

Zahur Cotton Mills Limited

Annual Report 2000

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BOARD OF DIRECTORS

CHAIRMAN & CHIEF EXECUTIVE

MR. JAVED ZAHUR

DIRECTORS

MRS. MUKAMILA JAVED
MR. M. ARSHAD HUMAYUN
MR. GHULAM ABBAS
MR. MUHAMMAD ARIF MALIK
MR. FAZAL HUSSAIN
MR. M. AFZALULLAH SIDDIQUI (N.I.T. Nominee)

COMPANY SECRETARY

MR. GHULAM ABBAS

AUDITORS

M/S. AMIN MUDASSAR & CO.,
CHARTERED ACCOUNTANTS
97-B/D 1,4TH FLOOR, I.E.P. BUILDING,
LIBERTY MARKET, GULBERG III,
LAHORE.

LEGAL ADVISOR

RAJA MOHAMMAD AKRAM & COMPANY

BANKERS

ALLIED BANK OF PAKISTAN LIMITED
DOHA BANK LIMITED
AL-TOWFEEK INVESTMENT BANK LIMITED
AL-BARAKA ISLAMIC BANK LIMITED
PRIME COMMERCIAL BANK LIMITED
EMIRATES BANK INTERNATIONAL

REGISTERED OFFICE & MILLS

5TH K.M. LAHORE-MULTAN ROAD
NEAR PUL JURIAN, AKHTARABAD,
DIST. OKARA - PAKISTAN
PHONE: 04942-500428-30
FAX: 04942-500428

REGISTRAR

SHARES DEPARTMENT
M/S. SOFTLINK (PVT) LIMITED
WINGS ARCADE 1-K (COMMERCIAL)
MODEL TOWN, LAHORE.
PHONE: 5839180-182

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of the Company will be held on 31st March, 2001 at 10.00 a.m. at its Head Office, 55/C-1, Gulberg III, Lahore, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company held on March 31, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ending September 30, 2000, together with Directors' and Auditors' report thereon.
3. To appoint Auditors and fix their remuneration. The retiring Auditors, M/s. Amin, Mudassar & Co., Chartered Accountants being eligible, offer themselves for re-appointment.
4. To elect Directors of Company as per Companies Ordinance, 1984, for period of 3 years from March 31, 2001.

5. SALE OF FIXED ASSETS:

RESOLVED that the Company be and is hereby authorized to sell all or part of fixed assets in order to

pay off and settle the liabilities of lending banks and other creditors.

FURTHER RESOLVED that the chief executive of the Company be and is hereby authorized to enter into and execute the document including sale deed, and agreements, negotiate and settle the terms and conditions thereof in order to give effect to the aforesaid resolution.

6. Any other business with the permission of the chair.

NOTES:

1. The share transfer book of the Company will remain closed from 23rd to 31st March 2001 both days inclusive.
2. A member entitled to attend and vote at this meeting may appoint another as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company not later than 48 hours before meeting.
3. Shareholders are requested to immediately notify change in address, if any to the Company's registrar M/s. Softlink (Pvt) Ltd.

BY ORDER OF THE BOARD

Lahore:
March 03, 2001.

(GHULAM ABBAS)
Company Secretary

DIRECTORS' REPORT

The Directors of the Company welcome you to the 10th Annual General Meeting of the Company and present the annual report together with the audited accounts of the Company for the year ended 30th September, 2000.

OPERATING RESULTS

A review of the financial statements will highlight that almost all indicators are showing impressive growth compared to the corresponding year. Gross loss has gone down reflecting continuing growth of your Company. Financial charges during the year under review are Rs. 2,352 million against Rs. 22,949 million of previous year due to impact full year's charge after the restructuring of loans.

You are aware of the fact, that in the absence of credit facilities the company could not maintain the required stock of raw materials and had to procure materials on day to day basis at higher rates which directly affected the profitability.

RESTRUCTURING

The Directors are pleased to report that the Company has recently achieved comprehensive restructuring agreements with Habib Bank Limited and Allied Bank of Pakistan Limited. As a result of the settlement with the banks your Company has sold its spinning unit.

