

## **Baig Spinning Mills Limited**

### **Annual Report 1999**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

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

##### **COMPANY SECRETARY**

Mr. Nadeem Khan

##### **AUDITORS**

Hyder Bhimji & Co.  
Chartered Accountants

##### **REGISTERED OFFICE**

F-225, Textile Avenue, Street No. 5,  
S.I.T.E., Karachi.  
Tel: 2566411 - 6  
Fax: 2566417

##### **MILL**

A-5/A, Manghopir Road, S.I.T.E.,  
Karachi- Pakistan.

##### **BANKERS**

Habib Bank Limited  
Allied Bank of Pakistan Limited

#### **NOTICE OF 27th ANNUAL GENERAL MEETING**

Notice is hereby given that the 27th Annual General Meeting of the members of Baig Spinning Mills Limited will be held on Monday 27th, March 2000 at 3:00 p.m. at the Registered office of the Company, F-225, Textile Avenue, Street No. 5, S.I.T.E., Karachi to transact the following business.

1. To confirm the minutes of Extra-ordinary General Meeting of the Company held on 30-12-1999.
2. To receive, and consider and adopt the Audited Accounts of the Company for the year ended September 30, 1999 together with Directors and Auditors report thereon.
3. To appoint Auditors for the year ended September 30, 2000 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.

**BY ORDER OF THE BOARD**

**NADEEM KHAN**  
(Company Secretary)

Dated: March 5th, 2000

##### **NOTES:**

1. The Share Transfer books of the Company will be closed from March 21st, 2000 to March 27th, 2000 (both days inclusive)

2. A Members of the Company entitled to attend and vote may appoint another member on his/her proxy to attend and vote instead of himself/herself. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

During the year under review the company incurred Net Loss of Rs. 11.840 M as against Net Loss of Rs. 30.071 M in the preceding year. The annual operating loss has been substantially reduced and such improvement is mainly due to expansion in Nos. of Spindles from 12,816 to 14,560 spindles, financed by sponsors from their own resources, and completed during the year. The loss represent unabsorbed financial charges which has been eroding company's profit over the years. However, the Directors are pleased to mention that through the best endeavors of the management we have succeeded in securing a re-scheduling package from our project financier M/s. Habib Bank Limited under which the Bank's total liabilities of Rs. 234.321 M, including mark-up, outstanding on 19-08-1999 have been re-scheduled and rationalized with the Cash Generation capacity of the project. Under this re-scheduling package the company's annual financial charges will be reduced by about Rs. 15.000 M by viture of freezer of outstanding Mark-up.

As such the Company's Profits which have been completely eroded by the heavy financial charges will be largely relieved from such undue burden and you will see Net Profit on Company's Profit and Loss Account in the ensuing years.

## **MANUFACTURING AND OPERATING RESULTS**

### **a) Production**

This year the company has produced Kgs. 4.432 M (20/s Converted) yarn with the capacity utilization of 97% as against Kgs. 3.782 M of Yarn and 94% capacity utilization in the previous year, recording an increase of 17.18% in the production. During the year the production capacity has increased from Kgs. 4.037 M to Kgs. 4.535 M due to the addition of 1744 spindles in the original 12,816 Nos. of Spindles. The Company spun 10/s to 22/s counts of carded yarn on customers demand at best market prices.

### **b) Sales and Marketing**

During the year under review the company's aggregate sales have increased from Rs. 409.824 M to Rs. 432.935 M in the preceding year recording and increase of 5.63%. The company maintained good quality of yarn and as a result better selling rate of yarn were realized. The Company could not export its yarn simply due to the better selling price available in the domestic market.

### **c) Gross and Net Profit/(Loss)**

The company's gross profit has increased from 6.74% in the preceding year to 8.65% during the year. This is mainly due to increase in sales both in terms of quantity and selling prices and the better average rate of raw cotton of Rs. 2,126/- per mound achieved during the year as against Rs. 2,296/- per mound during the preceding year.

The manufacturing Expenses have increased partly due to 17.18% increase in the production of yarn and also due to the increase in Additional Surcharge by KESC leading to increase in cost & Power. Bonus and increments given to workers and staff, replacement of Major Parts of the plant and over haul of the Generator Set.

