluation of fixed assets.

2.2 Foreign Currency Translation:

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing on the balance sheet date except where exchange risk cover has been obtained for repayment of liabilities in which case the rate contracted for is used. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. All others' exchange differences are taken to profit and loss account.

2.3 Gratuity:

The company operates an unfunded gratuity scheme for its employees. Provision is made annually to cover obligations under the scheme.

2.4 Taxation:

The provision for current income tax is made in accordance with the provisions of the Income Tax Ordinance, 1979. The Company Accounts for deferred taxation for all material timing differences by using the liability method.

2.5 Tangible Fixed Assets:

These are stated at cost as modified by revaluation less accumulated depreciation except work in progress which is stated at cost. Depreciation is charged using the reducing balance method.

Full year depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement and operations of such assets. No depreciation is charged on assets deleted or retired during the year.

2.6 Stores, Spares & Loose 'Tools:

Stores, Spares and Loose Tools are valued at moving average cost except those in transit which are valued at actual cost.

2.7 Stock-in-Trade:

Raw and Packing materials are valued at Cost determined on first in first out (FIFO) method. Work in process is valued at cost of materials plus proportionate overheads. Finished goods are valued at lower of average cost and net realisable value.

2.8 Trade debts

All bad debts which are considered irrecoverable are written off where as provision

is made against the debts which are doubtful of recovery.

2.9 Revenue Recognition:

Sales are recorded on despatch of goods to customers.

	1997	1996
	Rupees	Rupees
3. LOAN FROM DIRECTORS.	13,000,000	--
	=====	=====

3.1 This represent interest free loan taken from directors of the company. The repayment terms of this loan has yet to be finalized.

4. REDEEMABLE CAPITAL (SECURED).

From Habib Bank Limited

Finance against fixed assets (FAF).	4.1	74,662,150	74,662,150
Add: Interest Capitalized.	4.1	10,714,795	--
		-----	-----
		85,376,945	74,662,150
Finance against fixed assets (FAF).	4.2	9,957,133	--
Add: Interest Capitalized.	4.2	746,785	--
		-----	-----
		10,703,918	--
		-----	-----
		96,080,863	74,662,150
		=====	=====

4.1 The FAF was created by Habib Bank Limited, Central Branch by adjusting first four installments of foreign currency loan and interest on foreign currency loan failing due upto 15/05/96. The interest of Rs. 10.714 (M) represent interest on the said FAF for the period 17/09/95 to 31/12/96 capitalized by the bank for repayment with the original amount of the FAF. The total amount of FAF of Rs. 85.376 (M) is repayable in 72 monthly installments commencing from 01/01/99. The Finance is secured by first charge/mortgage on movable and immovable properties and floating charge on the undertaking/properties of the company and personal guarantee of all Directors. The finance carries interest rate of 15% per annum.

4.2 Rs. 9.957 represent foreign currency loan installment due on 15/05/97 and has been adjusted by the HBL along with markup thereon of Rs. 0.746 (M) by allowing additional FAF of the equivalent amount. The amount of the FAF is repayable after a grace period of 4 years along with grace period interest in six half yearly installments commencing from 16/05/2001 and ending on 16/11/2003. The amount of interest capitalized of Rs. 746,785/- represents grace period markup upto 30-09-97. The Finance is secured by first charge/mortgage on movable and immovable properties and floating charge on the undertaking/properties of the company and personal guarantee of the Directors. The finance carries interest rate of 15% per annum.

	1997	1996
	Rupees	Rupees
5. DEBENTURES AND LONG-TERM [.OANS:		

Custom Debentures (Secured)		--	4,995,590
From Habib Bank Limited.			
Foreign currency loan (Secured)	5.1	99,571,327	135,060,800
Interest capitalized			
was shown under current portion.		--	4,339,059
		-----	-----
		99,571,327	139,399,859
Transfer to FAF Account		--	19,914,266
Current Portion of foreign currency loan		19,914,266	19,914,266
overdue Custom Debentures.		--	4,995,590
		-----	-----
		(19,914,266)	(44,824,122)
		-----	-----
		79,657,061	99,571,327
		=====	=====

