

Baig Spinning Mills Limited

Annual Report 2000

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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.
Te1:2566411-6
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 28TH ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the members of Baig Spinning Mills Limited will be held on Friday 30th, March 2001 at 5:30 p.m. at the Registered office of the Company, F-225, Textile Avenue, Street # 5, SITE, Karachi to transact the following business.

1. To confirm the minutes of Annual General Meeting of the company held on 27th March 2000.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2000 together with Directors' and Auditors' report thereon.
3. To approve Cash Dividend @ 3.5% for the year ended September 30, 2000 as

recommended by the Board of Directors of the Company subject to obtaining permission from the Lending Bank M/s. Habib Bank Limited.

4. To appoint Auditors for the year ending September 30, 2001 and fix their remuneration. The retiring Auditors M/s. Hyder Bhimji and Co. Chartered Accountants, have offered themselves for re-appointment.

5. To transact any other business with the permission of Chair.

BY ORDER OF THE BOARD

NADEEM KHAN
(Company Secretary)

Dated: 9th March, 2001

NOTES:

1. The Share Transfer books of the Company will remain closed from March 24, 2001 to March 30, 2001 (both days inclusive)
2. A member 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.
3. Members are requested to promptly notify the Company of any change in their address.

**DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

The directors of your company have the pleasure in presenting the 28th Annual Report along with Audited Accounts for the year ended 30 September 2000.

YEAR UNDER REVIEW

By the grace of Allah Almighty the Company during the year has made a turn around from consecutive losses of the preceding five years. During the year the company has made a profit before tax of Rs. 11.168 M as against loss before tax of Rs. (9.676) M in the preceding year. The net profit, after taking into Account provision for income tax; amounted to Rs. 8.998 M as against net loss of Rs. (11.840) M in the preceding year.

The main factors enabling the Company to breakaway from its losses were availability of Raw Cotton at low Rates and the steps taken by the Management namely, expansion in production capacity and to conclude a Debt Restructuring Package with HBL easing off financial burden on the company.

The revenue generated from Sales of Yarn during the year is Rs. 433.913M as against Rs. 432.935 M in the preceding year recording an increase of 0.22%. However the Gross profit has significantly improved to 12.53% from 8.65% and has increased to Rs. 54.381 M from Rs. 37.480 M in the preceding year.

The administration and selling expenses have decreased by 8.35% Rs. 9.582 M from Rs. 10.456 M in the preceding year.

The Financial charges have also decreased by 10.64% to Rs. 33.097 M from Rs. 37.039 M in the preceding year.

The company has met all its financial obligations during the year under review.

EARNING PER SHARE

The earning per share for the year under Review is Rs. 0.99 as against loss per share of Rs. (1.30) for the preceding year.

DIVIDEND

The Director's are pleased to recommend Cash Dividend @ 3.5% for the year ended 30/09/2001 subject to obtaining permission from the Lending Bank M/s. Habib Bank Limited.

Rupees

Net Profit after taxation year 2000	8,998,327
Proposed cash dividend @ 3.5%	3,185,000

	5,813,327
Accumulated loss brought forward from previous year	(162,119,883)

Accumulated loss year 2000	(156,306,556)
	=====

PRODUCTION

During the year under Review the plant manufactured kgs. 4.481 M of 20/s converted carded cotton yarn as against kgs. 4.432 M produced in the preceding year recording an increase of 1.10%. The company continues to endeavor production of quality yarn with best mix of counts ranging between 10/s to 22/s counts. During the year The Plant attained 98.80% capacity utilization as against 97.72% during the preceding year. The company could not reach 100% capacity utilization mainly due to frequent load shedding by KESC in the summer.