FUTURE PROSPECTS

The future of the textile industry seems to be bright with the good cotton crop and increase in international demand. The crop size would help improve further quality of yarn and fabric at competitive prices. The Company's present situation is indicating an upward trend, and of better future prospects.

AUDITORS

The present Auditors M/S Amin, Mudassar and Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company is attached with the report.

APPRECIATION

Directors acknowledge with thanks the hard work put up by all the employees of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

JAVED ZAHUR
CHIEF EXECUTIVE

Lahore: March 03, 2001

AUDITORS' REPORT TO MEMBERS

We have audited the annexed balance sheet of Zahur Cotton 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 a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

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

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2000 and 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 Ushr Ordinance, 1980.

AMIN MUDASSAR & CO.
CHARTERED ACCOUNTANTS

Lahore: March 03, 2001

BALANCE SHEET AS AT SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Share Capital and Reserves			
Authorised Capital			
20,000,000 (1999: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid up share capital			
9,860,000 (1999: 9,860,000) ordinary shares of Rs. 10 each fully paid in cash		98,600,000	98,600,000
Share Deposit Money		20,066,240	20,066,240
Unappropriated Loss		(103,291,790)	(405,295,780)
		-----	-----
		15,374,450	(286,629,540)
Long Term Loans	3	241,926,334	603,368,325
Deferred Liabilities	4	621,792	1,719,290
Current liabilities			
Short term running finances	5	--	13,106,842
Current portion of long term liabilities	6	9,373,935	15,329,151
Creditors, accrued and other liabilities	7	55,586,087	185,768,511

Provision for taxation		5,338,834	3,100,367
		-----	-----
		70,298,856	217,313,871
Contingencies and Commitments	8	--	--
		-----	-----
		328,221,432	535,771.95
		=====	=====

The annexed notes form an integral part of these accounts.

**JAVED ZAHUR
CHIEF EXECUTIVE**

Non Current Assets

Operating fixed assets	9	213,033,825	405,613,789
Assets subject to finance lease		--	5,048,690
Stores held for capital expenditure		72,930,618	72,930,618
		-----	-----
		285,964,443	483,593,097
Long Term Deposits		235,390	1,985,390

Current Assets

Stores, spares and loose tools	11	1,782,543	2,734,890
Stock in trade	12	4,529,246	12,678,466
Trade debtors	13	9,675,700	11,250,528
Advances, deposits, prepayments and other receivables	14	25,537,839	23,184,280
Cash and bank balances	15	496,271	345,295
		-----	-----
		42,021,599	50,293,459
		-----	-----
		328,221,432	535,771,946
		=====	=====

**MUKAMILA JAVED
DIRECTOR**

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

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	16	133,945,830	245,126,923	31,560,122	5,000,407	165,505,952	250,127,330
Cost of sales	17	103,044,328	246,922,022	65,765,866	13,994,147	168,810,194	260,916,169
Gross Profit / (loss)		30,901,502	(1,795,099)	(34,205,744)	(8,993,740)	(3,304,242)	(10,788,839)
Administrative a	18	3,024,757	5,238,527	2,744,699	571,624	5,769,456	5,810,151
Selling and distri	19	476,210	1,516,303	421,689	2,859,658	897,899	4,375,961
		-----	-----	-----	-----	-----	-----
		30,901,502	6,754,830	3,166,388	3,431,282	6,667,355	10,186,112
Operating Profit / (loss)		27,400,535	(8,549,929)	(37,372,132)	(12,425,022)	(9,971,597)	(20,974,951)
Other income	20	642,800	460,968	98,112	398,758	740,912	859,726
		-----	-----	-----	-----	-----	-----
Financial charge	21	28,043,335	(8,088,961)	(37,274,020)	(12,026,264)	(9,230,685)	(20,115,225)
		130,526	22,937,104	2,221,596	11,516	2,352,122	22,948,620
		-----	-----	-----	-----	-----	-----
		27,912,809	(31,026,065)	(39,495,616)	(12,037,780)	(11,582,807)	(43,063,845)
Extra Ordinary It	22	164,159,585	--	48,875,069	--	213,034,654	--
		-----	-----	-----	-----	-----	-----
		192,072,394	(31,026,065)	9,379,453	(12,037,780)	201,451,847	(43,063,845)
Prior years adjustment		--	42,254,335	--	--	--	42,254,335
		-----	-----	-----	-----	-----	-----
Profit / (loss) before taxation		192,072,394	11,228,270	9,379,453	(12,037,780)	201,451,847	(809,510)
Provision for tax	23	670,679	1,225,635	158,788	25,186	829,467	1,250,821
		-----	-----	-----	-----	-----	-----
Profit / (loss) after taxation		191,401,715	10,002,635	9,220,665	(12,062,966)	200,622,380	(2,060,331)
Gain on discontinuance of spinnin		102,781,610	--	--	--	102,781,610	--
Tax on gain		1,400,000	--	--	--	1,400,000	--
		-----	-----	-----	-----	-----	-----

