

Al-Abid Silk Mills Limited

Annual Report 2000

BOARD OF DIRECTORS

Mr. Naseem A. Sattar	Chairman & Chief Executive
Mr. Azim Ahmed	Director
Mr. Amir Naseem	Director
Mrs. Zarina Naseem	Director
Mrs. Sadaf Nadeem	Director
Mrs. Reena Azim	Director
Mrs. Asra Amir	Director
Mr. Nasim Beg	Nominee Director (N.I.T.)
Mr. Muhammad Shafi	Nominee Director (N.I.T.)
Mr. Muhammad Ashraf	Nominee Director (N.I.T.)

SECRETARY

Mr. S. M. Jawed Azam

AUDITORS

Muniff Ziauddin & Company
Chartered Accountants

REGISTRARS

(a) Adam Patel & Co. (Pvt.) Ltd.
34 / 2 - F, Block - 5, Clifton, Karachi.

(b) Gangjees Associates (For C.D.C. Purpose)
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block- 5, Clifton, Karachi.

BANKERS

Habib Bank Limited
Habib Bank A. G. Zurich
Citibank, N.A.
National Bank of Pakistan
Deutsche Bank
Metropolitan Bank Limited

REGISTERED OFFICE

A - 39, S.I.T.E.,
Manghopir Road, Karachi.

MILLS

A - 39,
A-51 /B,
A- 34/A,
D-14/C-1
S.I.T.E., Karachi.

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NOTICE OF MEETING

Notice is hereby given that the 32nd Annual General Meeting of the shareholders of the Company will be held at the Hotel Regent Plaza, Karachi on Saturday, December 23, 2000 at 3.30 p.m. to transact the following business:

1. To confirm the minutes of the 31st Annual General Meeting of the Company held on December 28, 1999.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' reports thereon for the year ended on June 30, 2000.

3. To approve payment of Final Cash Dividend at Rs. 3.00 per share to the shareholders for the year ended on June 30, 2000.

4. To appoint Auditors and fix their remuneration.

5. To approve remuneration of the Directors.

6. To elect eight Directors as fixed by the Board for a term of 3 years in accordance with Section 178 of the Companies Ordinance 1984.

The names of retiring Directors are Messrs Naseem A. Sattar, Azim Ahmed, Amir Naseem, Mrs. Zarina Naseem, Mrs. Sadaf Nadeem, Mrs. Reena Azim and Mrs. Asra Amir.

The following persons being eligible offer themselves for election of Directors U/S 178 of the Companies Ordinance 1984.

- i. Mr. Naseem A. Sattar
- ii. Mr. Azim Ahmed
- iii. Mr. Amir Naseem
- iv. Mrs. Zarina Naseem
- v. Mst. Adia Naseem
- vi. Mrs. Sadaf Nadeem
- vii. Mrs. Reena Azim
- viii. Mrs. Asra Amir

The nominee Directors of NIT appointed U/S 183 are not subject to retirement and they continue to be the nominee Directors of NIT on the Board of the Company under Section 183 of the Companies Ordinance 1984.

7. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

(S. M. JAWED AZAM)
Company Secretary

Karachi: 27th November, 2000.

NOTES:

1. The Share Transfer Books of the Company will remain closed from December 19, 2000 to December 31, 2000 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.

3. Members are requested to promptly notify the Company of any change in their addresses.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or, original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

THIRTY-SECOND ANNUAL REPORT OF THE DIRECTORS

Dear Shareholders,

WELCOME: I welcome you to the 32nd Annual General Meeting of the Company.

PREAMBLE: The accounts for the year are before you indicating the performance of the Company which will be discussed further in the following.

PERFORMANCE: You will note that the total sales of the Company compared to the preceding year have reduced by approximately 3.81%. In spite of growing competition in the international market, we have been able to maintain the export sales. The decrease is attributed mainly to local processing for outside parties which was reported to you already earlier. The profit for the year compared to the preceding year indicates a drop which is largely attributed to the exchange rate between European Currency and Pakistani Rupee. The European Currency has been depleting against the Dollar, accordingly against Rupee continuously after October 1999. The Deutsche Mark was giving Rupee yield in October 1999 of around Rs. 28.74 and in the subsequent half year, it touched the bottom to around Rs. 23.40. This position of exchange rate had two effects on the business activities of the Company. On one side the profit was reduced as yield in Rupee vis-a-vis European currency kept on reducing continuously. On the other hand new inflow of orders which would have helped in increasing the sales also retarded as due to the exchange rate for new orders, prices appeared to be higher for the European buyers. However, things are now gradually settling and we hope that the setback due to the rate of exchange in the preceding year shall be absorbed to a sizeable extent in the months to come. As reported to you also earlier, there is hardly any demand of fabric in the international market, practically everything is exported in the form of made-ups, i.e. stitched articles. To be able to stay in the international market, full attention was given and reported to you on providing stitching facilities to the Company on modern lines. In the present scenario, this has enabled us to stay with our turnover in the international market but at the same time it has increased our stitching expenses as fabric export practically has been replaced by made-ups. In pursuit of expanding export all efforts are being made to open new markets. The Company has made entry in some new markets and it is hoped that with the entry in new markets in the years to come, the export sales would increase substantially provided nothing of extraordinary nature occurs internally or externally, having negative effect.