EXPANSION PLAN

The company has specific expansion plan to enhance its yarn production capacity. Considering increasing demand of good Auto Coro yarn for Denim. Management has decided to add 3 sets of Auto Coro machines of 240 rotors each with back process machinery. Two New Chinese Ring Spinning Frames of 516 spindles each along with the back process machinery have been already imported and are under erection, thereby increasing the No. Of spindles from 14,560 to 15,592 spindles. The cost of expansion is Rs. 35.200 M out of which an amount of Rs. 30.00 M would be provided through lease arrangement and the balance amount of Rs. 5.200 would be met through company's internal cash generation and by sponsors arrangements. The company is likely to complete expansion during the current year and the plant Capacity shall increase by 27.52% from kgs 4.535 M to kgs 5.783 M of 20/s converted yarn. The expansion would greatly add to the profitability of the company and the investment involved would recover within a period of 2 years.

Keeping in view ever increasing cost of Power the Management has Imported 2 new Jenbacher Gas Engine Generator Set of 2MW (1000 KW each) during the current year. The company would save about 35% in Power Cost through Self Power Generation. The total capital cost is Rs. 38.800 M out of which an amount of Rs. 20.370 M has been arranged under lease finance and the balance amount of Rs. 18.430 M would be met through internal Cash Generation and by sponsors arrangement. The Generator Sets would be operative by March 2001.

FUTURE OUT LOOK

After one year of relief the textile sector is again under pressure of increasing cost of raw cotton and decreasing prices of the cotton yarn in the local and international markets.

Although the country had a sizable cotton crop during the current season, it had soaring prices and quality problem. Due to the fixation of minimum Raw Cotton Rates by TCP and Govt. Permission to export Raw Cotton without duty and other restriction the raw cotton rates have substantially increased and had already touched peak of Rs. 2,700 per maund. Currently the raw cotton rates are around Rs. 2,300/- per maund still higher by 43% from the average rate in the preceding season.

The export of Pakistani Yarn, Fabric and other textile products have depicted declining trend off high production cost. This has badly effected local market yarn prices leaving no choice for spinners but to sell yarn on thin margin and even on loss just to clear the piling stock.

However the Management hope that with enhanced production capacity and through Self Power Generation the economies of scale and cost reduction would be in place to combat odds created by increased raw cotton rates, input costs and depressed selling prices.

AUDITORS

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

MANAGEMENT AND LABOUR RELATIONS

The Management-Employees relations remained cordial throughout the year. The Board express its gratitude for the valuable services rendered by the employees and workers of the

Company for its progress and prosperity.

ACKNOWLEDGMENT

In the end we wish to express special thanks to our Bankers for their support and cooperation. We would also like to thank all our suppliers and customers for rendering their valuable patronage to this company.

We are confident that the company will grow in the years to come and pray Allah Almighty to continue to bless our country with good raw cotton crop Ameen.

For and on behalf of
BAIG SPINNING MILLS LIMITED

DR. MIRZA IKHTIAR BAIG
CHAIRMAN

Karachi: 26th February, 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of M/s. Baig Spinning Mills Limited as at September 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity, 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 test basis, evidences supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides 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 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, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan except the deviation from IAS-19 as more fully explained in note 5.1 and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively, with the exception of the matter reported earlier, give a true and fair view of the state of the company's affairs as at September 30, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion we draw attention to the note No. 24 in the financial statements 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 · 26th February 2001

BALANCE SHEET AS AT SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
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)		(153,121,556)	(162,119,883)
		-----	-----
		(46,121,556)	(55,119,883)
SURPLUS ON REVALUATION			
OF FIXED ASSETS		29,828,087	29,828,087
SUBORDINATE LOAN	3	30,200,000	30,128,004
REDEEMABLE CAPITAL	4	195,771,087	213,020,718
DEFERRED LIABILITY	5	2,673,592	1,245,603
CURRENT LIABILITY			
Short Term Finance utilized under			
Mark-up arrangements	6	25,428,330	48,351,395
Custom Debentures		4,995,590	4,995,590
Current Portion of Redeemable Capital		20,396,158	15,806,381
Creditors, Accrued & other Liabilities	7	6,007,341	9,902,788
Provision for Taxation		1,893,954	1,889,061
		-----	-----
		58,721,373	80,945,215
CONTINGENCIES AND COMMITMENTS	8	--	--
		-----	-----
Total		271,072,583	300,047,744
=====			
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating Fixed Assets	9	171,804,967	182,241,923
CAPITAL WORK IN PROGRESS -			
Building		1,027,500	--
LONG-TERM DEPOSITS			
	10	7,969,961	807,763
CURRENT ASSETS			
Stores, Spares and Loose Tools	11	6,886,118	6,964,605
Stock in Trade	12	37,473,367	70,180,870
Trade Debts	13	25,946,362	28,920,444
Advances, Deposits, Pre Payments & other Receivables	14	7,817,519	4,944,217
Cash & Bank Balances	15	12,146,789	5,987,922
		-----	-----
		90,270,155	116,998,058
		-----	-----