	101,381,610	--	--	--	101,381,610	--
	292,783,325	10,002,635	9,220,665	(12,062,966)	302,003,990	(2,060,331)
Unappropriated loss brought forward					(405,295,780)	(403,235,449)
Unappropriated loss carried forward					(103,291,790)	(405,295,780)
Profit / (loss) pe	29				30.63	(0.21)

The annexed notes form an integral part of these accounts.

JAVED ZAHUR
CHIEF EXECUTIVE

MUKAMILA JAVED
DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Cash flows from operating activities			
Cash flows from operations	25	20,631,519	2,996,483
Financial charges paid		(647,838)	(1,377,295)
Taxes paid		(82,566)	--
		(730,404)	(1,377,295)
Net cash flows from operating activities		19,901,115	1,619,188
Cash flows from investing activities			
Fixed capital expenditure		(1,429,805)	(33,540)
Proceeds from disposal of fixed assets		190,000	400,250
Net cash flows from investing activities		(1,239,805)	366,710
Cash flows from financing activities			
Long term loans-secured		(15,268,581)	8,333,350
Deferred liabilities		(645,870)	(517,989)
Liabilities against assets subject to finance lease		(2,571,883)	(1,123,958)
Short term running finances-secured		(24,000)	(8,570,849)
Net cash flows from financing activities		(18,510,334)	(1,879,446)
Net Increase in cash and cash equivalents		150,976	106,452
Cash and cash equivalents at the beginning of the year		345,295	238,843
Cash and cash equivalents at the end of the year		496,271	345,295

The annexed notes form an integral part of this statement.

JAVED ZAHUR
CHIEF EXECUTIVE

MUKAMILA JAVED
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Share</i> <i>Capital</i>	<i>Share</i> <i>Deposit</i> <i>Money</i>	<i>Unappropriated</i> <i>Profit / (loss)</i>	<i>Total</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at 30th September, 199	98,600,000	20,066,240	(403,235,449)	(284,569,209)
Loss for the year	--	--	(2,060,331)	(2,060,331)
Balance as at 30th September, 199	98,600,000	20,066,240	(405,295,780)	(286,629,540)
Balance as at 30th September, 199	98,600,000	20,066,240	(405,295,780)	(286,629,540)
Profit for the year	--	--	302,003,990	302,003,990
Balance as at 30th September, 199	98,600,000	20,066,240	(103,291,790)	15,374,450

JAVED ZAHUR
CHIEF EXECUTIVE

MUKAMILA JAVED
DIRECTOR

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2000

1. Status and Nature of Business

The company was incorporated in Pakistan on April 21, 1990 under the Companies Ordinance, 1984 and its shares are quoted on Karachi and Lahore Stock Exchanges. The principal activity of the company is to manufacture and sale of yarn and grey fabric.

2. Significant Accounting Policies

2.1 Compliance with IAS

These accounts comply with the International Accounting Standards, as applicable in Pakistan in all material respects.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 Employees benefits

The company operates an unfunded gratuity scheme for all permanent employees. The contributions are calculated with reference to last drawn salary and length of service of the employees. During the years Rs.156,345 (1999: Rs.616,588) has been recognised as an expense by the company.

2.4 Taxation

Current

Charge for current taxation is based on taxable income at the current rates of tax after taking into account available tax credits and tax rebates, if any.

Deferred

The company accounts for deferred taxation, using the liability method on all major timing differences. However, deferred tax is not provided if it can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

2.5 Operating Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation except land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged on straight line method. Full year's depreciation is charged on assets added while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and improvements are capitalised Gains / losses on sale of operating fixed assets are charged to current year's income.