As mentioned above, the Company will continue to pursue its export expanding policy and in keeping with this policy also in the year under discussion wherever it was required the stitching facilities have been expanded.

DIVIDEND: Profit after tax for the year as you will note is Rs. 42.293 million. We therefore propose Cash Dividend of Rs. 3.00 per share which works out to 42.13% cash distribution of the profit after tax for the year.

REMUNERATION: The remuneration of Directors is proposed to be increased by 35%.

PATTERN OF SHAREHOLDING: The pattern of shareholding as on June 30, 2000 is included in this Annual Report.

EARNING PER SHARE: The earning per share has been given in note 32 to the accounts.

ACKNOWLEDGEMENT: In the end your Directors express recognition for the efforts put in by the workers, staff and executives of the Company. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time, we also thank for the well wishes of our valued shareholders.

Thanks to all of you.

For and on behalf of the Board of Directors

Karachi: 27th November, 2000.

NASEEM A. SATTER
Chairman & Managing Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABID SILK MILLS LIMITED as at 30 June 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 and profit and loss account and cash flow statement 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 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

MUNIFF ZIAUDDIN & CO.
Chartered Accountants

KARACHI: 27th November, 2000.

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised Capital			
10,000,000 Ordinary Shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	59,400,000	59,400,000
Reserves			
Capital reserve	4	39,600,000	39,600,000
Unappropriated profit		202,156,974	177,683,401
		-----	-----
		241,756,974	217,283,401
		-----	-----
	5	301,156,974	276,683,401
LONG TERM LOANS	6	64,543,639	67,990,889
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	46,453,458	56,872,100
DEFERRED LIABILITIES	8	15,536,013	14,426,470
CURRENT LIABILITIES AND PROVISIONS			
Short term finances	9	692,901,199	644,434,723
Current maturity of long-term loans and finances	10	19,151,063	24,692,859
Creditors, accrued charges and other liabilities	11	374,065,360	357,698,018
Dividends	12	17,882,750	23,838,546
		-----	-----
		1,104,000,372	1,050,664,146
CONTINGENCIES AND COMMITMENTS	13	--	--
		-----	-----
		1,531,690,456	1,466,637,006
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: 27th November, 2000.

FIXED CAPITAL EXPENDITURE			
Operating fixed assets	14	459,192,215	451,281,212
Capital work-in-progress	15	--	5,030,190
		-----	-----
		459,192,215	456,311,402
ADVANCE FOR SHARES	16	1,028,745	1,027,545
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST	17	2,070,454	2,356,905
CURRENT ASSETS			
Stores and spares	18	70,342,442	65,717,491
Stock-in-trade	19	804,514,728	760,089,635
Trade debtors	20	30,617,386	27,804,589
Advances, deposits and prepayments	21	49,957,656	68,455,904
Other receivables	22	76,732,648	59,968,156
Cash and bank balances	23	37,234,182	24,905,379
		-----	-----
		1,069,399,042	1,006,941,154
		-----	-----
		1,531,690,456	1,466,637,006
		=====	=====

NASEEM A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

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

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Sales and services	24	1,601,685,525	1,665,150,607
Cost of sales	25	1,348,117,347	1,410,141,328
		-----	-----
GROSS PROFIT		253,568,178	255,009,279
OPERATING EXPENSES			
Administrative	26	63,909,066	60,042,482
Selling and distribution	27	35,928,972	34,446,387
		-----	-----
		99,838,038	94,488,869
OPERATING PROFIT		153,730,140	160,520,410
Other income	28	3,435,269	3,205,680
		-----	-----
		157,165,409	163,726,090
Financial charges	29	102,746,205	94,786,242
Other Charges	30	2,720,960	3,446,992
		-----	-----
		105,467,165	98,233,234
Profit before taxation		51,698,244	65,492,856
Taxation	31	(9,404,671)	(10,020,931)
		-----	-----
Profit after taxation		42,293,573	55,471,925
Unappropriated profit brought forward		177,683,401	145,971,476
		-----	-----
		219,976,974	201,443,401
APPROPRIATION			
Proposed dividend Rs. 3.00 per share (1999: Rs. 4.00 per share)		17,820,000	23,760,000
		-----	-----
Unappropriated profit carried forward		202,156,974	177,683,401
		=====	=====
Basic Earning Per Share	32	7.12	9.34
		=====	=====

The annexed notes form an integral part of these accounts.