The Administrative and Selling expenses increased by 2% from Rs. 10.242 M in the preceding year to Rs. 10.456 M during the year, mainly due to increase in sales commission as the sales during the year were also increase. However in percentage terms of the Sales these expenses decreased from 2.50% to 2.41% during the year

The profit before financial charges has increased from Rs. 17.401 to Rs. 27.363 M in the preceding year due to better operating results achieved during the year.

The Financial Charges has decreased by 18.12% from Rs. 45.237 M in the preceding year to Rs. 37.039 M during the year. The decrease in Financial Charges is mainly due to a new rescheduling package secured from HBL.

The after tax accumulated losses of the company has increased from Rs. 150.278 M in the preceding years to Rs. 162.119M during the year and have converted company's equity base into negative at Rs. 55.119 M. However through effects of enhanced production capacity and saving in Mark-up as addressed above the company will Insha Allah gradually recover its accumulated losses.

## **CURRENT PROSPECTS:**

By the grace of God Almighty our Country is having Bumper Crop during the current season 1999-2000 estimated at more than 10 M. Bales. The rate of Raw Cotton has drastically declined. At the beginning of the season the rates were around Rs. 1900 per mound but in the mid of the season the rates were reduced to Rs. 1200 to Rs. 1500 per mound lowest ever since last five years. Incidentally the selling price of yarn were also reduced however not directly in proportion to reduction in Raw Cotton Rates. Since your company manufactures high quality yarn, the customer demand is remain stable. Under this favourable cotton scenario we hope that your company will perform even better.

The export potentials are not good. Our export of yarn particularly the courser yarn has declined sharply as Indonesia, India, China and Uzbekistan are offering greater competition to Pakistan. Feedback received from importers indicate that there is no prospect of major reversal. The Yarn Market in Japan has greatly shrunk and many units have shifted their production to China.

**Y2K COMPLIANCE**

The company has successfully completed Y2K Compliance of their computerized equipment and activities.

**AUDITORS**

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

**ACKNOWLEDGMENT**

The directors take this opportunity to record thanks to our bankers for their valued support and a note of appreciation for all the employees of the company who have contributed their sincere efforts and services toward the business affairs of the company.

**For and on behalf of Directors of  
BAIG SPINNING MILLS LTD**

**DR. MIRZA IKHTIAR BAIG  
CHAIRMAN**

KARACHI: 7th February, 2000

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of BAIG SPINNING MILLS LIMITED as at 30th September, 1999 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, 1999 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. 26 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: 7th February, 2000

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

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CAPITAL &amp; LIABILITIES.</b>		
<b>SHARE CAPITAL.</b>		
<b>Authorised</b>		
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).**

(162,119,883) (150,278,942)

(55,119,883) (43,278,942)

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

29,828,087 29,828,087

**LOAN FROM DIRECTORS.**

3 30,128,004 20,800,000

**REDEEMABLE CAPITAL.**

4 213,020,718 128,496,850

**LONG-TERM LOAN.**

5 -- 59,742,795

**DEFERRED LIABILITY**

6 1,245,603 1,061,100

**CURRENT LIABILITIES.**

Short Term Finance Utilized under

Mark-up arrangements.

7 48,351,395 24,972,097

Custom Debentures.

4,995,590 4,995,590

Current Portion of Redeemable Capital &

Long-Term Loan.

15,806,381 30,586,384

Creditors, Accrued & Other Liabilities.

8 9,902,788 15,900,050

Provision for taxation.

1,889,061 1,971,406

80,945,215 78,425,527

**CONTINGENCIES AND COMMITMENTS.**

9 -- --

Total 300,047,744 275,075,417

**PROPERTY AND ASSETS.****TANGIBLE FIXED ASSETS.****Operating Fixed Assets.**

10 182,241,923 171,444,052

**CAPITAL WORK IN PROGRESS.**

11 -- 22,021,428

**LONG-TERM DEPOSITS AND****DEFERRED COST**

12 807,763 1,747,564

**CURRENT ASSETS.**

Stores, Spares & Loose Tools.

13 6,964,605 6,768,741

Stock-in-Trade.

14 70,180,870 30,057,731

Trade Debts.

15 28,920,444 29,734,112

Advances, Deposits & Prepayments.

16 4,944,217 5,491,154

Cash & Bank Balances.