2.6 Assets Subject to Finance Lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets so acquired are amortized over the useful lives of the assets in view of the certainty of ownership of the assets at the end of the lease period.

2.7 Stores, Spares and Loose Tools

These are stated at moving average cost except items in transit which are stated at cost.

2.8 Stock- in- trade

Stock of raw material is valued at lower of weighted average cost and replacement cost.

Work- in - process and finished goods are valued at lower of average cost and net realisable value. Average cost comprise cost of direct materials, labour and appropriate manufacturing overheads.

Waste is valued at net realisable value determine on the basis of contract price.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale.

2.9 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing on the balance sheet date except foreign currency long term loans covered under State Bank of Pakistan Exchange Risk Scheme which are

converted at contract rates. Exchange differences on translation of foreign currency loans are adjusted towards the cost of plant and machinery acquired out of the proceeds of the foreign currency loans. All other exchange differences are accounted for in the current year's income.

2.10 Revenue Recognition

Sales are recognised on the despatch of goods to customers. Bank profit are recognised on the accrual basis.

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
3. Long Term Loans			
Secured			
Allied Bank of Pakistan Limited			
Demand Finance	3.1	80,000,000	366,500,000
Demand Finance	3.2	78,920,000	--
		-----	-----
		158,920,000	366,500,000
Habib Bank Limited			
FAF - I		--	85,386,000
FAF - II		--	44,263,000
FAF - III		--	25,527,231
Forced PAD		--	36,900,512
		-----	-----
		--	192,076,743
Doha Bank Limited			
Running Finance	3.3	16,762,400	20,953,000
Deferred Mark Up	3.4	7,500,000	7,500,000
		-----	-----
		24,262,400	28,453,000
Morabaha Finance			
A1-Towfeeq Islamic Investment Bank	3.5	9,849,999	13,750,000
Al-Baraka Islamic Investment Bank		--	3,250,000
		-----	-----
		9,849,999	17,000,000
Unsecured			
Chief Executive	3.6	30,467,870	11,195,850
Others	3.6	27,800,000	--
		-----	-----
		58,267,870	11,195,850
		-----	-----
		251,300,269	615,225,593
Less: Current portion	6	9,373,935	11,857,268
		-----	-----
		241,926,334	603,368,325
		=====	=====

3.1 Demand finance is payable in 10 equal half yearly installments commencing from September, 2003. The finance carries mark-up at the rate of 2 percent per annum during the grace period and payable half yearly, after the grace period it will carry mark-up at the rate of 12 percent per annum which to be capitalised till the payment of last installment of principal amount. Then it will be paid in 6 equal half yearly installments commencing from September, 2008. It is secured against promissory notes, mortgage on land, building, machinery, fittings, fixtures, equipment's and personal guarantees of directors.

3.2 Mark up capitalised in previous years, now treated as demand finance, payable in 8 half-yearly installments commencing from 2011. It is Mark up free. It is secured against promissory notes, mortgage on land, building, machinery, fittings, fixtures, equipments and personal guarantees of directors.

3.3 Running finance payable in 24 equal quarterly installments commenced from August 1999. It is Mark up free. However, in case of default in payment of any four aggregate or consecutive installments, the entire outstanding balance as on date of default, would become payable forthwith Mark up, to be charged @ 15% per annum. The loan is secured against charge on assets.

3.4 This represents over due mark-up owl short term running finance deferred by Doha Bank Limited as a result of compromise agreement. Mark-up payable in 10 equal quarterly installments commencing after repayment of principal. It is Mark up free.

3.5 Morabaha finance payable in twelve equal quarterly installments commenced from March 1999. It is Mark up free. It is secured against guarantees of directors.

3.6 Loan received from Chief Executive and relatives / associates of the directors. Loans are interest free and unsecured. Repayment schedule has not been finalised.