NASEEM A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
FUNDS PROVIDED FROM OPERATION		
Profit after taxation	42,293,573	55,471,925
Adjustment of items not involving movement of funds		
Depreciation	50,756,030	49,879,635
Provision for gratuity - net	172,416	2,310,083
Provision for deferred tax	937,127	--
Profit on disposal of fixed assets	(1,896,872)	(896,193)
	-----	-----
	92,262,274	106,765,450
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores and spares	(4,624,951)	(16,866,809)
Stock-in-trade	(44,425,093)	(158,543,345)
Trade debtors	(2,812,797)	15,617,519
Advances, deposits and prepayments	18,498,248	(16,852,303)
Other receivables	(16,764,492)	39,665,944
	-----	-----
	(50,129,085)	(136,978,994)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Short term finances	48,466,476	168,998,148
Creditors, accrued charges and other liabilities	16,367,342	(18,549,963)
	-----	-----
	64,833,818	150,448,185
NET CASH INFLOW FROM OPERATING ACTIVITIES		
	106,967,007	120,234,641
CASH FLOW FROM INVESTING ACTIVITIES		
Advance for shares	(1,200)	(3,000)
Capital expenditure	(54,911,956)	(151,291,901)
Proceeds from disposal of fixed assets	3,171,985	2,136,254
Long term deposits and deferred cost	286,451	(721,450)
	-----	-----
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(51,454,720)	(149,880,097)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from obligation under finance lease	11,451,176	72,845,450
Payments of obligation under finance lease	(27,411,614)	(27,148,482)
Long term loans acquired	(3,447,250)	(652,018)
Dividends paid	(23,775,796)	(4,628,867)
	-----	-----
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(43,183,484)	40,416,083
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	12,328,803	10,770,627
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	24,905,379	14,134,752
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37,234,182	24,905,379
	=====	=====

NASEEM A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. COMPANY AND ITS BUSINESS

The company was incorporated in the year 1968 as a Private Limited Company and was converted into Public Limited Company on 24th December, 1987 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and garments made-up.

2. ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION

These accounts have been prepared on the basis of "historical cost" convention.

2.2 STAFF GRATUITY

The Company operates an unfunded gratuity scheme covering all employees (excluding managerial staff). Full provision is made in these accounts for gratuity payable to employees as per law.

2.3 TAXATION

Current

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

Deferred

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

2.4 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

a. Operating fixed assets are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

b. Depreciation is charged to income applying the reducing balance method without considering extra shifts worked.

c. No depreciation is charged on assets disposed off during the year while charge for the full year is made on additions during the year.

d. Minor renewals, replacements, maintenance and repairs are charged to expense. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

2.5 ACCOUNTING FOR LEASES

The Company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payments under the lease agreement and the fair value of assets. Finance charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is provided at the rates applicable to operating fixed assets.

2.6 CAPITALIZATION OF BORROWING COST

Borrowing cost on loans obtained for acquisition of plant and machinery for the period till commissioning of production is capitalized.

2.7 STORES AND SPARES

These are valued at cost using the moving average method.

2.8 STOCK-IN-TRADE

Stock of raw materials, work-in-process and finished goods are valued at lower of moving average cost and net realizable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.9 INVESTMENTS

These are valued at cost.

2.10 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted into rupees at the rates of exchange prevailing on the date of transaction. Exchange gains and losses are included in income currently.

2.11 REVENUE RECOGNITION

Sale of goods and services are recognized on despatch of goods to customers or on the performance of services.

2000 1999
Rupees Rupees

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary Shares of Rs. 10/- each

3,160,000 Issued for cash	31,600,000	31,600,000
2,780,000 Issued as bonus shares	27,800,000	27,800,000
-----	-----	-----
5,940,000	59,400,000	59,400,000
=====	=====	=====

4. CAPITAL RESERVE

Premium on Right Shares	39,600,000	39,600,000
	=====	=====

5. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as at June 30, 1998	59,400,000	39,600,000	145,971,476	244,971,476
Profit after tax for the year ended June 30, 1999	--	--	55,471,925	55,471,925
Dividend	--	--	(23,760,000)	(23,760,000)
Balance as at June 30, 1999	59,400,000	39,600,000	177,683,401	276,683,401
Profit after tax for the year ended June 30, 2000	--	--	42,293,573	42,293,573
Dividend	--	--	(17,820,000)	(17,820,000)
Balance as at June 30, 2000	59,400,000	39,600,000	202,156,974	301,156,974
	=====	=====	=====	=====