17 5,987,922 7,810,635

116,998,058 79,862,373

Total 300,047,744 275,075,417

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

**Dr. MIRZA IKHTIAR BAIG**  
Chief Executive

**M. ISHTIAQ BAIG**  
Director

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

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Sales	18	432,935,043	409,824,820
Cost of Sales	19	395,454,151	382,181,024
Gross Profit		37,480,892	27,643,796
Operating Expenses:			
Administrative.	20	6,934,259	6,560,820
Selling & Distribution.	21	3,521,831	3,681,110
		10,456,090	10,241,930
Operating Profit.		27,024,802	17,401,866
Other Income.	22	338,883	--
Profit before Financial Charges.		27,363,685	17,401,866
Financial Charges.	23	(37,039,951)	(45,237,037)
Net Loss before Tax		(9,676,266)	(27,835,171)

Provision for Income Tax	- Current	24	(2,164,675)	(2,049,124)
	- Prior years		--	(187,643)
<hr/>				
Net Loss for the year			(11,840,941)	(30,071,938)
Accumulated Loss brought forward			(150,278,942)	(120,207,004)
<hr/>				
Accumulated Loss carried to Balance Sheet			(162,119,883)	(150,278,942)
<hr/> <hr/>				

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

**Dr. MIRZA IKHTIAR BAIG**  
Chief Executive

**M. ISHTIAQ BAIG**  
Director

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

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	(9,676,266)	(27,835,171)
Adjustment for : Depreciation	13,037,619	12,493,751
: Financial Charges	37,039,951	45,237,037
Gain on disposal of Fixed Asset	(297,168)	--
Provision for gratuity - Net	569,880	738,549
<b>Amortization of Deferred Costs</b>	1,242,149	1,242,144
<b>Cash generated from operations before working capital changes</b>	41,916,165	31,876,310
<b>Changes in Working Capital</b>		
(Increase)/Decrease in Current Assets		
Stores, Spares and Loose Tools	(195,864)	(593,364)
Stock-in-Trade	(40,123,139)	20,954,625
Trade Debts	813,668	(2,476,370)
Advances, Deposits, Prepayments and other Receivable	546,937	(1,585,661)
Increase/(Decrease) in Short Term Finance	23,379,298	(20,888,824)
Increase/(Decrease) in Creditors, Accrued and other liabilities.	(990,933)	581,373
	(16,570,033)	(4,008,221)
<b>Cash inflow from operations</b>	25,346,132	27,868,089
Financial Charges Paid	(21,092,473)	(40,095,778)
Payment of Income Tax	(2,247,020)	(2,161,914)
Increase in Long Term Deposits	(302,348)	(10,041)
Payment of Gratuity	(385,377)	(404,411)
<b>Net Cash Inflow/(Outflow) from operating activities</b>	1,318,914	(14,804,055)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of Fixed Asset	575,000	--
Fixed Capital Expenditure	(2,091,894)	(8,589,055)
<b>Net Cash utilised in Investing Activities</b>	(1,516,894)	(8,589,055)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from Directors.	9,328,004	7,800,000
Demand Finance.	102,978,653	43,088,105
Payment of Demand Finance.	(13,320,522)	--
Settlement of F.C. Loan installments by Demand Finance.	(79,657,061)	(19,914,266)
Settlement of Interest by Demand Finance.	(20,953,807)	(3,173,839)
<b>Net Cash (outflow)/inflow from financing activities.</b>	(1,624,733)	27,800,000
<b>Net (Decrease)/Increase in Cash and Bank Balances</b>	(1,822,713)	4,406,890
<b>Cash and bank balances at beginning of the year</b>	7,810,635	3,403,745
<b>Cash and bank balances at the-end of the year.</b>	5,987,922	7,810,635

**Dr. MIRZA IKHTIAR BAIG**

**M. ISHTIAQ BAIG**

Chief Executive

Director

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

### 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 sales 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.

### 3. LOAN FROM DIRECTORS (UN-SECURED) LONG TERM

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
	30,128,004	20,800,000
	=====	=====

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)

#### Long Term Finance

#### From Habib Bank Limited

Demand Finance	4.1	126,544,966	139,168,968
Deferred Mark-up	4.2	102,282,133	--
		-----	-----
		228,827,099	139,168,968

Less: Current portion shown under

Current Maturity	(15,806,381)	(10,672,118)
	-----	-----
	213,020,718	128,496,850
	=====	=====

**4.1 DEMAND FINANCE:** This represents a new consolidated Demand Finance created by Habib Bank Limited by converting previous Demand Finance and long-term loan payable as on 31-03-1999. The finance carries Mark-up @ 15% p.a. payable quarterly. The finance is payable in 25 quarterly installments on annuity basis i.e.. Rs. 7.862 M including Mark-up.

