

Zainab Textile Mills Limited

Annual Report 1999

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Company Information

Board of Directors

Mohammad Waseem Mukhtar
(Chief Executive)
Sheikh Mukhtar Ahmed
Sheikh Mohammad Yaseen
Mohammad Naeem Mukhtar
Atif Yaseen
Iqbal Begum
Ghazala Naeem

Secretary

Anwarul Haque
B. Com., FCA

Auditors

M. Yousuf Adil Saleem & Co.,
Chartered Accountants,
Faisalabad, Pakistan.

Tax Consultants

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

Information Technology Consultants

KPMG Peat Marwick Associates (Private) limited
Karachi, Pakistan.

Bankers

Faysal Bank limited
Albaraka Islamic Bank B.S.C (E.C)
United Bank limited

Registered Office

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

Head Office

Ibrahim Centre

15 - Club Road,
Faisalabad, Pakistan.

Shares Department

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

Mills

38 - Kilometer,
Faisalabad, Sheikhpura Road,
Faisalabad, Pakistan.

Notice of Meeting

Notice is hereby given that the 13th Annual General Meeting of the shareholders of the Company will be held on 29-01-2000 at 12:00 Noon at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider, approve and adopt the Annual Audited Accounts of the Company for the year ending 30-09-1999.
3. To approve Cash Dividend @ 10% as recommended by the Board of Directors.
4. To appoint Auditors for the next year 1999-2000 and to fix their remuneration. The present auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible for appointment, offer themselves for re-appointment.

5. SPECIAL BUSINESS:

To approve following special business.

Mr. Mohammad Waseem Mukhtar is working as Chief Executive of the Company. His remuneration to be fixed w.e.f. 01-01-2000.

"Resolved that the remuneration of Mr. Mohammad Waseem Mukhtar, Chief Executive of the Company be and is hereby fixed w.e.f. 01-01-2000 as follows:

1. Basic Salary	Rs. 200,000.00	per month
2. House Rent Allowance	Rs. 90,000.00	per month
3. Utilities	Rs. 20,000.00	per month

The remuneration presently being paid to Sheikh Mukhtar Ahmed, Director of the company to be discontinued w.e.f. 01-01-2000.

Further resolved that the remuneration of Sheikh Mukhtar Ahmed, Director of the Company be and is hereby discontinued w.e.f. 01-01-2000".

6. To transact any other business with the permission of the chair.

By order of the Board

Dated: 17 December, 1999
Lahore

Anwarul Haque
Company Secretary

Note:

- i) The share transfer books of the Company shall remain closed from 20-01-2000 to 29-01-2000 (both days inclusive) to determine the names of members entitled to receive dividend and to attend the

meeting. Transfers received in order at the Shares Registration Office of the company at the close of business on 19-01-2000 will be treated in time.

ii) A member entitled to attend and vote at the meeting may appoint another member as Ms/her proxy to attend and vote on his/her behalf.

iii) The proxies, in order to be effective, must be received by the Company at least 48 hours before the meeting at the Registered Office of the Company at I-A, Ahmad Block, New Garden Town, Lahore.

Directors' Report to the Shareholders

We are pleased to present before you the 13th Audited Annual Report of the company for the year ended September 30, 1999.

PRODUCTION PERFORMANCE

The working of the mills during the year under review are excellent. The mills operated at full capacity by achieving production of 8,537,160 Kgs of blended yarn of different count as against production of 8,086,599 Kgs. of yarn during the corresponding period of last year. The count manufactured during the year is between 12/s to 66/s. The comparative details of yarn production are as follows:-

<i>Type of Yarn Produced</i>	<i>Current Year Production Kgs.</i>	<i>Previous Year Production Kgs.</i>
1) Polyester Viscose Yarn	4,359,414	4,296,363
2) Viscose Yarn	3,950,176	3,789,465
3) Polyester Yarn	227,571	771
	-----	-----
	8,537,161	8,086,599
	=====	=====

You will appreciate that production level are continuously maintained with manufacturing of good quality yarn. We have adopted a completely flexible production planning which can easily cope up with the market demand of different count and different blend of yarn. This policy is benefiting the company by way of better selling rates of our product.