2000
Rupees

1999
Rupees

6. LONG TERM LOANS

Director's Loan

Mr. Naseem A. Sattar	64,543,639	67,990,889
	=====	=====

No mark-up has been charged on the above loan.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as at 30-06-2000 (1999: 30-06-1999)	65,604,521	81,564,959
Payable within the following twelve months	(19,151,063)	(24,692,859)
	-----	-----
	46,453,458	56,872,100
	=====	=====

7.1 The amounts of future payments and the periods during which they will fall due are:

Year ending 30th June		
2000-2001 (1999: 1999-2000)	30,826,215	39,358,157
2001 - 2004 (1999: 1999 - 2004)	59,537,501	79,056,676
	-----	-----
	90,363,716	118,414,833
Less: Finance charges not yet due	24,759,195	36,849,874
	-----	-----
	65,604,521	81,564,959
	=====	=====
Classified as under:		
Long term obligation	46,453,458	56,872,100
Current obligation	19,151,063	24,692,859
	-----	-----
	65,604,521	81,564,959
	=====	=====

7.2 Payments under leases includes financial charges at the rates ranging between 19.50% and 21.50% per annum.

Leases carry renewal option at the end of the lease period. There are no financial restrictions in the lease agreements.

8. DEFERRED LIABILITIES

Staff and workers gratuity		14,598,886	14,426,470
Deferred Taxation		937,127	--
		-----	-----
		15,536,013	14,426,470
		=====	=====

9. SHORT TERM FINANCES

Finance utilized under mark-up arrangement	(9.1)	23,176,978	--
Export Refinance I- H.B.L.	(9.2)	--	129,792,052
Export Refinance II - H.B.L.	(9.2)	485,000,000	305,000,000
Export Refinance I - Citi Bank	(9.3)	39,978,900	39,542,000
Export Refinance II - Citi Bank	(9.3)	50,000,000	50,000,000
Export Refinance I - H.B. AG Zurich	(9.4)	--	9,895,000
Export Refinance II- H.B. AG Zurich	(9.4)	60,000,000	50,000,000
FIM account	(9.5)	22,744,685	30,505,974
Cash Finance Account	(9.5)	12,000,636	29,699,697
		-----	-----
		692,901,199	644,434,723
		=====	=====

9.1 The finance has been obtained from Habib Bank Limited on mark-up basis at the rate of 48 paisas (1999: at the rate of 48 Paisas) per thousand per day.

The arrangement is secured against equitable mortgage of Plot No. A - 51 / B with building and machinery thereon and hypothecation of stocks.

9.2 The loan is secured against different contracts / LCs of Export and hypothecation of Stocks.

9.3 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against charge on Trade Debtors.

9.4 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against legal and equitable mortgage of plot No. A - 34/A with building and machinery installed thereon.

9.5 These are secured against pledge of stocks and stores.

10. CURRENT MATURITY OF LONG-TERM LOANS AND FINANCES

Liabilities against assets subject to finance lease		19,151,063	24,692,859
		=====	=====

11. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade creditors		124,175,773	73,299,653
Other creditors		47,072,264	40,282,568
Accrued liabilities		16,823,680	17,720,248
Workers' profit participation fund	(11.1)	6,267,251	6,840,185
Workers' welfare fund		--	13,890
Deposits from contractors	(11.2)	1,799,335	882,485
Due to associated undertakings		--	2,663,549
Bills payable under D/A		162,306,953	210,385,536
Mark-up accrued on export refinance loan		13,199,201	3,278,823
Mark-up accrued on Cash credit, FIM & Running Finance		895,115	1,077,789
Mark-up accrued on Lease finance		718,034	901,072
Advance from customers		452,669	--
Other liabilities		355,085	352,220
		-----	-----
		374,065,360	357,698,018
		=====	=====

11.1 Workers' profit participation fund

Opening balance		6,840,185	6,870,910
Interest on W.P.P.F.		153,098	358,983
		-----	-----
		6,993,283	7,229,893
Paid during the year		3,446,992	3,836,700
		-----	-----
		3,546,291	3,393,193
Provision for the year		2,720,960	3,446,992
		-----	-----
		6,267,251	6,840,185
		=====	=====

Interest is charged @ 10.50% (1999: 10.50%) per annum on outstanding balance.