5.1 HABIB BANK LIMITED FOREIGN CURRENCY LOAN OF US\$ 4.693 MILLION EQUIVALENT TO PAK RUPEES 118.086 MILLION.

Foreign Currency Loan of US Dollar 4.693 (M) (Equivalent Rs. 118.086 (M) sanctioned by Habib Bank Limited out of World Bank line of Credit for import of Plant and Machinery. The exchange risk was covered from the date of opening of the letter of Credit till the date of disbursement under Exchange Risk Cover Scheme of Government of Pakistan. A fee at the rate 5% per annum had been paid to the Government against this cover to fix US Dollar conversion rate @ Rs. 24.913 prevailing at the date of opening of L/Cs for import of Plant & Machinery. The loan is secured by first charge mortgage on movable and immovable properties of the Company and floating charge on the undertaking/property of the company including Stock-in-Trade, sponsors shares and their personal guarantees. The loan carries interest at the rate of 15% per annum and is repayable in 16 half yearly installments commencing from 15th November, 1994. Upon Company's request the Bank has capitalized a part of accrued interest with principal amounting to Rs. 40.608 (M) payable up to the date of 1st installment of principal falling due on 15/11/94. The said accrued interest is payable over 16 half yearly installments on the original dates on which installments of principal are falling due. After words on Company's request the bank has adjusted 1st four installments and interest on all installments falling due on 15 November 1994, 15 May 1995, 15 November 1995, 15 May 1996 by allowing FAF facility of Rs. 74.662 (M). The bank has further allowed fresh FAF on 26-09-97 for adjustment of another four installments of F.C. Loan on their due dates which are falling on 15-05-97, 15-11-97, 15-05-98 & 15-11-98. Such four installments are of Rs. 9.957 (M) each.

The balance amount of Loan after capitalisation of interest and rescheduling is repayable in balance 10 half yearly installments payable on 15th May and 15th November every year and commencing from 15-05-99.

	1997	1996
	Rupees	Rupees
6. Gratuity Payable	726,962	745,936

=====

The provision for gratuity is made on the basis of one gross salary per annum for those employees who have completed qualifying period of their service.

7. SHORT-TERM FINANCE.

Morabaha Facility (Secured)	7.1	20,000,000	20,000,000
Running Finance (Secured)	7.2	16,000,000	16,010,644
Running Finance (Secured)	7.3	9,860,921	--
		-----	-----
		45,860,921	36,010,644
		=====	=====

7.1 This represent Morabaha Term Finance obtained from first Habib Bank Modarba and secured on the guarantee of Habib Bank Ltd., Central Branch, Karachi; which in turn is secured against 1st charge on the assets of the company. The finance carries mark-up @ 56 paisa per thousand rupees per day and is payable within one year.

7.2 This represents Running Finance from HBL Central Branch secured against 1st Charge on Assets and properties of the company and Hypothecation of Stock-in-Trade. The Finance carries mark-up @ 51 paisa per thousand rupees per day and is re-payable within one year.

7.3 This represents Running Finance from ABL Clifton Branch secured against 2nd Charge on Assets and properties of the company and Hypothecation of Stock-in-Trade. The Finance carries mark-up @ 60 paisa per thousand rupees per day and is re-payable within one year.

	1997	1996
	Rupees	Rupees
8. CREDITORS, ACCRUED AND OTHER LIABILITIES:		
Creditors.	870,572	1,579,231
Accrued Expenses.	2,292,861	2,444,482
Rent, Rates & Taxes Payable	26,223	133,251
Interest accrued on Long-Term Loans.	6,357,019	6,721,079
Mark-up accrued on redeemable capital.		7,860,144
Mark-up accrued on Short -Term loan and Debenture.	3,056,639	2,238,195
Other Liabilities.	747,943	532,880
	-----	-----
	13,351,257	21,509,262
	=====	=====

9. CONTINGENCIES AND COMMITMENTS.

9.1 Contingencies

Provision for 1% Central Excise Duty on Loan and Advances from the Banks amounting to Rs: 7,772,548 (1996: 6,037,579) and due upto 30/06/97 have not been made in these accounts as stay order from Sindh High Court have been obtained against levy of such Central Excise Duty. However effective 01/07/97 the Government

of Pakistan has withdrawn such levy.