Total 271,072,583 300,047,744

=====

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

DR. MIRAZ IKHTIAR BAIG
Chief Executive

M. ISHTIAQ BAIG
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
Sales	16	433,913,557	432,935,043
Cost of Sales	17	379,531,793	395,454,151
		-----	-----
Gross Profit		54,381,764	37,480,892
Operating Expenses -			
Administrative	18	5,761,245	6,934,259
Selling & Distribution	19	3,821,617	3,521,831
		-----	-----
		9,582,862	10,456,090
		-----	-----
Operating Profit		44,798,902	27,024,802
Other Income	20	54,141	338,883
		-----	-----
		44,853,043	27,363,685
Financial Charges	21	33,097,364	37,039,951
Worker's Profit Participation Fund		587,784	--
		-----	-----
		33,685,148	37,039,951
		-----	-----
Profit/(Loss) before Taxation		11,167,895	(9,676,266)
Provision for Taxation	22	2,169,568	2,164,675
		-----	-----
Net Profit/(Loss) for the year after Taxation		8,998,327	(11,840,941)
Accumulated (Loss) brought forward		(162,119,883)	(150,278,942)
		-----	-----
Accumulated (Loss) carried to Balance Sheet		(153,121,556)	(162,119,883)
		=====	=====
Earning per share	28	0.99	(1.30)

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, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH INFLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	11,167,895	(9,676,266)
Adjustment for : Depreciation	12,363,125	13,037,619
: Financial Charges	33,097,364	37,039,951
Gain on disposal of Fixed Asset	(191)	(297,168)
Provision for Gratuity - Net	1,973,696	569,880
Amortization of Deferred Costs	--	1,242,149
	-----	-----
Cash generated from operations	58,601,889	41,916,165
before working capital changes		

Changes in Working Capital

(Increase) / Decrease in Current Assets

Stores, Spares and Loose Tools	78,487	(195,864)
Stock-in-Trade	32,707,503	(40,123,139)
Trade Debts	2,974,082	813,668
Advances, Deposits, Prepayments & Other Receivables	(2,765,822)	546,937
Increase/(Decrease) in Short-Term Finance (Decrease) / Increase in Creditors, Accrued and other Liabilities	(22,923,065)	23,379,298
	727,735	(990,933)
	-----	-----
	10,798,920	(16,570,033)
	-----	-----
	69,400,809	25,346,132

Cash inflow from operations

Financial Charges Paid	(37,720,546)	(21,092,473)
Payment of Income Tax	(2,272,155)	(2,247,020)
Increase in Long Term Deposits	(7,162,198)	(302,348)
Payment of Gratuity	(545,707)	(385,377)
	-----	-----

Net Cash inflow from operating activities

21,700,203 1,318,914

CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from disposal of Fixed Assets	218,000	575,000
Fixed Capital Expenditures	(3,171,478)	(2,091,894)
	-----	-----
Net Cash Utilised in Investing Activities	(2,953,478)	(1,516,894)

CASH FLOW FROM FINANCING ACTIVITIES

Loan from Directors	71,996	9,328,004
Demand Finance	--	102,978,653
Payment of D (12,659,854)		(13,320,522)
Settlement of F.C. Loan installments by Demand Finance	--	(79,657,061)
Settlement of interest by Demand Finance	--	(20,953,807)
	-----	-----

Net Cash (Outflow) from financing activities

(12,587,858) (1,624,733)

Net Increase/(Decrease) in Cash and Bank Balances

6,158,867 (1,822,713)

Cash and bank balances at beginning of the year

5,987,922 7,810,635

Cash and bank balances at the end of the year

12,146,789 5,987,922

DR. MIRZA IKHTIAR BAIG
Chief Executive

M. ISHTIAQ BAIG
Director

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED SEPTEMBER 30, 2000****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 re-valuation 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 other exchange differences are taken to profit and loss account.