11.2 This represents 7% security deposits retained from contractors bills.

12. DIVIDENDS

Unclaimed	62,750	78,546
Proposed	17,820,000	23,760,000
	-----	-----
	17,882,750	23,838,546
	=====	=====

13. CONTINGENCIES AND COMMITMENTS

13.1 Outstanding liabilities under documentary credit	9,876,100	23,646,700
	=====	=====

13.2 Income tax demands relating to the assessment year 1997- 1998 to 1999- 2000 not accepted by the company, currently under appeal amounted to Rs. 6.37 million. The management of the company is confident that on merits of the case the final outcome will be in favour of the Company, therefore no provision has been made in these accounts.

14. STATEMENT OF OPERATING FIXED ASSETS

	<i>COST AS AT 01-07-1999</i>	<i>ADDITIONS/ (DELETIONS) *ADJUSTMENTS</i>	<i>COST AS AT 30-06-2000</i>	<i>ACCUMULATED DEPRECIATION AS AT 01-07-1999</i>	<i>CHARGE FOR THE YEAR/ (DELETIONS)/ *ADJUSTMENTS</i>	<i>ACCUMULATED DEPRECIATION AS AT 30-06-2000</i>	<i>WRITTEN DOWN VALUE AS AT 30-06-2000</i>	<i>RATE %</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	
Land - Leasehold	16,408,214	--	16,408,214	--	--	--	16,408,214	--
Buildings on leasehold land	135,455,559	18,132,411	153,587,970	51,763,031	10,182,494	61,945,525	91,642,445	10
Plant, machinery and equipments	401,620,116	13,964,367 (4,784,494) *33,400,000	444,199,989	221,672,116	21,426,161 (3,952,638) *12,218,905	251,364,544	192,835,445	10
Furniture, fixtures and ancillary equipments	36,229,625	8,792,388	45,022,013	13,186,389	3,183,562	16,369,951	28,652,062	10
Office equipments	14,370,226	2,077,723 (40,000)	16,407,949	5,359,734	1,106,696 (18,742)	6,447,688	9,960,261	10
Electric, gas and other installations	37,358,439	4,544,790	41,903,229	16,246,786	2,565,644	18,812,430	23,090,799	10
Vehicles	21,855,541	979,291 (1,370,820)	21,464,012	13,211,487	1,840,269 (948,821)	14,102,935	7,361,077	20
Sub Total	663,297,720	48,490,970 (6,195,314) *33,400,000	738,993,376	321,439,543	40,304,826 (4,920,201) *12,218,905	369,043,073	369,950,303	
ASSETS UNDER FINANCE LEASE								
Machinery	137,050,000	9,223,176 *(33,400,000)	112,873,176	30,217,885	9,487,420 *(12,218,905)	27,486,400	85,386,776	10
Vehicles	3,404,450	2,228,000	5,632,450	813,530	963,784	1,777,314	3,855,136	20
Sub Total	140,454,450	11,451,176 *(33,400,000)	118,505,626	31,031,415	10,451,204 *(12,218,905)	29,263,714	89,241,912	
TOTAL 2000	803,752,170	59,942,146 (6,195,314)	857,499,002	352,470,958	50,756,030 (4,920,201)	398,306,787	459,192,215	
TOTAL 1999	639,311,095	166,556,589 (2,117,514)	803,752,170	303,468,776	49,879,635 (877,453)	352,470,958	451,261,212	

2000
Rupees

1999
Rupees

14.1 The depreciation charge for the year has been allocated as follows:

Factory over head	(25.2)	44,924,805	44,697,663
Administrative	(26)	5,831,225	5,181,972
		50,756,030	49,879,635
		=====	=====