FINANCIAL RESULTS

The revenue received from sale of yarn during the year under review is Rs. 781,748,872/- as against a sale revenue of Rs. 886,534,909/- during the previous year. There is a decline in revenue as compared to previous year. The yarn market remained sluggish through out the year 1998-99 due to general recession prevailing in the international market. The textile sector in general and spinning sector in particular are suffering badly for the last seven years due to prevalent market condition.

The summary of the financial result are being furnished hereunder for a quick glance.

	<i>Year ended 30-09-1999 Rupees</i>	<i>Year ended 30-09-1998 Rupees</i>
Gross Profit	89,648,965	146,388,067
Trading Profit	4,715,844	483,583
	-----	-----
Other Income	94,364,809	146,871,650
	2,774,448	2,489,870
	-----	-----
Operating Expenses	97,139,257	149,361,520
	29,811,368	23,328,203
	-----	-----
Operating Profit	67,327,889	126,033,317
Financial and Other charges	22,053,006	40,148,633

Profit before Taxation	45,274,883	85,884,684
Provision for Taxation	4,167,088	2,565,028
Profit after Taxation	41,107,795	83,319,656
Unappropriated profit/(loss) brought forward	528,781	(65,190,875)
Available for appropriation	41,636,576	18,128,781

DIVIDEND

Your directors are pleased to recommend 10% cash Dividend i.e. Re. 1.00 per share out of profits earned during the year and the profit has been appropriated as under:

	<i>Year ended 30-09-1999 Rupees</i>	<i>Year ended 30-09-1999 Rupees</i>
APPROPRIATIONS:		
Proposed dividend 10% (1998: 10%)	17,600,000	17,600,000
Transfer to general reserve	24,000,000	--
	41,600,000	17,600,000
Unappropriated profit carried forward	36,576	528,781
EARNING PER SHARE	2.34	4.73

OVERVIEW

The industrial growth has come to an standstill position. There is a total stagnation in the economy due to recessionary condition prevailing in the international market for the last many years. This unusual economic phenomena has badly affected all sectors of industrial activities in general and spinning sector in particular. The revival of textile sector largely depends upon the improvement in economic condition as a whole which will definitely benefit the spinning sector.

YEAR 2000 COMPLIANCE

We are pleased to report that all the computer systems of your company are fully year 2000 compliant.

AUDITORS

The present auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants retire and are being eligible, consented for re-appointment for the next financial year 1999-2000.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is annexed.

ACKNOWLEDGMENT

The management is thankful and wish to place on record its deep appreciation for the hard work and positive efforts made by the workers and staff. The management would also like to thank its valued Customers, Bankers, Financial Institutions and shareholders for their whole hearted support and hopes to get the same cooperation in future.

On behalf of the Board

(MOHAMMAD WASEEM MUKHTAR)
Chief Executive

Dated: 17 December, 1999
Lahore

**Pattern of Shareholding
as at 30 September, 1999**

<i>No. of</i>	<i>Having Shares</i>	<i>Shares</i>	<i>Percentage</i>
---------------	----------------------	---------------	-------------------

<i>Shareholders</i>	<i>From</i>	<i>To</i>	<i>held</i>	
133	1	100	13,300	0.0756
336	101	500	134,800	0.7659
241	501	1000	230,300	1.3085
250	1001	5000	692,900	3.9369
57	5001	10000	436,600	2.4807
17	10001	15000	205,000	1.1648
4	15001	20000	69,500	0.3949
8	20001	25000	182,800	1.0386
1	25001	30000	29,000	0.1648
2	35001	40000	76,000	0.4318
1	40001	45000	42,900	0.2438
3	45001	50000	149,200	0.8477
1	500011	55000	50,800	0.2886
1	60001	65000	64,500	0.3665
6	65001	70000	420,000	2.3864
1	95001	100000	99,500	0.5653
2	120001	125000	244,000	1.3864
2	135001	140000	280,000	1.5909
1	200001	205000	200,800	1.1409
5	275001	280000	1,400,000	7.9545
1	295001	300000	300,000	1.7045
2	345001	350000	700,000	3.9773
1	380001	385000	381,900	2.1699
2	535001	540000	1,080,000	6.1364
1	595001	600000	600,000	3.4091
1	635001	640000	640,000	3.6364
1	1495001	1500000	1,500,000	8.5227
1	3605001	3610000	3,608,300	20.5017
1	3765001	3770000	3,767,900	21.4085