10. TANGIBLE FIXED ASSETS

Particular	Total as on 01-10-19996 Rs.	Addition (deletion) During the year Rs.	Revaluation Rs.	Total as on 30-09-997 Rs.	Rate % Rs.	Accumulated AS on 1-10-1996 Rs.	Adjustment Against Deletions Rs.	For the year Rs.	Total as on 30-09-997 Rs.	Written down value As on 30-09-1997 Rs.
LEASE HOLD LAND	--	--	13,905,000	13,905,000	--	--	--	--	--	13,905,000
FACTORY BUILDING ON LEASE HOLD LAND	11,278,700	--	9,756,645	21,035,345	10	7,054,675	--	1,398,067	8,452,742	12,582,603
PLANT & MACHINERY ON LEASE LAND	201,754,069	--	--	201,754,069	7	57,598,631	--	10,090,881	67,689,512	134,064,557
GODOWN LABOUR COLONY ADMIN BLOCK	7,519,133	--	6,593	14,113,033	5	2,737,285	--	568,787	3,306,072	10,806,961
OFFICE PREMISES	389,148	--	6,593,900	14,113,033	5	65,233	--	16,196	81,429	307,719
ELECTRIC INSTALLATION	6,178,070	75,000	333,069	6,568,139	10	2,302,406	--	428,373	2,730,779	3,855,360
FURNITURE AND FIXTURE	26,253	9,308	21,780	957,341	10	316,032	--	64,131	380,163	577,178
OFFICE EQUIPMENTS	1,533,932	210,533	6,648	1,751,113	10	415,333	--	133,578	548,911	1,202,202
MOTOR VEHICLES	4,124,853	(160,000)	--	3,964,853	20	1,949,837	(94,464)	403,003	2,258,376	1,706,477
TOTAL: 1997	191,881,767	294,841 (160,000)	30,617,042	264,456,041		72,439,432	(94,464)	13,103,016	85,447,984	179,008,057
TOTAL: 1996	232,195,231	1,543,927	30,617,042	264,321,200		58,200,203	(7,000)	14,226,230	723,439,433	191,881,767

10.1 DISPOSAL OF FIXED ASSETS

Particulars	Original Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Profit/(loss)	Name of Purchaser	Mode of sale
SUZUKI VAN HI-ROOF (CJ-1438)	16,000	(94,464)	65,536	50,000	(15,536)	Rais Ahmed House# 4/1 Saeed Abad, Karachi	Negotiation
	16,000	(94,464)	65,536	50,000	(15,536)		
DEPRECIATION		Rupees 1997	Rupees 1996				

Cost of Sales	12,889,112	14,013,933
Administrative Expenses	213,905	212,297
	-----	-----
Total	13,103,016	14,226,230
	=====	=====

1997	1996
Rupees	Rupees

11. CAPITAL WORK IN PROGRESS.

Plant and Machinery Under Erection.	11.1	18,049,919	--
Civil Work in Progress		312,200	--
		-----	-----
		18,362,119	--
		=====	=====

11.1 This represents cost of additional spinning machineries procured and the related civil work in progress. The additional spinning machineries are comprised of two ring frames of 912 spindles, one blow room scutcher, two draw frames, one match coner, one compressor, spindles with bolster and electric motors.

1997	1996
Rupees	Rupees

12. LONG-TERM DEPOSITS AND DEFERRED COST

Long term deposits.		495,374	437,424
Share floatation expenses.	12.1	2,484,293	3,726,437
		-----	-----
		2,979,667	4,163,861
		=====	=====

12.1 SHARE FLOATATION EXPENSES

Underwriting Commission & Other Expenses.		3,726,437	4,968,582
Less: Amortization.		1,242,144	1,242,145
		-----	-----
		2,484,293	3,726,437
		=====	=====

12.2 Share floatation expenses are being amortized over a period of five years.

1997	1996
Rupees	Rupees

13. STORES, SPARES AND LOOSE TOOLS.

Stores.		491,801	446,812
Spares.		5,390,650	5,360,149
Loose Tools.		292,926	167,555