**4.2 DEFERRED MARK-UP:** This represent mark-up payable upto 19-08-1999 relating to HBL Demand Finance referred in note 4.1 above. This Mark-up has been deferred and is repayable in 13 installments of Rs. 7.862 M commencing from 30-09-2005 and does not carry any Mark-up.

The demand finance and deferred mark-up are secured by 1st Charge on all present and future fixed assets of the company, floating charge on the entire moveable and immoveable property and assets of the company and personal Guarantees of all directors.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
	--	79,657,061
	--	(19,914,266)
	-----	-----
	--	59,742,795
	=====	=====

#### 5. LONG-TERM LOANS

From Habib Bank Limited.

Current Portion classified as current maturity

	--	79,657,061
	--	(19,914,266)
	-----	-----
	--	59,742,795
	=====	=====

#### 6. DEFERRED LIABILITY

Gratuity Payable

	1,245,603	1,061,100
	-----	-----
	1,245,603	1,061,100
	=====	=====

6.1 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

Running Finance (Secured)

Running Finance (Secured)

Cash Finance (Secured)

7.1	16,000,000	16,000,000
7.2	6,589,533	8,972,097
7.3	25,761,862	--
	-----	-----
	48,351,395	24,972,097
	=====	=====

7.1 This represent Running from Habib Bank Limited Central Branch secured against 1st charge on Assets and properties of the company and Hypothecation of Stock-in-Trade. The Finance carries mark-up @ 48 paisa per thousand rupees per day and is re-payable within one year.

7.2 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 @ 50 paisa per thousand rupees per day and is re-payable within one year.

7.3 This represents Cash Finance from HBL Central Branch secured against Pledge of Raw Cotton Stock and 1st charge on Assets and Properties of the Company.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
	774,376	1,269,553
	1,910,141	2,779,433
	4,214,537	10,215,241
	2,160,212	1,165,837
	843,522	469,986
	-----	-----
	9,902,788	15,900,050
	=====	=====

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

Creditors.

Accrued Expenses.

Interest accrued on Long-Term Loans and Redeemable Capital

Mark-up accrued on Shod -Term Finance and Custom Debentures.

Other Liabilities.

	774,376	1,269,553
	1,910,141	2,779,433
	4,214,537	10,215,241
	2,160,212	1,165,837
	843,522	469,986
	-----	-----
	9,902,788	15,900,050
	=====	=====

#### 9. CONTINGENCIES AND COMMITMENTS

##### Contingencies

Provision for 1% Central Excise Duty on Loan and Advances from the Banks amounting to

Rs: 7,772,548 (1998: 7,772,548) and due upto 30/06/97 have not been made in these accounts as the Company is Confident that the Company will be able to successfully handle the case file with the Hon'ble Sindh High Court. However effective 01/07/97 the Government of Pakistan has withdrawn such levy.

**10. TANGIBLE FIXED ASSETS**

Particulars	COST			DEPRECIATION						
	Total As on 01-10-1998	Addition (Deletion) During the year	Revaluation Surplus	Total As on 30-09-1999	RATE	Accumulated As on 1-10-1998	Adjustment Against Deletions	For the year	Total as on 30-09-1999	Written down value as on 30-09-1999
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
LEASE HOLD LAND FACTORY BUILDING ON LEASE HOLD LAND PLANT & MACHINERY ON LEASE HOLD LAND GODOWN, LABOUR COLONY AND ADMIN. BLOCK OFFICE PREMISES ELECTRIC INSTALLATIONS FURNITURES AND FIXTURES OFFICE EQUIPMENTS MOTOR VEHICLES	--	--	13,905,000	13,905,000	--	--	--	--	--	13,905,000
	11,278,700	--	9,756,645	21,035,345	10%	9,711,002	--	1,132,434	10,843,436	10,191,909
	205,314,269	22,111,980	--	227,426,249	7%	77,323,245	--	10,507,210	87,830,455	139,595,794
	7,519,133	1,139,372	6,593,900	15,252,405	5%	3,846,420	--	570,299	4,416,719	10,835,686
	389,148	--	--	389,148	5%	96,815	--	14,616	111,431	277,717
	7,243,516	710,000	333,069	8,286,585	10%	3,215,360	--	507,122	3,722,482	4,564,103
	985,561	--	21,780	1,007,341	10%	442,881	--	56,446	499,327	508,014
	2,030,565	151,970	6,648	2,189,183	10%	697,741	--	149,144	846,885	1,342,298
	4,007,853	(897,840)	--	3,110,013	20%	2,608,271	(620,008)	100,348	2,088,611	1,021,402
TOTAL: 1999	238,768,745	24,113,322 (897,840)	30,617,042	292,601,269		97,941,735	(620,008)	13,037,619	110,359,346	182,241,923
TOTAL: 1998	233,838,999	4,929,746	30,617,042	269,385,787		85,447,984	--	12,493,751	97,941,735	171,444,052