1083			17,600,000	100.0000
=====				

Categories of Shareholders

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individuals	1,073	9,712,900	55.1869
Joint Stock Companies	5	3,840,400	211.8205
Financial Institutions	4	4,045,700	22.9869
Modaraba Company	11	1,000	0.0057

	1,083	17,600,000	100.0000
=====			

Auditors' Report to the Members

We have audited the annexed balance sheet of Zainab Textile Mills limited as at 30 September, 1999 and the related profit & loss account and statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 & 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 expenditures incurred during the year was for the purpose of 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 and profit & loss account and statement of changes in financial position (cash flow statement), 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 profit and changes in financial position for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established u/s 7 of that Ordinance.

Dated: 17 December, 1999
Faisalabad.

(M. YOUSUF ADIL SALEEM & CO.)
Chartered Accountants

Balance Sheet as at September 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 ordinary shares of Rs. 10/- each		200,000,000 =====	200,000,000 =====
Issued, subscribed and paid-up capital 17,600,000 Ordinary shares of Rs. 10/- each fully paid in cash		176,000,000	176,000,000
6erierat reserve		24,000,000	--
Unappropriated profit		36,576	528,781
		----- 200,036,576	----- 176,528,781
LONG TERM LOANS	3	300,000,000	250,000,000
DEFERRED LIABILITY			
Customs levies	4	--	1,377,174
Staff retirement gratuity		11,631,009	6,550,792
		----- 11,631,009	----- 7,927,966
CURRENT LIABILITIES			
Short term borrowings	5	--	100,000,000
Current portion of long term liabilities	6	50,000,000	688,587
Creditors, accrued and other liabilities	7	27,258,802	81,247,992
Taxation		8,648,961	8,664,544
Dividend	8	18,405,839	17,806,715
		----- 104,313,602	----- 208,407,838
CONTINGENCIES AND COMMITMENTS	9	--	--
		----- 615,981,187 =====	----- 642,864,585 =====

OPERATING ASSETS	10	403,347,993	440,098,546
LONG TERM INVESTMENTS	11	5,000,000	5,000,000
LONG TERM DEPOSITS		1,128,140	1,328,140
CURRENT ASSETS			
Stores, spares and loose tools	12	5,162,292	6,285,230
Stock in trade	13	157,742,929	138,381,315
Trade debts	14	378,215	--
Loans and advances	15	13,748,885	37,737,358
Deposits, prepayments and			
Other receivables	16	1,788,715	17,124,711
Cash and bank balances	17	27,684,018	12,321,525
		-----	-----
		206,505,054	196,437,899
		-----	-----
		615,981,187	642,864,585
		=====	=====

The annexed notes from 1 to 31 form an integral part of these accounts.

Chief Executive

Director

**Profit and Loss Account
for the year ended 30 September, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SALES	18	781,748,872	886,534,909
COST OF GOODS SOLD	19	692,099,907	740,146,842
		-----	-----
GROSS PROFIT		89,648,965	146,388,067
TRADING PROFIT	20	4,715,844	483,583
		-----	-----
OTHER INCOME	21	94,364,809	146,871,650
		2,774,448	2,489,870
		-----	-----
		97,139,257	149,361,520
OPERATING EXPENSES			
Administration	22	25,717,884	18,836,039
Selling - Freight forwarding and other		4,093,484	4,492,164
		-----	-----
		29,811,368	23,328,203
		-----	-----
OPERATING PROFIT		67,327,889	126,033,317
OTHER CHARGES			
Financial	23	19,653,232	35,618,142
Workers' profit participation fund		2,399,774	4,530,491
		-----	-----
		22,053,006	40,148,633
NET PROFIT FOR THE YEAR BEFORE TAXATION		45,274,883	85,884,684
TAXATION			
Current	24	4,165,417	4,483,544
Prior years		1,671	(1,918,516)
		-----	-----
		4,167,088	2,565,028

PROFIT AFTER TAXATION	41,107,795	83,319,656
ACCUMULATED PROFIT/ (LOSS) BROUGHT FORWARD	528,781	(65,190,875)
	41,636,576	18,128,781
APPROPRIATION		
Proposed cash dividend @ 10% (1998 @ 10%)	17,600,000	17,600,000
Transfer to general reserve	24,000,000	--
	41,600,000	17,600,000
UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD	36,576	528,781

The annexed notes from 1 to 31 form an integral part of these accounts.