14.2 DISPOSAL OF FIXED ASSETS

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Sale Proceeds</i>	<i>Profit/ (Loss)</i>	<i>Mode of Disposal</i>	<i>Particulars of Purchaser</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>		
VEHICLES							
Suzuki Mehran (REGD. NO. F - 8648)	170,000	147,183	22,817	125,000	102,183	Insurance claim	EFU General insurance Ltd.
Suzuki Mehran (REGD. NO. ACE - 582)	331,790	66,358	265,432	331,790	66,358	Insurance claim	EFU General Insurance Ltd.
Toyota Corolla (REGD. NO. L - 3301)	585,000	522,186	62,814	127,119	64,305	Negotiation	Mr. Bilal A. Shaikh C-19, Nazir Bungalows, Gulisten-e-Jauhar, Karachi.
Mazda (REGD. NO. JX - 0814)	92,500	90,834	1,666	112,288	110,622	Negotiation	Mr. M. Aslam & Bros. SC-3, Chandni Chowk, Main University Road, Karachi.
Toyota Coaster (REGD. NO. JX - 0612)	72,330	71,796	534	112,288	111,754	Negotiation	Mr. M. Aslam & Bros. SC-3, Chandni Chowk, Main University Road, Karachi.
Honda CD- 70 (REGD. NO. KAR - 3613)	60,200	21,672	38,528	58,000	19,472	Insurance claim	EFU General Insurance Ltd.
Honda CD- 70 (REGD. NO. KCC - 1656)	59,000	28,792	30,208	501000	19,792	Insurance claim	EFU General Insurance Ltd.
MACHINERY							
Rotary Printing Machine	4,163,726	3,572,427	591,299	2,000,000	1,408,701	Negotiation	M/s. Magna Textile Industries (Pvt) Ltd. P-15, Rail Bazar, Jaranwala, Faisalabad.
Steam Ager	542,768	309,124	233,644	240,000	6,356	Negotiation	Mr. Mohd Babar Khan AF 84 Al-Fateh Colony, Bara Board, Karachi.
Steam Ager	78,000	71,087	6,913	10,000	3,087	Negotiation	Mr. Mohd Babar Khan AF 84 Al-Fateh Colony, Bara Board, Karachi.
OFFICE EQUIPMENT							
Fax Machine WE 150	40,000	18,742	21,258	5,500	(15,758)	Negotiation	M/s. Jaffer Brothers (Pvt) Ltd. Jaffer Chambers, 27 Abdullah Road, Karachi.
TOTAL	6,195,314	4,920,201	1,275,113	3,171,985	1,896,872		

2000
Rupees

1999
Rupees

15. CAPITAL WORK-IN-PROGRESS

Building and civil works	--	5,030,190
--------------------------	----	-----------

16. ADVANCE FOR SHARES

1,028,745	1,027,545
-----------	-----------

This represents advance for shares paid to Sattar Spinning Limited, an associated company. However no shares were issued to the Company till the date of reporting the balance sheet.

17. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

Deposits		
Security deposits	2,070,454	1,676,905
Deposits against lease	--	680,000
	2,070,454	2,356,905

18. STORES AND SPARES

Stores	20,346,690	18,492,647
Spares	49,995,752	47,224,844
	-----	-----
	70,342,442	65,717,491
	=====	=====

19. STOCK-IN-TRADE

Raw materials	379,012,515	285,767,272
Work-in-process	295,036,346	402,534,915
Finished goods	130,465,867	71,787,448
	-----	-----
	804,514,728	760,089,635
	=====	=====

20. TRADE DEBTORS

Secured	8,957,278	20,400,532
Unsecured- considered good	21,660,108	7,404,057
	-----	-----
	30,617,386	27,804,589
	=====	=====

Trade debts includes due from associated undertakings amounting to Rs. 13.14 million (1999: Nil)

21. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances		
To staff and workers	1,777,756	1,781,713
Income tax	18,669,627	36,236,786
Against import expenses	5,532,367	9,144,452
For supplies and expenses	8,465,062	8,613,212
Deposits	5,657,685	4,893,995
Prepayments	9,855,159	7,785,746
	-----	-----
	49,957,656	68,455,904
	=====	=====

22. OTHER RECEIVABLES

Duty drawback	46,140,093	28,673,856
Sales tax	28,724,640	28,845,571
Export Development Surcharge	577,908	1,009,408
Others	1,290,007	1,439,321
	-----	-----
	76,732,648	59,968,156
	=====	=====

23. CASH AND BANK BALANCES

Cash in hand	334,632	1,480,197
Cash with banks - saving account	16,483,051	8,413,347
- current account	19,411,851	14,007,187
P.L.S. TDRs	1,004,648	1,004,648
	-----	-----
	37,234,182	24,905,379
	=====	=====

24. SALES AND SERVICES

Sales		
Export sales	1,496,485,491	1,497,166,174
Local sales	53,256,037	48,238,645
	-----	-----
	1,549,741,528	1,545,404,819
	-----	-----
Services		
Cloth processing - Printing and dyeing	63,301,659	137,292,074
Stitching - Bedsets, Curtains and Garments	6,000,720	5,619,129
	-----	-----
	69,302,379	142,911,203
	-----	-----
	1,619,043,907	1,688,316,022
Less: Commission and brokerage	17,358,382	23,165,415
	-----	-----
	1,601,685,525	1,665,150,607
	=====	=====

25. COST OF SALES

Cost of materials consumed (25.1)	1,054,983,331	1,240,787,514
Salaries and wages	90,561,991	93,557,329
Factory overheads (25.2)	258,876,582	270,299,820