	6,175,377	5,974,516
	=====	=====
14. STOCK-IN-TRADE.		
Raw Material.	36,553,163	42,266,443
Work-in-Process.	1,837,904	3,083,075
Finished Goods.	12,304,450	9,963,267
Packing Materials	316,839	272,039
	-----	-----
	51,012,356	55,584,824
	=====	=====
15. TRADE DEBTS - CONSIDERED GOOD.		
Local (Unsecured)	27,257,742	25,565,456
	=====	=====
16. ADVANCES, DEPOSITS & PREPAYMENT		
Advance against Expenses.	1,026,662	917,946
Advance to Suppliers.	2,048,209	
Advance Income Tax.	199,619	155,006
Pre payments.	617,883	701,206
Other Receivables.	68,450	270,000
	-----	-----
	3,960,823	2,044,158
	=====	=====
17. CASH AND BANK BALANCES.		
Cash-in-Hand.	6,305	113,255
Balance with Banks on Current accounts.	3,397,440	2,167,099
Balance with Banks on Deposit accounts.	--	10,000,000
	-----	-----
	3,403,745	12,280,354
	=====	=====
18. SALES.		
Local Sales.	388,582,720	308,278,103
Exports.	1,787,063	41,006,762
	-----	-----
	390,369,783	349,284,865
	=====	=====
19. COST OF SALES.		
Raw Cotton Consumed		
Opening Stock.	42,266,443	14,369,979
Purchases.	286,762,684	285,518,441
Closing Stock	(36,553,163)	(42,266,443)
	-----	-----
	292,475,964	257,621,977
Packing Materials.	4,859,292	5,912,237
Salaries, Wages, Allowances & Other benefits.	15,889,324	15,026,160
Stores, Spares and loose Tools Consumed.	3,933,106	3,691,977
Power, Water and Fuel.	23,186,666	21,935,697
Insurance.	2,168,729	2,034,006
Repair and Maintenance.	573,870	574,424
Packing, Loading & Unloading.	1,229,128	1,149,382

Other Manufacturing Expenses.		467,419	303,481
Depreciation. (Note - 10)		12,889,112	14,013,933
		-----	-----
		65,196,646	64,641,297
		-----	-----
		357,672,610	322,263,274
Work-in-Process - Opening Stock		3,083,075	2,885,961
- Closing Stock.		(1,837,904)	(3,083,075)
		-----	-----
Cost of Goods manufactured.		358,917,781	322,066,160
Central Excise duty.		--	5,954,744
Finished Goods - Opening Stock.		9,963,267	17,420,568
Closing Stock.		(12,304,450)	(9,963,267)
		-----	-----
		356,576,598	335,478,205
		=====	=====
		1997	1996
	Note	Rupees	Rupees

20. ADMINISTRATIVE EXPENSES:

Directors' Remuneration	27	541,500	135,000
Salaries, Allowances and Benefits.		1,275,396	1,243,769
Printing and Stationery.		395,993	376,538
Telephone, Talefax and Postage.		644,822	634 157
Electricity.		188,273	251 156
Legal and Professional Charges.		67,522	191 850
Vehicle Running Expenses and Taxes.		393,980	442 646
Rent, Rates and Taxes.		67,659	303 473
General Expenses.		278,857	161 124
Fees and Subscription.		245,390	205 539
Insurance Premium.		420,011	439,874
Conveyance & Travelling.		175,575	140,743
Entertainment.		293,086	293,972
Share Floatation Expenses.	12.1	1,242,144	1,242,145
Audit Fee.		25,000	25,000
Advertising.		61,265	500
Depreciation	10	213,904	212,297
Security' Expenses.		57,076	82,378
Charity & Donation.		65,550	5,120
		-----	-----
		6,653,003	6,387,281
		=====	=====

21. SELLING & DISTRIBUTION EXPENSES

Salaries, Allowances and Benefits.		292,438	218,000
Commission on Exports and Local Sales.		3,164,857	2,265,764
Freight & Forwarding Expenses.		115,129	1,150,200
Other Export Expenses.		21,077	428,484
		-----	-----
		3,593,501	4,062,448
		=====	=====

22. OTHER INCOME

(Loss) on Sale of Fixed Asset.	10.1	(15,536)	(8,000)
Sale of Scrap.		11,241	2,183
Interest Income.		284,656	464,448
		-----	-----
		280,361	458,631
		=====	=====
		1997	1996
		Rupees	Rupees

23. FINANCIAL EXPENSES:

Interest on long term loan.		17,282,422	28,138,485
Mark-up on Redeemable Capital.		12,459,559	7,860,144
Mark-up on Custom Debenture.		799,384	75,137
Mark-up on short term finance.		9,839,950	9,855,227
Bank Charges.		485,077	1,340,600
		-----	-----
		40,866,392	47,909,593
		=====	=====
		1,951,883	--
		=====	=====

24. PROVISION FOR MINIMUM TAX

24.1 This represents provision of minimum tax @ 1/2% of the total turnover of the year as required under Income Tax Ordinance 1979.