Chief Executive

Director

Statement of Changes in Financial Position for the year ended September 30, 1999

	1999 Rupees	1998 Rupees
a) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year before taxation	45,274,883	85,884,684
Depreciation	44,754,793	48,803,181
Gain on disposal of fixed assets	--	(231,781)
Interest on deposits	(178,043)	(234,584)
Dividend	(1,000,000)	--
Provision for gratuity	6,165,494	2,608,279
Gratuity paid	(1,085,277)	(787,589)
Financial charges	19,653,232	35,618,142
Operating profit before working capital changes	113,585,082	171,660,332
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	1,122,938	1,466,103
Stock in trade	(19,361,614)	72,637,694
Trade debts	(378,215)	1,618,399
Loans and advances	23,988,473	(10,227,003)
Deposits, prepayments and other receivables	(76,244)	7,415,678
Decrease/(increase) in current liabilities		
Creditors, accrued and other liabilities	(44,412,247)	19,090,394
Cash generated from operations	74,468,173	263,661,597
Financial charges paid	(29,230,175)	(30,167,839)
Taxes paid	(4,182,671)	(5,338,233)
Net cash from operating activities	41,055,327	228,155,525

	1999 Rupees	1998 Rupees
b) CASH Flow FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(8,004,240)	(8,617,544)
Proceeds from disposal of fixed assets	--	316,793
Long term deposits	200,000	240,000
Interest on deposits	178,043	234,584
Dividend	1,000,000	--
	-----	-----
Net cash used in investing activities	(6,626,197)	(7,826,167)
c) CASH Flow FROM FINANCING ACTIVITIES		
Long term Loans	100,000,000	(143,549,237)
Repayment of deferred custom levies	(2,065,761)	(688,587)
Decrease in short term bank borrowings-net	(100,000,000)	(54,057,602)
Payment of dividend	(17,000,876)	(17,393,285)
	-----	-----
Net cash used in financing activities	(19,066,637)	(215,688,711)
	=====	=====
NET INCREASE IN CASH & BANK BALANCES (a+b+c)	15,362,493	4,640,647
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	12,321,525	7,680,878
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	27,684,018	12,321,525
	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended September 30, 1999

1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated on April 20, 1987 in Pakistan under the Companies Ordinance, 1984 and quoted at stock exchanges in Pakistan. The principal business of the Company is manufacture and sale of yarn. The Mills is located at Tehsil Jaranwala District Faisalabad in the province of Punjab.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under "historical cost convention" modified by certain exchange differences as mentioned in Note 2.4.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

2.3 Taxation

Current

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

Deferred

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

2.4 Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets.

Depreciation on additions during the year is charged to income on the basis of whole year, however depreciation for proportionate period of use is charged on major project cost capitalised during the year. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Investments

Long term investments are stated at cost. Carrying amount is reduced to recognise permanent decline in value of investment.

2.6 Stores, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost comprising invoice value and other charges incurred thereon.

2.7 Stock in trade

These are valued at lower of cost and net realisable value. Cost has been determined as follows:

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Waste is valued at net realisable value.

2.8 Trade debts

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

2.9 Revenue recognition

Sales are recorded on despatch of goods.

3. LONG TERM LOANS - SECURED

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Banking Company Demand finance (3.1)	200,000,000	--
Morabaha finance (3.2)	150,000,000	250,000,000
	-----	-----
	350,000,000	250,000,000
Payable within one year shown under current liabilities	50,000,000	--
	-----	-----
	300,000,000	250,000,000
	=====	=====

3.1 The loan is secured against charge over fixed assets of the Company ranking pari passu with the charge created in respect of Morabaha finance (Refer Note 3.2) and personal guarantee of the Company's directors.