2.3 Gratuity

The company operates an unfounded 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 re-valuation 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 operation 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.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
3. SUBORDINATE LOAN		
Loan From Directors		
Dr. Mirza Ikhtiar Baig	19,814,748	19,814,748
Mr. M. Ishtiaq Baig	10,385,252	10,313,256
	-----	-----
	30,200,000	30,128,004
	=====	=====

This represent interest free loan taken from directors of the company.

4. REDEEMABLE CAPITAL (SECURED)

Long Term Finance

From Habib Bank Limited

Demand Finance (Note: 4.1)	140,088,744	126,544,966
Less: Current portion shown under Current Maturity	(20,396,158)	(15,806,381)
	-----	-----
Deferred Mark-up (Note: 4.2)	119,692,586	110,738,585
	76,078,501	102,282,133
	-----	-----
	195,771,087	213,020,718

=====

4.1 This represents a consolidated Demand Finance created by Habib Bank Limited by converting previous Demand Finance and long-term loan payable as on 31-03-99. However on March 11, 2000 the HBL reworked company's liabilities as of 31.03.99 by which the amount of the demand finance was increased and reduction was made in deferred markup liability by way of intra Account adjustment. The bank has also restructured repayment schedule and the mark-up rate. The finance carries mark-up @ 14.235% p.a payable quarterly. The finance is payable in 22 quarterly installments on annuity basis of Rs. 8.862 M each including mark-up.

The finance is secured by 1st Charge on all present and future fixed assets of the company, floating charges on the entire moveable and immovable properties and assets of the company and personal guarantees of all directors.

4.2 This represents amount of mark-up deferred by HBL out of the outstanding mark-up relating to the demand finance referred in note 4.1 above. The deferred mark-up is repayable in 10 installments of Rs. 8.862 M each commencing from 30-06-2006. The liability is secured by 1st charge on all present and future fixed assets of the company, floating charge on the entire moveable and immovable properties and assets of the company and personal guarantees of all directors.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
5. DEFERRED LIABILITY - (GRATUITY)		
Balance brought forward	1,245,603	1,061,100
Less: Payments during the year	545,707	385,377
	-----	-----
	699,896	675,723
Add: Provision for the year	1,973,696	569,880
	-----	-----
Balance carried forward	2,673,592	1,245,603
	=====	=====

5.1 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. The company has been accounting for gratuity on liability method. However, as required by IAS-19, the liability has not been determined on actuarial valuation. It is expected that the provision accounted for will not be less than the liability which may arise under actuarial valuation. Further the financial impact of the same is insignificant and also the cost of actuarial valuation will not commensurate with the benefits.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
6. SHORT TERM FINANCE - SECURED		
Running Finance - Note: 6.1	15,984,330	16,000,000
Running Finance - Note: 6.2	9,444,000	6,589,533
Cash Finance	--	25,761,862
	-----	-----
	25,428,330	48,351,395
	=====	=====

6.1 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 @ 46 paisas per thousand rupees per day.

6.2 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 @ 16% p.a.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	845,821	774,376
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Accrued Expenses	1,064,074	1,910,141
Interest Accrued on Redeemable capital	--	4,214,537
Mark-up accrued on Short-Term Finance and Custom Debentures	1,751,567	2,160,212
Other Liabilities	1,758,095	843,522
Worker's profit Participation Fund - Note: 7.1	587,784	--
	-----	-----
	6,007,341	9,902,788
	=====	=====

7.1 Worker's Profit Participation Fund

Balance brought forward	--	--
Allocation for the year	587,784	--
	-----	-----
	587,784	--
	=====	=====

8. CONTINGENCIES AND COMMITMENTS

Contingencies

There is a claim of arrears by KESC of Rs. 54,860,011/- against which a petition has already been filed by the Company in the High Court. On Court's instructions an amount of Rs. 10.000 M was paid by the company to KESC as tentative payment and the same has been charged to P & L account for the year under review. No provision was made against the balance amount of the claim as the Directors are of the view that this is not likely to crystalize.