	1,404,421,904	1,604,644,663
Work-in-process		
Opening stock	402,534,915	287,207,775
Closing stock	(295,036,346)	(402,534,915)
	107,498,569	(115,327,140)
Cost of goods manufactured	1,511,920,473	1,489,317,523
Finished goods		
Opening stock	71,787,448	69,756,125
Closing stock	(130,465,867)	(71,787,448)
	(58,678,419)	(2,031,323)
	1,453,242,054	1,487,286,200
Less: Duty Drawback	105,124,707	77,144,872
	1,348,117,347	1,410,141,328
	=====	=====
25.1 Cost of Materials Consumed		
Dyes and chemicals	186,545,265	260,337,567
Production stores and Packing material	102,624,505	92,742,719
Grey cloth	765,157,112	884,320,020
Finished cloth	656,449	3,387,208
	1,054,983,331	1,240,787,514
	=====	=====
25.2 Factory Overheads		
Insurance premium	5,947,748	5,071,313
Repairs and maintenance	17,482,521	21,455,469
Rent, rates and taxes	2,666,919	3,425,508
Heat, light and power	88,916,991	99,629,027
Water consumption charges	8,991,882	9,177,819
Boiler expenses	908,523	941,513
Service charges	2,318,673	6,820,779
Checking, mending, stitching and packing charges	5,406,710	5,597,208
Coolie, cartage and freight	39,993,733	40,676,062
Cloth cutting and stitching charges	41,318,077	32,807,459
Depreciation	44,924,805	44,697,663
	258,876,582	270,299,820
	=====	=====
26. ADMINISTRATIVE EXPENSES		
Directors' remuneration	4,903,956	3,692,010
Salaries and benefits	18,449,105	18,068,921
Staff welfare	1,245,804	1,518,881
Electric charges	4,634,913	4,955,333
Travelling	9,683,592	7,366,317
Car maintenance	5,913,237	5,441,692
Conveyance	170,071	191,343
Entertainment	1,083,976	1,064,750
Printing and stationery	2,421,249	2,720,762
Postage, telegram, telephone and telex	3,687,009	3,373,752
Legal and professional	1,604,424	1,971,915
Auditors' remuneration (26.1)	85,000	85,000
Advertisement	451,290	555,495
Subscription and fees	1,214,776	1,219,953
Charity and donation (26.2)	18,000	280,868
Insurance premium	1,936,771	1,899,901
Service contracts	385,656	204,352
Miscellaneous	189,012	249,265
Depreciation	5,831,225	5,181,972
	63,909,066	60,042,482
	=====	=====
26.1 Auditors' remuneration		
Audit fee	85,000	85,000
	=====	=====

26.2 Charity and donation

None of the Directors or their spouses had any interest in donee's fund.

27. SELLING AND DISTRIBUTION EXPENSES

Packing and forwarding	14,354,805	16,618,057
Publicity	7,888,634	7,957,766
Samples lab testing and other charges	1,893,317	1,013,458
Postage, courier and stamps	6,624,571	3,868,106
Entertainment	925,369	864,295
Export development tax	4,242,276	4,124,705
	-----	-----
	35,928,972	34,446,387
	=====	=====

28. OTHER INCOME

Sales of scrap	1,071,903	1,384,759
Profit / (Loss) on Sale of Stocks	(58,343)	--
Profit on TDRs	524,837	924,728
Profit on disposal of fixed assets	1,896,872	896,193
	-----	-----
	3,435,269	3,205,680
	=====	=====

29. FINANCIAL CHARGES

Bank charges, mark-up and commission	25,279,573	28,781,166
Mark-up on cash credit account	4,563,795	4,807,460
Mark-up on F IM account	4,072,281	6,372,510
Mark-up on short term running finance	2,574,568	3,758,894
Mark-up on export refinance loans	50,874,416	40,017,141
Lease finance charges	15,228,474	10,690,088
Interest on W.P.P.F.	153,098	358,983
	-----	-----
	102,746,205	94,786,242
	=====	=====

30. OTHER CHARGES

Workers' profit participation fund	2,720,960	3,446,992
	=====	=====

31. TAXATION

Current	8,418,828	8,619,001
Prior	48,716	1,401,930
	-----	-----
	8,467,544	10,020,931
Deferred	937,127	--
	-----	-----
	9,404,671	10,020,931
	=====	=====

32. BASIC EARNING PER SHARE

Profit after tax	42,293,573	55,471,925
	=====	=====
Number of Shares	5,940,000	5,940,000
	=====	=====
Basic Earning Per Share	7.12	9.34
	=====	=====

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Remuneration	2,126,184	1,600,722	1,255,860	945,492	12,163,336	8,373,322
House rent	956,784	720,330	565,128	425,466	4,607,069	3,474,646
Utilities	--	--	--	--	854,119	368,764
	-----	-----	-----	-----	-----	-----
Number of persons	1	1	2	2	68	57
	=====	=====	=====	=====	=====	=====

33 (i) The Chief Executive and Directors are provided with free use of the company maintained cars and residential telephones for business and personal use, certain executives are also provided with free use of Company maintained cars.