9.1 Depreciation for the year has been allocated as follows:

Cost of sales	(Note 17)	20,712,918	11,823,310
Administrative and general expenses	(Note 18)	1,383,474	667,616
		-----	-----
		22,096,392	12,490,926
		=====	=====

9.2 DISPOSAL OF FIXED ASSETS

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale proceeds</i>	<i>Profit/ (Loss)</i>	<i>Mode of disposal</i>	<i>Particulars of Buyers</i>
Land	2,334,993	--	2,334,993	--	--	Negotiation	Allied Bank of Pakistan,
Building	68,566,258	26,180,401	42,385,857	--	--		Wapda House Branch, Lahore.
Plant & Machinery	212,364,207	90,617,819	121,746,388	--	--		
Tools & Equipment	229,550	115,816	113,734	--	--		
Electric Installation	8,454,727	3,311,091	5,143,636	--	--		
Telephone Installation	95,570	47,146	48,424	--	--		
Fire fighting equipment	62,883	33,739	29,144	--	--		
Assets subject to finance lease	10,000,000	4,951,310	5,048,690	--	--		
	-----	-----	-----	-----	-----		
	302,108,188	125,257,322	176,850,866	--	--		
Finished goods adjusted	--	--	367,524	--	--		
	-----	-----	-----	-----	-----		
	302,108,188	125,257,322	177,218,390	280,000,000	102,781,610		
Suzuki Mehran	278,000	166,800	111,200	190,000	78,800	Negotiation with a party	
	-----	-----	-----	-----	-----		
	302,386,188	125,424,122	177,329,590	280,190,000	102,860,410		
	=====	=====	=====	=====	=====		

10. ASSETS SUBJECT TO FINANCE LEASE

<i>Particulars</i>	<i>COST</i>			<i>Rate %</i>	<i>Amortisation</i>			<i>Book value as at September 30, 2000</i>		
	<i>As at September 30, 1999</i>	<i>Additions</i>	<i>(Deletions)</i>		<i>As at September 30, 2000</i>	<i>Charge for the year</i>	<i>Adjustments</i>		<i>As at September 30, 2000</i>	
Plant and machinery	10,000,000	--	(1,000,000)	--	10	4,951,310	--	(4,951,310)	--	--
Rupees	10,000,000	0	(1,000,000)	--	--	4,951,310	--	(4,951,310)	--	--
1999 Rupees	10,000,000	--	--	10,000,000	--	4,390,344	560,966	--	4,951,310	5,048,690
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

10.1 The amortisation for the year allocated to cost of sales Rs. nil (1999: Rs. 560,966).

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
11. Stores, Spares and Loose Tools		
Stores	554,448	1,489,817
Spare Parts	1,228,095	1,230,483
Loose tools	--	14,590
	-----	-----
	1,782,543	2,734,890
	=====	=====

12. Stock-In-Trade

Raw materials	--	4,472,878
Work in process	--	1,300,084
Finished goods	(note 12.1)	2,440,200
Waste	--	301,967
Work Done on third parties materials		
Work in process	763,766	590,300
Finished goods	1,325,280	1,225,225
	-----	-----
	2,089,046	1,815,525
	-----	-----
	4,529,246	12,678,466
	=====	=====

12.1 Stock of Rs. 367,524 is not included in closing stock. It is adjusted against the loan payment

13 Trade Debtors- Unsecured

Considered good

14. Advances, Deposits, Prepayments and Other Receivables

Advances - Considered good		
Employees	197,670	247,341
Suppliers/others	7,728,064	6,664,686
	-----	-----
	7,925,734	6,912,027
Advance income tax	4,198,575	4,117,289
Margin with banks	--	1,139,144
Prepayments	17,324	--
Central excise duties on loans	11,089,523	10,989,523
Export rebate	75,909	26,297
Sales Tax	1,516,130	--
Others	714,644	--
	-----	-----
	25,537,839	23,184,280
	=====	=====

14.1 Maximum aggregate balance due from both directors and executives of the company at the end of any month during the year was Rs. nil (1999: Rs. 117,163)

15. Cash and Bank Balances

Cash in hand	9,670	40,303
Cash with banks on -		
Current accounts	425,851	237,728
PLS account	--	6,514
Deposit accounts	60,750	60,750
	-----	-----
	486,601	304,992
	-----	-----
	496,271	345,295
	=====	=====