It is repayable in 6 half yearly installments commencing from March 31, 2000.

The facility is subject to mark up @ 16% per annum.

3.2 The loan is secured against charge over fixed assets of the Company ranking *pari passu* with the charge created in respect of Demand finance (Refer Note 3.1). It is further secured against first charge over current assets of the Company and personal guarantee of the Company's directors.

It is payable in 5 half yearly installments commencing from May 21, 2000.

It is subject to mark up @ 17% per annum.

4. DEFERRED CUSTOMS LEVIES - SECURED

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Opening balance	2,065,761	5,770,401
Paid/adjusted during the year	(2,065,761)	3,704,640
	-----	-----
	--	2,065,761
Payable within one year shown under current liabilities	--	(688,587)
	-----	-----
	--	1,377,174
	=====	=====

It was subject to interest @ 14% per annum.

5. SHORT TERM BANK BORROWINGS

Under mark up arrangements Secured

Morabaha finance	--	100,000,000
	=====	=====

6. CURRENT PORTION OF LONG TERM LIABILITIES

Long term Loans (Note 3)	50,000,000	--
Deferred custom levies (Note 4)	--	688,587
	-----	-----
	50,000,000	688,587
	=====	=====

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors (7.1)	12,988,988	16,473,115
Bills payable	--	39,962,142
Advance from customers	253,767	40,000
Accrued charges	3,079,146	2,926,508
Retentions/deposits	550,752	306,717
Mark up/Interest on secured		
Long term loans	157,534	9,598,904
Deferred customs levies	--	261,739
Withholding taxes	92,417	89,885
Sales tax	7,736,424	6,838,533
Workers' profit participation fund (7.2)	2,399,774	4,750,449
	-----	-----
	27,258,802	81,247,992
	=====	=====

7.1 Its includes Rs. 8,784,342/- (1998 - Rs. 15,073,624/-) being the trade credit from an associated undertaking against purchase of polyester staple fibre.

7.2 Workers' profit participation fund

Opening balance	4,750,449	4,558,498
Interest on fund utilised in the company's business	320,818	194,652
	-----	-----
	5,071,267	4,753,150
Paid to the Fund	(5,071,267)	(4,533,192)
	-----	-----
	--	219,958

Allocation for the year	2,399,774	4,530,491
	-----	-----
	2,399,774	4,750,449
	=====	=====

8. DIVIDEND

Proposed	17,600,000	17,600,000
Unclaimed	805,839	206,715
	-----	-----
	18,405,839	17,806,715
	=====	=====

9. CONTINGENCIES AND COMMITMENTS

9.1 The Company is claiming exemption from levy of import duties of Rs. 6,567,984/- (1998 - Rs. 12,630,886/-) on import of machinery. Company's petitions are pending before the courts.

9.2 Outstanding bank guarantees / undertakings Rs. 1,165,000/- (1998 - Rs. 1,165,000/-).

9.3 Outstanding letters of credit Rs. 61,194,107/- (1998 - Rs. 14,309,470/-).

10. OPERATING ASSETS

<i>PARTICULARS</i>	<i>Cost as at October 01, 1998</i>	<i>Additions/ (deletions)</i>	<i>Cost as at September 30, 1999</i>	<i>Accumulated depreciation as at September 30, 1999</i>	<i>Written down value as at September 30, 1999</i>	<i>Depreciation for the year</i>	<i>Rate %</i>
Freehold land	3,172,913	--	3,172,913	--	3,172,913	--	--
Building on freehold land	112,690,293	1,697,341	114,387,634	65,111,446	49,276,188	5475132	10
Plant and machinery	749,586,678	4,683,522	754,270,200	424,425,542	329,844,658	36,649,406	10
Electric installations	27,491,802	206,179	27,697,981	15,476,116	12,221,865	1,357,985	10
Factory equipment	8,490,331	81,266	8,571,597	4,646,023	3,925,574	436,175	10
Office equipment	3,724,295	498,460	4,222,755	2,047,850	2,174,905	241,657	10
Furniture and fixture	1,321,686	61,812	1,383,498	746,049	637,449	70,828	10
Vehicles	3,449,243	775,660	4,224,903	2,130,462	2,094,441	523,610	20
	-----	-----	-----	-----	-----	-----	
Rupees	909,927,241	8,004,240	917,931,481	514,583,488	403,347,993	44,754,793	
	-----	-----	-----	-----	-----	-----	
1998 - Rupees	904,705,330	8,617,544 (3,395,633)	909,927,241	469,828,695	440,098,546	48,803,181	
	=====	=====	=====	=====	=====	=====	