33 (ii) REMUNERATION TO OTHER DIRECTORS

Aggregate amount charged in the accounts for Board Meeting fee to non - executive Directors was Rs. 38,000/- (1999: Rs. 36,500).

33 (iii) Number of Employees as at June 30, 2000 were 1,159 (1999: No. 1,186)

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 21,577,176/- (1999: Rs. 10,578,188).

	2000 Rupees	1999 Rupees
Sales, processing charges, services and charges recovered	64,408,893	60,329,764
Purchases, services and charges	656,449	3,387,208

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest/mark-up rate risk exposure

The company's exposure to interest / mark-up rate risk and the effective rates on its financial assets and liabilities as at June 30, 2000 are summarized as follows:

(i) Financial assets and liabilities

	<i>Interest/Mark-up bearing</i>			<i>Non-Interest/Mark-up bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
Financial assets							
Advance for Shares	--	--	--	--	1,028,745	1,028,745	1,028,745
Long term deposits	--	--	--	--	2,070,454	2,070,454	2,070,454
Trade Debtors	--	--	--	30,617,386	--	30,617,386	30,617,386
Advance and Deposits (excluding income tax)	--	--	--	21,432,870	--	21,432,870	21,432,870
Other receivable (excluding duties & taxes)	--	--	--	1,867,915	--	1,867,915	1,867,915
Cash and bank balances	16,483,051	1,004,648	17,487,699	19,746,483	--	19,746,483	37,234,182
	-----	-----	-----	-----	-----	-----	-----
	16,483,051	1,004,648	17,487,699	73,664,654	3,099,199	76,763,853	94,251,552
	-----	-----	-----	-----	-----	-----	-----
Financial liabilities							
Long term loans	--	--	--	--	64,543,639	64,543,639	64,543,639
Liabilities against assets subject to finance lease	19,151,063	46,453,458	65,604,521	--	--	--	65,604,521
Short-term Finances	692,901,199	--	692,901,199	--	--	--	692,901,199
Creditors accrued and other Liabilities	--	--	--	374,065,360	--	374,065,360	374,065,360
Dividends	--	--	--	17,882,750	--	17,882,750	17,882,750
	-----	-----	-----	-----	-----	-----	-----
	712,052,262	46,453,458	758,505,720	391,948,110	64,543,639	456,491,749	1,214,997,469
	=====	=====	=====	=====	=====	=====	=====

Interest / mark-up Rates Risk

The effective Interest Rates as at June 30, 2000 for the financial instruments are as follows

Assets		
Bank Balances	8.00 - 13.00	per cent
Liabilities		
Running finance	17.50	per cent
Export refinance	8.00	per cent
Liability against assets subject to finance lease	19.50 - 21.50	per cent

(ii) Concentration of Credit risk

Credit Risk represents the Accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risk.

(iii) Foreign exchange risk management

Foreign currency arises mainly when receivables and payables exists due to sales and purchase transaction with foreign undertakings. As at June 30, 2000 the total foreign currency risk exposure was Rs. 18.84 million of which Rs. 9.88 million relates to liabilities under documentary credit and Rs. 8.96 million relates to trade debtors.

(iv) Fair value of the financial instruments

The carrying value of all the financial instruments in the financial statements approximates their fair value.

36. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as it depends upon the process, the quality of cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights.

37. GENERAL

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

NASEEMA A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

**PATTERN OF SHARE HOLDINGS
AS AT JUNE 30, 2000**

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARE HOLDERS</i>		<i>TOTAL SHARES</i>
	<i>From</i>	<i>To</i>	
92	1	--	100
67	101	--	500
51	501	--	1,000
2	1,001	--	5,000
4	5,001	--	10,000
4	10,001	--	15,000
4	15,001	--	20,000
1	20,001	--	25,000
2	45,001	--	50,000
1	90,001	--	95,000
1	185,001	--	190,000
1	195,001	--	200,000
1	340,001	--	345,000
1	480,001	--	485,000
1	1,100,001	--	1,105,000
1	1,270,001	--	1,275,000
1	1,935,001	--	1,940,000
-----			-----
235	TOTAL		5,940,000
=====			=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
1. Individuals	229	3,781,690	63.67
2. Joint Stock Companies	3	1,275	0.02
3. Financial Institutions	3	2,157,035	36.31
	-----	-----	-----
Total	235	5,940,000	100.00
	=====	=====	=====