**10.1 DISPOSAL OF FIXED ASSETS**

Particulars	Original Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Profit/(loss)	Name of Purchaser	Mode of Sales
Vehicle Toyota Corolla Model 1983	609,840	449,973	159,867	410,000	250,133	Mohammed Shakeel House No. 295 Block B-8, Indus Mehran Society, Malir, Karachi.	NEGOTIATION
Vehicle - Suzuki Hi-Roof Model 1995	288,000	170,035	117,965	165,000	47,035	Raees Ahmed Plot No. 475 St. # 03, Saeedabad, Baldia Town, Karachi.	NEGOTIATION
TOTAL	897,840	628,008	277,832	575,000	297,168		

1999  
Rupees

1998  
Rupees

**DEPRECIATION**

Cost of Sales	12,817,413	12,266,817
Administrative Expenses	220,206	226,934
	13,037,619	12,493,751

1999  
Rupees

1998  
Rupees

**11. CAPITAL WORK IN PROGRESS**

Plant and Machinery Under Erection.	--	21,022,000
Civil Work in Progress	--	999,428
	--	22,021,428



**12. LONG-TERM DEPOSITS AND DEFERRED COST.**

Long term deposits.		807,763	505,415
Share floatation expenses.	12.1	--	1,242,149
		-----	-----
		807,763	1,747,564
		=====	=====

**12.1 SHARE FLOATATION EXPENSES**

Underwriting Commission & Other Expenses.		1,242,149	2,484,293
Less: Amortization.		1,242,149	1,242,144
		-----	-----
		--	1,242,149
		=====	=====

12.2 Share floatation expenses have been amortized over a period of five years.

**13. STORES, SPARES AND LOOSE TOOLS**

Stores		790,157	539,056
Spares		5,803,988	5,908,613
Loose Tools		370,460	321,072
		-----	-----
		6,964,605	6,768,741
		=====	=====

**1999**                      **1998**  
**Rupees**                      **Rupees**

**14. STOCK-IN-TRADE**

Raw Material		57,401,093	24,222,523
Work-in-Process		1,735,559	2,289,256
Finished Goods		10,761,071	3,179,592
Packing Materials		283,147	366,360
		-----	-----
		70,180,870	30,057,731
		=====	=====

**15. TRADE DEBTS - CONSIDERED GOOD**

Local (Un secured)		28,920,444	29,734,112
		=====	=====

**16. ADVANCES, DEPOSITS & PREPAYMENTS**

Advance against Expenses.		973,329	1,429,007
Advance to Suppliers.		2,708,097	3,201,747
Advance Income Tax.		326,824	144,289
Prepayments.		877,470	700,959
Other Receivables.		58,497	15,152
		-----	-----
		4,944,217	5,491,154
		=====	=====

**17. CASH AND BANK BALANCES**

Cash-in-Hand.		370,519	90,262
Balance with Banks on Current accounts.		5,617,403	7,720,373
		-----	-----
		5,987,922	7,810,635
		=====	=====

**Note**                      **1999**                      **1998**  
**Rupees**                      **Rupees**

**18. SALES**

Local Sales.		432,935,043	401,692,512
Exports.		--	8,132,308
		-----	-----
		432,935,043	409,824,820
		=====	=====