16. Sales

Export	2,996,376	--
Local	184,651,135	280,041,463
Processing income	1,757,813	5,709,206
Waste	591,358	980,144
	-----	-----
	189,996,682	286,730,813
Less: Sale Tax	24,391,346	36,566,690
Commission to selling agents	99,384	36,793
	-----	-----
	24,490,730	36,603,483
	-----	-----
	165,505,952	2,502,127,330
	=====	=====

17. Cost of Sales

Raw materials consumed	(note 17.1)	99,213,554	172,152,659
Salaries, wages and other benefits	(note 17.2)	11,405,504	17,491,571
Fuel and power		17,079,121	38,115,300
Stores and chemicals		13,671,242	13,113,219
Depreciation	(note 9.1)	20,712,918	11,823,310
Amortization of assets subject to finance lease		--	560,966
Repairs and maintenance		709,509	884,499
Others		2,709,528	1,552,973
		-----	-----
		165,501,376	255,694,497

Work-in-Process:

Opening stock	1,890,384	1,552,398
Closing stock	(763,766)	(1,890,384)
	-----	-----
	1,126,618	(337,986)

Cost of goods manufactured 166,627,994 255,356,511

Finished goods:

Opening stock	6,315,204	11,874,862
Closing stock	(4,133,004)	(6,315,204)
	-----	-----
	2,182,200	5,559,658
	-----	-----
	168,810,194	260,916,169
	=====	=====

17.1 Raw Material Consumed

Opening balance	4,472,878	5,276,047
-----------------	-----------	-----------

Add: purchases	94,740,676	171,349,490
	-----	-----
	99,213,554	176,625,537
Less: closing stock	--	4,472,878
	-----	-----
	99,213,554	172,152,659
	=====	=====

17.2 Salaries wages and other benefits include the salaries RS.7,038,953 of employees whose salaries are below Rs. 3000

18. Administrative and General Expenses

Salaries, wages and other benefits	(note 18.1)	1,614,302	1,971,754
Printing and stationery		124,434	224,331
Communication		580,404	833,470
Travelling and conveyance		428,148	371,630
Legal and professional		382,820	316,424
Auditors' remuneration		75,000	75,000
Repair and maintenance		90,265	201,958
Fee and subscription		345,930	138,229
Vehicle running and maintenance		152,551	170,953
Depreciation	(note 9.1)	1,383,474	667,616
Electricity		265,939	280,823
Others		326,189	557,963
		-----	-----
		5,769,456	5,810,151
		=====	=====

18.1 Salaries wages and other benefits include the salaries RS.55,477 of employees whose salaries are below Rs.3000

19. Selling and Distribution Expenses

Salaries and other benefits		212,400	365,906
Domestic and ocean freight		115,627	8,770
Bad debts written off		176,407	3,048,093
Other expenses		393,465	953,192
		-----	-----
		897,899	4,375,961
		=====	=====

20. Other income

Profit on sales of fixed assets	(note 10.3)	78,800	239,985
Profit on bank deposits		98,112	13,664
Custom duty rebate		564,000	--
Creditors written back		--	606,077
		-----	-----
		740,912	859,726
		=====	=====

21. Financial Charges

Interest on long term loans		2,089,521	19,605,078
Mark-up- on short term running finances		--	3,066,412
Bank charges and commission		262,601	277,130
		-----	-----
		2,352,122	22,948,620
		=====	=====

22. Extra Ordinary Item

This represents waiver of ordinary / compound mark up by Habib Bank Limited and Allied Bank of Pakistan Limited under loan adjustment arrangements.

23. Taxation

The provision for current taxation has been made under section 80(D) of Income Tax Ordinance 1979 in view of the brought forward losses.

Income tax assessments of the company are completed up to financial year 1995-96 (assessment year 1996-97). Subsequently all assessments were reopened by the Inspecting Additional Commissioner of Income Tax under section 66(A) of the Income Tax Ordinance 1979. The Company has filed an appeal against the said order. The company has a good case. Accordingly, no additional provision has been made in these accounts under this head.