10.1 Depreciation for the year has been allocated as under:

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cost of goods manufactured	43,918,698	48,057,631
Administration	836,095	745,550
	-----	-----
	44,754,793	48,803,181
	=====	=====

11. LONG TERM INVESTMENT

An associated undertaking Un-listed
Ibrahim Modaraba (Pvt) Ltd.
50,000 fully paid ordinary
shares of Rs. 100/- each (11.1)

	5,000,000	5,000,000
	=====	=====

11.1 Name of Chief Executive - Mr. Mohammad Naeem Mukhtar
Percentage of equity held - 25%
Break up value per share - Rs. 144.60 (1998 - Rs. 153.33)

12. STORES, SPARES AND LOOSE TOOLS

	1999 Rupees	1998 Rupees
Stores	988,716	846,471
Spares		
In hand	4,004,867	4,916,717
In transit	--	350,383
	-----	-----
	4,004,867	5,267,100
Loose tools	168,709	171,659
	-----	-----
	5,162,292	6,285,230
	=====	=====

13. STOCK IN TRADE

Raw material		
In hand	62,767,146	59,341,142
In transit	21,079,311	25,727,434
Work in process	7,007,773	8,717,332
Finished goods	66,856,744	44,554,277
Waste	31,955	41,130
	-----	-----
	157,742,929	138,381,315
	=====	=====

14. TRADE DEBTS

Local unsecured considered good	378,215	--
	=====	=====

15. LOANS AND ADVANCES

Due from employees	534,056	438,676
Advances		
Income tax	813,453	16,762,903
Suppliers (15.1)	12,210,868	14,319,880
Letters of credit - fees, margin and expenses	190,508	6,215,899
	-----	-----
	13,748,885	37,737,358
	=====	=====

This represents the balance due on account of purchase of power from an associated undertaking. Maximum aggregate amount at the end of any month during the year was Rs. 12,210,868/- (1998 - Rs. 14,319,880/-).

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits with banks/financial institutions	1,293,000	1,293,000
Security deposits	10,000	10,000
Prepayments	427,550	409,471
Other	58,165	--
	-----	-----
	1,788,715	1,712,471
	=====	=====

17. CASH AND BANK BALANCES

	1999 Rupees	1998 Rupees
Cash in hand	19,572,539	6,323,280
Cash at banks		
In current accounts	6,781,113	5,172,036

In deposit accounts	1,330,366	826,209
	-----	-----
	8,111,479	5,998,245
	-----	-----
	27,684,018	12,321,525
	=====	=====

18. SALES

Local		
Yarn	781,319,128	885,309,681
Waste	1,122,678	1,451,855
	-----	-----
	782,441,806	886,761,536
Less: Brokerage, commission and discount	(692,934)	(226,627)
	-----	-----
	781,748,872	886,534,909
	=====	=====

19. COST OF GOODS SOLD

Raw material consumed	534,822,955	525,584,802
Packing material	11,195,595	10,928,515
Salaries, wages and benefits	30,913,560	29,650,686
Power and fuel	83,908,475	85,530,654
Stores and spares	6,957,579	9,050,274
Insurance	806,686	858,836
Repairs and maintenance	160,092	178,198
Depreciation	43,918,698	48,057,631
	-----	-----
	712,683,640	709,839,596
Work in process		
Opening stock	8,717,332	8,674,021
Closing stock	(7,007,773)	(8,717,332)
	-----	-----
	1,709,559	(43,311)
	-----	-----
Cost of goods manufactured	714,393,199	709,796,285
Finished goods		
Opening stock	44,595,407	74,945,964
Closing stock	(66,888,699)	(44,595,407)
	-----	-----
	(22,293,292)	30,350,557
	-----	-----
	692,099,907	740,146,842
	=====	=====