**19. COST OF SALES**

Raw Cotton Consumed			
Opening Stock.		24,222,523	36,553,163
Purchases.		350,281,013	290,637,923
Closing Stock		(57,401,093)	(24,222,523)
		-----	-----
		317,102,443	302,968,563
		=====	=====

Packing Materials.	5,896,214	5,026,572
Salaries, Wages, Allowances & Other benefits.	17,804,356	15,782,641
Stores, Spares and loose Tools Consumed.	5,995,390	3,773,439
Power, Water and Fuel.	37,789,390	29,278,354
Insurance.	2,497,490	2,125,742
Repair and Maintenance.	656,763	526,090
Packing, Loading & Unloading.	1,412,623	1,266,166
Other Manufacturing Expenses.	509,851	493,134
Depreciation. (Note - 10)	12,817,413	12,266,817
	-----	-----
	85,379,490	70,538,955
	-----	-----
	402,481,933	373,507,518
Work-in-Process - Opening Stock.	2,289,256	1,837,904
- Closing Stock.	(1,735,559)	(2,289,256)
	-----	-----
Cost of Goods manufactured.	403,035,630	373,056,166
Finished Goods - Opening Stock.	3,179,592	12,304,450
- Closing Stock.	(10,761,071)	(3,179,592)
	-----	-----
	395,454,151	382,181,024
	=====	=====

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>20. ADMINISTRATIVE EXPENSES</b>			
Directors' Remuneration	26	541,000	541,000
Salaries, Allowances and Benefits.		1,487,349	1,270,366
Printing and Stationery.		390,518	376,479
Telephone, Telefax and Postage.		726,723	692,921
Electricity.		186,950	188,998
Legal and Professional Charges.		60,000	35,500
Vehicle Running Expenses and Taxes.		402,612	399,315
Rent, Rates and Taxes.		183,606	128,361
General Expenses.		139,514	137,576
Fees and Subscription.		298,538	265,923
Insurance Premium.		460,492	456,031
Conveyance & Travelling.		125,052	187,553
Entertainment.		308,669	289,808
Share Floatation Expenses.	12.1	1,242,149	1,242,144
Audit Fee.		25,000	25,000
Advertising.		32,868	15,803
Depreciation	10	220,206	226,934
Security Expenses.		92,463	74,828
Charity & Donation.		10,550	6,280
		-----	-----
		6,934,259	6,560,820
		=====	=====

**21. SELLING & DISTRIBUTION EXPENSES**

Salaries, Allowances and Benefits.		367,850	297,850
Commission on Exports and Local Sales.		3,153,981	2,737,367
Freight & Forwarding Expenses.		--	349,041
Other Export Expenses.		--	296,852
		-----	-----
		3,521,831	3,681,110
		=====	=====

**22. OTHER INCOME**

Gain on Sale of Fixed Asset.	10.1	297,168	--
Sale of Scrap.		41,715	--
		-----	-----
		338,883	--
		=====	=====

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>23. FINANCIAL EXPENSES</b>			
Interest on long term loan.		5,413,820	13,676,625
Mark-up on Redeemable Capital.		21,351,422	20,759,165
Mark-up on Custom Debenture.		699,384	699,384
Mark-up on short term finance.		9,063,028	9,370,330
Bank Charges.		512,297	731,533
		-----	-----

37,039,951	45,237,037
=====	=====

**24. PROVISION FOR INCOME TAX**

2,164,675	2,049,124
=====	=====

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

**25. DEFERRED TAX**

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

26. The Balance sheet shows accumulated loss of Rs. 162,119,883/- which exceeds shareholders equity, and that the company's total liabilities exceeds total assets by Rs. 55,119,883. The Management of the company has taken measures which includes increase in numbers of spindles which will generate additional income to gradually reduce accumulated losses of the Company. The Directors have financed substantial part of the cost of expansion program and the working capital by giving interest free long term loan of Rs. 30,128,004/- to the Company. The Directors have also secured Re-Scheduling package from HBL under which the company's annual financial charges will be reduced by about Rs. 15.00 M. The management therefore foresee that all its financial commitments will be full filled by such measures.