9. TANGIBLE FIXED ASSETS

Particulars	COST					DEPRECIATION				
	Total	Addition		Total	Accumulated	Adjustment	Total	Written down		
	As on	(Deletion)	Revaluation	As on	As on	Against	As on	Value as on		
01-10-1999	During the	Surplus	30-09-2000	Depreciation	01-10-1999	Deletions	For the Year	30-09-2000	30-09-2000	
Rs.	Year	Rs.	Rs.	Rate	Rs.	Rs.	Rs.	Rs.	Rs.	
LEASE HOLD LAND - REVALUATION	--	--	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%	10,843,436	--	1,019,191	11,862,627	9,172,718
PLANT AND MACHINERY ON LEASE HOLD LAND	227,426,249	--	--	227,426,249	7%	87,830,455	--	9,771,706	97,602,161	129,824,088
GODOWN, LABOUR COLONY AND ADMIN BLOCK	8,658,505	--	6,593,900	15,252,405	5%	4,416,719	--	541,784	4,958,503	10,293,902
ELECTRIC INSTALLATIONS	7,953,516	1,976,028	333,069	10,262,613	10%	3,722,482	--	654,013	4,376,795	5,886,118
FURNITURES AND FIXTURES	1,374,709	--	21,780	1,396,489	10%-5%	610,758	--	64,687	675,445	721,044
OFFICE EQUIPMENTS	2,182,535	167,950	6,648	2,357,133	10%	846,885	--	151,025	997,910	1,359,223
MOTOR VEHICLES	3,110,013	(664,700)	--	2,445,313	20%	2,088,611	/446,891)	160,719	1,802,439	642,874
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL: 2000	261,984,227	2,143,978	30,617,042	294,080,547	--	110,359,346	(446,891)	12,363,125	122,275,580	171,804,967
	--	(664,700)	--	--	--	--	--	--	--	--
TOTAL: 1999	238,768,745	23,215,482	30,617,042	292,601,269		97,941,735	(620,008)	13,037,619	110,359,346	182,241,923
	=====	=====	=====	=====		=====	=====	=====	=====	=====

9.1 DISPOSAL OF FIXED ASSETS

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Profit/(Loss)	Name of Purchase	Mode of Sales
VEHICLE HONDA CIVIC - 1994	664,700	446,891	217,809	218,000		191 Mr. Muhammad Wasim, A-I, Farhan Arcade, Jamshed Road, Karachi.	By Negotiation
	-----	-----	-----	-----	-----		
TOTAL	664,700	446,891	217,809	218,000	191		
	=====	=====	=====	=====	=====		

DEPRECIATION

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Cost of Sales	12,147,413	12,817,413
Administrative Expenses	215,712	220,206
	-----	-----
Total	12,363,125	13,037,619
	=====	=====

10. LONG-TERM DEPOSITS**Security Deposits**

Under Lease Finance	6,900,000	--
Utilities & Others	1,069,961	807,763
	-----	-----
	7,969,961	807,763
	=====	=====

11. STORES, SPARES AND LOOSE TOOLS

Stores	813,504	790,157
Spares	5,665,314	5,803,988
Loose Tools	407,300	370,460
	-----	-----
	6,886,118	6,964,605
	=====	=====

12. STOCK-IN-TRADE

Raw material	29,254,944	57,401,093
Work-in Process	1,406,037	1,735,559
Finished Goods	6,563,315	10,761,071
Packing Materials	249,071	283,147
	-----	-----
	37,473,367	70,180,870
	=====	=====