2000	1999
Rupees	Rupees

24. Proforma statement of accumulated loss under the allowed alternative Treatment

Opening unappropriated loss as previously reported	(405,295,780)	(403,235,449)
Correction of fundamental error	(15,194,130)	--
	-----	-----

other receivables	--	--	--	--	8,883,619	--	8,883,619	8,883,619
Cash and bank	--	--	--	--	503,268	--	503,268	503,268
					19,062,587	235,390	19,297,977	19,297,977
Financial liabilities								
Long term liabilities	2 to 15%	--	80,000,000	80,000,000	10,540,602	10,540,602	171,300,269	251,300,269
Deferred Liabilities	--	--	--	--	--	621,792	621,792	621,792
Creditors, accrued and other liabilities	--	--	--	--	48,103,543	--	48,103,543	48,103,543
			80,000,000	80,000,000	58,644,145	11,162,394	220,025,604	300,025,604
The interest rate sensitivity gap		--	(80,000,000)	(80,000,000)	(39,581,558)	(10,927,004)	(200,727,627)	(280,727,627)

26.1 Interest rate risk

Since the company borrows funds usually at fixed interest rates, therefore the risk occurrence is minimal.

26.2 Foreign exchange risk management

Foreign exchange risk on financial instruments, receivable or payable in foreign currency is also not material.

26.3 Credit risk

Financial assets of the company amounting Rs. 4.5 million are subject to credit risk.

26.4 Fair value of financial assets and liabilities

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

	<i>Chief Executive</i>		<i>Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration	165,000	165,000	412,686	691,882
House rent allowance	135,000	135,000	190,981	566,085
	300,000	300,000	603,667	1,257,967
Number of persons	1	1	3	5

In addition to the above, the chief executive is provided with the maintenance of car and residential telephone and executives are provided with free use of company maintained cars.

28 Assets and Liabilities of Discontinuing Operations

Assets and liabilities of discontinuing operations included in the total assets and liabilities of the entity as on 30 September 2000 are as follows:

	<i>Rupees</i>	
	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Assets	24,319,479	
Liabilities	105,191,715	

29. Basic and Diluted Earning Per Share

There is no dilutive effect on the basic earning per share which is based on:

Profit/(loss) attributable ordinary shareholders	302,003,990	(2,060,331)
Weighted Average Number of Ordinary Shares	9,860,000	9,860,000
Earning/(1oss) per share	30.63	(0.21)

30. Number of Employees

Number of Employees	589	600
---------------------	-----	-----

31 Capacity and Production

Weaving unit			
No. of looms installed		72	72
No. of looms worked		72	72
Rated capacity on actual working converted to 50 picks	square metres	7,208,778	7,208,778
Actual production converted to 50 picks	square metres	1,434,234	645,846

Spinning unit

No. of Spindles installed	16,000	16,000
No. of spindles worked	16,000	16,000

No. of days worked (based on 3 shifts per day)		159	345
Rated capacity converted into 20's count	Kgs	3,455,623	5,335,466
Actual production converted into 20's count	Kgs	3,308,413	5,065,857

31.1 Under utilization of available capacity is due to the lack of working capital and non availability of market.

32 Corresponding Figures

Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

JAVED ZAHUR
CHIEF EXECUTIVE

MUKAMILA JAVED
DIRECTOR

PATTERN OF SHAREHOLDERS

<i>No. of Shareholders</i>	<i>Shareholding From To</i>		<i>Total Shares Held</i>
78	1	100	7800
6541	101	500	3217900
196	501	1000	193900
25	1001	5000	58200
3	5001	10000	24900
2	10001	15000	23000
1	20001	25000	22700
1	25001	30000	30000
1	45001	50000	50000
1	85001	90000	86200
1	225001	230000	229400
1	345001	350000	345100
1	985001	990000	986000
1	4580001	4585000	4584900
-----			-----
6853			9860000
=====			=====

Categories of Shareholders

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	6847	8641100	87.639
Investment Companies	3	231900	2.351
Insurance Companies	1	500	0.005
Joint Stock Companies	1	500	0.005
Others	1	986000	10.000
	-----	-----	-----
Total	6853	9860000	100.000
	=====	=====	=====

OTHERS

Association			
Abandoned Property			
Government Authorities			
Modarabas Managements			
Non-Resident			
Foreign Company			
Trust	1	986000	10.000
	-----	-----	-----
Total	1	986000	10.000
	=====	=====	=====