**27. REMUNERATION OF DIRECTORS**

	1999				1998			
	Directors	Chief Executive	Executive	Total	Directors	Chief Executive	Executive	Total
Remuneration	--	384,000	--	384,000	--	384,000	--	384,000
House Rent allowance	--	156,000	--	156,000	--	156,000	--	156,000
Fees	1,000	--	--	1,000	1,000	--	--	1,000
	-----	-----	-----	-----	-----	-----	-----	-----
	1,000	540,000	--	541,000	1,000	540,000	--	541,000
	=====	=====	=====	=====	=====	=====	=====	=====
Number of Persons	1	1	--	2	1	1	--	2
	=====	=====	=====	=====	=====	=====	=====	=====

27.1 The directors are provided with free use of company's maintained car.

**28. FINANCIAL INSTRUMENTS & RELATED DISCLOSURE**

	INTEREST/MARK-UP BEARING			SUB	NON INTEREST BEARING			SUB	TOTAL
	MATURITY UPTO ONE YEAR	MATURITY AFTER ONE YEAR	TOTAL (A)		MATURITY UPTO ONE YEAR	MATURITY AFTER ONE YEAR	TOTAL (B)	(A+B)	
<b>FINANCIAL ASSETS</b>									
Long Term Deposits	--	--	--	--	807,763		807,763	807,763	
Trade Debtors	--	--	--	28,920,444	--		28,920,444	28,920,444	
Other Receivable	--	--	--	58,497	--		58,497	58,497	
Cash & Bank Balance	--	--	--	5,987,922	--		5,987,922	5,987,922	
	-----	-----	-----	-----	-----	-----	-----	-----	
	--	--	--	34,966,863	807,763		35,774,626	35,774,626	
	=====	=====	=====	=====	=====	=====	=====	=====	
<b>FINANCIAL LIABILITIES</b>									
Loan from Directors	--	--	--	--	30,128,004		30,128,004	30,128,004	
Redeemable Capital	15,806,381	213,020,718	228,827,099	--	--		--	228,827,099	
Short Term Running Finance	48,351,395	--	48,351,395	--	--		--	48,351,395	
Creditor, Accrued & Other Liabilities	9,902,788	--	9,902,788	--	--		--	9,902,788	
	-----	-----	-----	-----	-----	-----	-----	-----	
	74,060,564	213,020,718	287,081,282	--	30,128,004		30,128,004	317,209,286	
	=====	=====	=====	=====	=====	=====	=====	=====	

**FINANCIAL INSTRUMENTS & RISK MANAGEMENT****(a) Fair Values of Financial Assets & Liabilities**

The carrying value of all financial assets and liabilities reflected in the Financial Statement approximate their Fair Value.

**(b) Concentration of Credit Risk**

Credit risk represent the accounting loss that would be recognised at the reporting date if contracting parties failed completely to perform their contracts. The Company believe that it is not exposed to major concentration of credit risk.

**(c) Foreign Exchange Risk Management**

Foreign currency risk arises mainly where receivable and payable exits due to sale and purchase transactions with foreign undertakings. There is no such transaction made during the year.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>EARNING PER SHARES</b>		
Net Loss for the year after taxation	(Rs. 11,840,941)	(Rs. 30,071,938)
Ordinary Shares in issue (No. of shares)	9,100,000	9,100,000
(Loss) per Share	(Rs. 1.30)	(Rs. 3.30)

**29. CAPACITY AND PRODUCTION**

Number of spindles installed	14,560	12,816
Number of spindles operated	14,560	12,816
Installed capacity at 20 single count	4.535 (M) Kg.	4.037 (M) Kg.
Actual production converted into 20 single count	4.432 (M) Kg.	3.782 (M) Kg.

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

**30. TRANSACTION WITH ASSOCIATED UNDERTAKINGS**

Goods Purchased	NIL	NIL
Goods Sold	NIL	NIL

**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.

**Dr. MIRZA IKHTIAR BAIG**  
Chief Executive

**M. ISHTIAQ BAIG**  
Director

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

<i>Number of Share holders</i>	<i>Shareholdings</i>				<i>Total Shares Held</i>
147	From	101	To	500	Shares 73,500
1	From	2,001	To	2,500	Shares 2,500
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	265,000	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
-----					9,100,000
163					=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares held</i>	<i>Percentage %</i>
1. Individuals	156	5,676,000	62.37%
2. Commercial Banks	5	2,648,200	29.11%
2. Investment Corp. of Pakistan	1	662,050	7.27%
3. National Investment Trust	1	113,750	1.25%
-----			-----
	163	9,100,000	100.00%
=====			=====