25. MINIMUM TAX- PRIOR YEARS

		1997	1996
		Rupees	Rupees
MINIMUM TAX.			
ACCOUNTING YEAR 93-94 (ASSESSMENT YEAR 95-96)		1,270,113	--
ACCOUNTING YEAR 94-95 (ASSESSMENT YEAR 96-97)		1,456,908	--
ACCOUNTING YEAR 95-96 (ASSESSMENT YEAR 97-98)		1,746,424	--
		-----	-----
		4,473,445	--
		=====	=====

25.1 This represent minimum tax liability of prior years paid by the company during the year under review. These liabilities were not provided for in the respective previous annual accounts as the company had Stay Orders from the High Court against levy of such tax. However, during the year under review the Supreme Court has given final decision in favour of the Income Tax Department. Consequently the tax has been paid.

26. DEFERRED TAX.

The deferred tax liability of the Company is Nil on the date of Balance Sheet.

27. The Balance sheet shows accumulated loss of Rs. 120,207,004/- which exceeds shareholders equity and that the company's total liabilities exceeds total assets by Rs. 13,207,004. The

Management of the company has taken measures which includes expansion which has already been undertaken and which will generate additional income to gradually reduce accumulated losses of the Company. The Directors have also financed substantial part of the cost of expansion program by giving interest free long term loan of Rs. 13,000,000/- to the Company to avoid additional financial cost. The management therefore foresee that all its financial commitments will be full filled by such measures.

28. REMUNERATION OF DIRECTORS'

	1997			1996		
	Directors	Chief Executive	Total	Directors	Chief Executive	Total
Remuneration	--	384,000	--	384,000	--	96,000
House Rent allowance	--	156,000	--	156,000	--	39,000
Fees	1,500	--	--	1,500	--	--
	-----	-----	-----	-----	-----	-----
	1,500	540,000	--	541,500	--	135,000
	=====	=====	=====	=====	=====	=====
Number of Persons	1	1	--	2	--	1

28.1 The directors have waived their fees for the year except one director nominated by ICP.

28.2 The directors are entitled to free use of company's car.

29. CAPACITY AND PRODUCTION.

	1997	1996
Number of spindles installed	12,816	12,816
Number of spindles operated	12,816	12,816
Installed capacity at 20 single count	4.037 (M) Kg	4.037 (M) Kg.
Actual production converted into 20 single count	3.683 (M) Kg	3.593 (M) Kg.

Actual production in comparison to installed capacity is lower due to power failure and maintenance of the machineries.

30. GENERAL

(a) Previous year's figures have been re-arranged and re-grouped wherever necessary to facilitate comparison.

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

**PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 1997**

Number of	Shareholdings	Total Shares Held
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152	From	101	To	500	Shares	760,000
4	From	30,001	To	35,000	Shares	120,520
1	From	45,001	To	50,000	Shares	50,000
1	From	110,001	To	115,000	Shares	113,750
1	From	170,001	To	175,000	Shares	171,500
1	From	260,001	To	295,000	Shares	264,820
1	From	395,001	To	400,000	Shares	397,230
4	From	660,001	To	665,000	Shares	2,648,200
1	From	2,540,001	To	2,545,000	Shares	2,543,240
1	From	2,710,001	To	2,715,000	Shares	2,714,740

167						9,100,000
=====						

Catergories of Shareholders	Number of Shareholders	Shares held	Percentage %
1. Individuals	160	5,676,000	62.37%
2. Investment Companies	1	113,750	1.25%
3. Financial Institutions	6	3,310,250	3638%
	-----	-----	-----
	167	9,100,000	100.00%
	=====	=====	=====