13. TRADE DEBITS - CONSIDERED GOOD

	25,946,362	28,920,444
	=====	=====

14. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Advance against Expenses	937,197	1,031,826
Advance to suppliers	3,278,859	2,708,097
Advance Income Tax	239,421	326,824
Import L/C Margin	2,359,728	--
Prepayments	807,431	877,470
Income Tax refundable	194,883	--
	-----	-----
	7,817,519	4,944,217
	=====	=====

15. CASH AND BANK BALANCES

Cash in Hand	394,844	370,519
Balance with Banks in Current accounts	11,751,945	5,617,403
	-----	-----
	12,146,789	5,987,922
	=====	=====

16. SALES:

Local Sales	433,913,557	432,935,043
	=====	=====

17. COST OF SALES

Raw Cotton Consumed		
Opening Stock	57,401,093	24,222,523
Purchases	246,109,630	350,281,013

Closing Stock	(29,254,944)	(57,401,093)
	-----	-----
	27,255,779	317,102,443
Packing Materials Consumed	5,917,304	5,896,214
Salaries, Wages, Allowances & Gratuity	20,339,556	17,804,356
Stores, Spares and loose Tools Consumed	7,236,103	5,995,390
Power, Water and Fuel	49,303,751	37,789,390
Insurance	2,616,448	2,497,490
Repairs and Maintenance	861,622	656,763
Packing, Loading & Unloading Expenses	1,684,926	1,412,623
Other Manufacturing Expenses	641,613	509,851
Depreciation	12,147,413	12,817,413
	-----	-----
	100,748,736	85,379,490
	-----	-----
	375,004,515	402,481,933
Work in Process - Opening Stock	1,735,559	2,289,256
Closing Stock	(1,406,037)	(1,735,559)
	-----	-----
Cost of Goods manufactured	375,334,037	403,035,630
Finished Goods - Opening Stock	10,761,071	3,179,592
Closing Stock	(6,563,315)	(10,761,071)
	-----	-----
	379,531,793	395,454,151
	=====	=====

	2000	1999
	Rupees	Rupees

18. ADMINISTRATIVE EXPENSES

Director's Remuneration	661,000	541,000
Salaries, Allowances and Gratuity	1,641,671	1,487,349
Printing and Stationery	366,661	390,518
Telephone, Telefax and Postage	701,188	726,723
Legal and Professional Charges	79,440	60,000
Vehicle Running Expenses	351,271	402,612
Rent, Rates and Taxes	181,220	183,606
General Expenses	316,945	429,477
Fees and Subscription	229,827	298,538
Insurance Premium	482,121	460,492
Conveyance & Travelling	142,546	125,052
Entertainment	300,053	308,669
Share Flotation Expenses	--	1,242,149
Audit Fee	30,000	25,000
Advertising	61,590	32,868
Depreciation	215,712	220,206
	-----	-----
	5,761,245	6,934,259
	=====	=====

19. SELLING AND DISTRIBUTION EXPENSES

Salaries, Allowances and Gratuity	399,673	367,850
Commission on Sales	3,421,944	3,153,981
	-----	-----
	3,821,617	3,521,831
	=====	=====

20. OTHER INCOME

Gain on sale of Fixed Assets	191	297,168
Sale of Scrap	53,950	41,715
	-----	-----
	54,141	338,883
	=====	=====

21. FINANCIAL EXPENSES

Mark-up on Redeemable Capital	21,775,889	26,765,242
Mark-up on Custom Debentures	699,384	699,384
Mark-up on short term finance	10,444,577	9,063,028
Bank Charges and commission	177,514	512,297
	-----	-----
	33,097,364	37,039,951
	=====	=====

22. PROVISION FOR TAXATION

	2,169,568	2,164,675
	=====	=====

This represents provision of minimum tax @ 0.5% of the total turnover of the year as required under the Income Tax Ordinance 1979.

23. DEFERRED TAX

The deferred tax liability of the company is NIL on the date of Balance Sheet.

24. The Balance Sheet shows accumulated loss of Rs. 153,121,556 which exceeds shareholders equity, and that the company's total liabilities exceeds total assets by Rs. 46, 121,556. 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 by giving interest free long term loan of Rs. 30.200 million to the company. The directors have also secured Rescheduling package from HBL under which the company's annual financial charges will be reduced substantially. The Management, therefore, foresee that the company will be able to fulfill all its financial commitments in future as well and will continue to be a going concern, hence the accounts have been prepared on that basis.

25. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2000				1999			
	Directors	Chief Executive	Executives	Total	Directors	Chief Executive	Executive	Total
Remuneration	--	469,000	106,000	575,000	--	384,000	--	384,000
House Rent & Allowance	--	191,000	62,000	253,000	--	156,000	--	156,000
Fees	1000	--	--	1000	1,000	--	--	1,000
	-----	-----	-----	-----	-----	-----	-----	-----
	1000	660,000	168,000	829,000	1,000	540,000	--	541,000
	-----	-----	-----	-----	-----	-----	-----	-----
Number of Persons	1	1	1	3	1	1	--	2
	-----	-----	-----	-----	-----	-----	-----	-----

25.1 Two regular working directors are provided with free use of company's maintained car.

26. FINANCIAL INSTRUMENTS & RELATED DISCLOSURE

PARTICULARS	INTEREST/MARK-UP BEARING			NON-INTEREST/MARK-UP BEARING			TOTAL (A+B)
	MATURITY UPTO	MATURITY AFTER	SUB TOTAL	MATURITY UPTO	MATURITY AFTER	SUB TOTAL	
	ONE YEAR	ONE YEAR	(A)	ONE YEAR	ONE YEAR	(B)	
FINANCIAL ASSETS							
Long Term Deposits	--	--	--	--	7,969,961	7,969,961	7,969,961
Trade Debtors	--	--	--	25,946,362	--	25,946,362	25,946,362
Other Receivable	--	--	--	--	--	--	--
Cash & Bank Balance	--	--	--	12,146,789	--	12,146,789	12,146,789
	-----	-----	-----	-----	-----	-----	-----
	--	--	--	38,093,151	7,969,961	46,063,112	46,063,112
	=====	=====	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES							
Loan from Directors	--	--	--	--	30,200,000	30,200,000	30,200,000
Redeemable Capital	20,396,158	195,771,087	216,167,245	--	--	--	216,167,245
Short Term Running							

Finance	25,428,330	--	25,428,330	--	--	--	25,428,330
Creditor, Accrued & Other Liabilities	6,007,341	--	6,007,341	--	--	--	6,007,341
	-----	-----	-----	-----	-----	-----	-----
	51,831,829	195,771,087	247,602,916	--	30,200,000	30,200,000	277,802,916
	=====	=====	=====	=====	=====	=====	=====

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 contract. 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.

27. STATEMENT OF CHANGES IN EQUITY	<i>Share Capital Unappropriated & Reserve Profit/Accum. Total</i>		
		<i>Loss</i>	
Balance as at October 01, 1999	107,000,000	(162,119,883)	(55,199,883)
Net profit for the year after taxation	--	8,998,327	8,998,327
	-----	-----	-----
Appropriation	107,000,000	(153,121,556)	(46,121,556)
	--	--	--
	-----	-----	-----
Balance as at September 30, 2000	107,000,000	(153,121,556)	(46,121,556)
	=====	=====	=====

28. EARNING PER SHARE	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Net profit / (loss) for the year after taxation	8,998,327	(11,840,941)
Ordinary Shares in issue (No. of shares)	9,100,000	9,100,000
Profit / (loss) per share	0.99	(1.30)

29. CAPACITY AND PRODUCTION

Number of spindles installed	14,560	14,560
Number of spindles operated	14,560	14,560
Installed capacity at 20 single count	4,535 (M) KG	4,535 (M) KG
Actual production converted into 20 single count	4,481 (M) KG	4,432 (M) KG

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

30. No of employees	305	303
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31. 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 rupees.

DR. MIRZA IKHTIAR BAIG
Chief Executive

M. ISHTIAQ BAIG
Director

PATTERN OF SHAREHOLDING

AS AT SEPTEMBER 30, 2000

<i>Number of Share Holders</i>		<i>Share holdings</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
-----		-----		-----		-----
163						9,100,000

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