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

20. TRADING PROFIT

Sales - Local		
Viscose	49,293,861	6,023,150
Other	285,353	2,333,730
	-----	-----
	49,579,214	8,356,880
Cost of sales	(44,863,370)	(7,873,297)
	-----	-----
	4,715,844	483,583
	=====	=====

21. OTHER INCOME

Scrap sales	1,347,787	1,273,629
-------------	-----------	-----------

Interest on deposits	178,043	234,584
Dividend	1,000,000	--
Gain on disposal of fixed assets	--	231,781
Balances written back-net	248,618	749,876
	2,774,448	2,489,870
	2,774,448	2,489,870

22. ADMINISTRATION EXPENSES

Director's remuneration	1,860,000	1,170,000
Salaries and benefits	15,460,132	11,065,027
Postage and telecommunication	182,052	725,724
Vehicles running and maintenance	728,627	532,200
Printing and stationery	738,857	424,618
Rent, rates and taxes	403,000	350,615
Travelling and conveyance	2,274,703	931,908
Fees, subscriptions and periodicals	615,203	507,470
Legal and professional	130,500	106,900
Insurance	611,364	520,362
Repairs and maintenance	688,029	620,897
Audit fee	85,000	85,000
Entertainment	399,761	379,851
Depreciation	836,095	745,550
Donations (22.1)	2,300	55,850
Other	702,261	614,067
	25,717,884	18,836,039
	25,717,884	18,836,039

22.1 No director or his/her spouse had any interest in the donee's fund.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
23. FINANCIAL CHARGES		
Mark up/interest on		
Bank borrowings	19,264,279	30,326,869
Deferred customs levies	27,468	298,715
Workers' profit participation fund	320,818	194,652
Exchange risk cover fee	--	1,267,104
Bank charges, excise duty and commission	40,667	3,530,802
	19,653,232	35,618,142
	19,653,232	35,618,142

24. TAXATION

Current

The assessment of the Company has been finalised upto accounting year ended 30 September, 1997.

Deferred

Tax effect of major timing differences after considering tax losses available for adjustment works out to Rs. 4.126 million credit (1998 - Rs. 9.136 million debit). No provision for deferred tax has been made in these accounts because these timing differences are not likely to reverse in the foreseeable future.

25. REMUNERATION TO DIRECTORS AND EXECUTIVES

<i>1999</i>		<i>1998</i>	
<i>Rupees</i>		<i>Rupees</i>	
<i>Chief</i>	<i>Executives</i>	<i>Chief</i>	<i>Executives</i>
<i>Executive</i>		<i>Executive</i>	

Remuneration	1,200,000	5,278,743	760,000	3,034,244
House rent	540,000	2,375,446	342,000	1,365,436
Utilities	120,000	527,845	68,000	339,159
	-----	-----	-----	-----
	1,860,000	8,182,034	1,170,000	4,738,839
	=====	=====	=====	=====
Number of persons	1	29	1	16

25.1 Six executives are entitled to free use of Company maintained car. The monetary values are approximately Rs. 465,797/- (1998 - Rs. 363,064/-).

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
26. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Purchases	160,947,756	132,080,465
Sales	15,759,387	6,615,248
Power purchased	82,441,738	85,812,413

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
27. CAPACITY AND PRODUCTION		
Number of spindles installed	38,400	38,400
Number of spindles worked	38,400	38,400
Number of shifts	3	3
Installed annual capacity of yarn after conversion into 20/s count- Kgs.	10,192,052	10,192,052
Actual production of yarn after conversion into 20/s count - Kgs.	14,607,592	14,299,345
	=====	=====

28. EARNING PER SHARE - Basic		
Net profit for the year (Rupees)	41,107,795	83,319,656
Weighted average number of Ordinary shares	17,600,000	17,600,000
Earning per share (Rupees)	2.34	4.73

29. financial INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any significant interest rate risk.

Fair values of financial assets and liabilities

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

30. OWNERS' EQUITY

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

31. GENERAL

- Figures have been rounded off to the nearest Rupees.

- Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of

comparison.

Chief Executive

Director