

Zainab Textile Mills Limited

Annual Report 2000

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
Chairman
Mohammad Waseem Mukhtar
(Chief Executive)
Sheikh Mohammad Yaseen
Mohammad Naeem Mukhtar
Atif Yaseen
Ghazala Naeem
Bina Sheikh
Kemal Shoaib
(NIT Nominee)

Secretary

Anwarul Haque
B. Com., FCA

Auditors

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

Tax Consultants

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

Information Technology Consultants

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

Registered Office

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

Bankers

Faysal Bank Limited
United Bank Limited

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 14th Annual General Meeting of the shareholders of the Company will be held on March 31, 2001 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 September 30, 2000 together with Directors' and Auditors' reports thereon.
3. To consider and approve issue of stock dividend @ 15% as recommended by the Board of Directors.
4. To appoint Auditors for the next year 2000-2001 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 consider and if deemed fit to pass with or without modifications the following resolutions as Special Resolutions:

"RESOLVED that the Authorized Capital of the company be and is hereby increased from Rs. 200 million divided into 20 million ordinary shares of Rs. 10/- each to Rs. 300 million divided into 30 million ordinary shares of Rs. 10/- each:

"RESOLVED that clause V of the Memorandum of Association and Clause 4 of the Articles of Association be and are hereby amended accordingly."

Amended Clause V of the Memorandum of Association

The authorized capital of the Company is Rs.300,000,000/- (Rupees Three Hundred Million) divided into 30,000,000 (thirty million) ordinary shares of Rs. 10/- each with powers to increase, reduce, subdivide, consolidate or reorganize the capital and to divide the shares in the capital of the company into several classes in accordance with the provisions of the Companies Ordinance, 1984.

Amended Clause 4 of the Articles of Association

The Share Capital of the Company is Rs. 300,000,000/- (Rupees Three Hundred Million) divided into 30,000,000 (Thirty Million) ordinary shares of Rs. 10/- each. The Company has powers from time to time to increase, consolidate, subdivide, reduce or otherwise reorganize its share capital and to divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984.

Statement Under Section 160 of the Companies Ordinance, 1984.

The present authorized capital of the company is Rs. 200 million as per Clause V of Memorandum of Association and Clause 4 of the Articles of Association. It is necessary to increase the authorized capital from Rs. 200 million to Rs. 300 million as the paid up capital of the company is already Rs. 176 million and after the issue of stock dividend @ 15% it will be Rs.202.400 million. The Directors of the company have no special interest in the said increase.

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

By order of the Board

Dated: February 15, 2001

Lahore

ANWAR UL HAQUE

Company Secretary

Notes:

i) The share transfer books of the Company shall remain closed from 22-03-2001 to 31-03-2001 (both days inclusive) to determine the names of members entitled to receive stock dividend and to attend the meeting. Transfers received in order at the Shares Registration Office of the company at the close of business on 21-03-2001 will be treated in time.

ii) A member entitled to attend and vote at the meeting may appoint another member as his/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 1 -A, Ahmed Block, New Garden Town, Lahore.

Directors' Report to the Shareholders

The Directors of your company are pleased to present before you the 14th Audited Annual Report of the company for the year ended September 30, 2000.

PRODUCTION PERFORMANCE

Your company has manufactured 9,246 Tons of different counts of blended yarns as compared to 8,537 Tons during the previous year. The company continued to produce Polyester Viscose Yarns and Pure Viscose Yarns of different counts. The market for these types of blended yarns remained bullish throughout the year and its prices were more attractive. The yarn being manufactured by your Company has good market demand and better selling prices due to consistency in quality.

A comparative quantitative detail of production of yarns is as follows:

<i>Type of Yarn</i>	<i>Production</i>	
	<i>2000</i>	<i>1999</i>
	<i>Kgs.</i>	<i>Kgs.</i>
Polyester / Viscose Yarn	5,017,298	4,359,414
Viscose Yarn	4,228,208	3,950,176
Polyester Yarn	--	227,571
	-----	-----
	9,245,506	8,537,161
	=====	=====

FINANCIAL RESULTS

During the year under review your company has generated sales revenue of Rupees 992 million, being 27% higher than previous year's sales of Rupees 782 million. The gross profit also increased by 69% to Rupees 143 million from Rupees 85 million, and the company has earned net profit after tax of Rupees 61 million as compared to Rupees 41 million earned during the previous year thus showing an increase of 49%.

The financial results are summarized hereunder:-

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Gross Profit	143,353,958	84,901,534
Other Income	8,487,186	7,490,292
	-----	-----
Operating Expenses	151,841,144	92,391,826
	28,132,411	25,063,937
	-----	-----

Operating Profit	123,708,733	67,327,889
Financial and Other charges	57,102,421	22,053,006
Profit before Taxation	66,606,312	45,274,883
Provision for Taxation	5,548,368	4,167,088
Profit after Taxation	61,057,944	41,107,795
Unappropriated profit brought forward	36,576	528,781
Profit available for appropriation	61,094,520	41,636,576

STOCK DIVIDEND

Your Directors are pleased to recommend issue of stock dividend @ 15% against profit for the year ended September 30, 2000.

APPROPRIATIONS:

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Transfer to capital reserve for issue of stock dividend @ 15% (1999 -	26,400,000	--
Cash dividend @ NIL (1999 - @ 10%)	--	17,600,000
Transfer to general reserve	34,600,000	24,000,000
	61,000,000	41,600,000
Unappropriated profit carried forward	94,520	36,576
Earning per share	3.47	2.34

GENERAL OVERVIEW

There are visible signs of a turn around in the textile spinning sector during current financial year and we hope that this trend will continue.

AUDITORS

The present auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants retire and being eligible, consented for re-appointment for the next financial year 2000-2001.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is annexed.

ACKNOWLEDGEMENT

The management is thankful and wish to place on record its 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

Dated: February 15, 2001
Lahore

MOHAMMAD WASEEM MUKHTAR
Chief Executive

**Pattern of Shareholding
as at September 30, 2000**

<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>	

245	101	500	96,600	0.5489
220	501	1000	212,967	1.2100
250	1001	5000	714,733	4.0610
48	5001	10000	381,800	2.1693
23	10001	15000	278,500	1.5824
3	15001	20000	51,100	0.2903
4	20001	25000	92,000	0.5227
3	25001	30000	81,700	0.4642
3	30001	35000	97,500	0.5540
1	50001	55000	51,500	0.2926
1	55001	60000	55,500	0.3153
1	60001	65000	63,000	0.3580
1	100001	105000	100,500	0.5710
6	110001	115000	678,600	3.8557
2	135001	140000	280,000	1.5909
3	225001	230000	678,800	3.8568
1	290001	295000	293,500	1.6676
2	295001	300000	600,000	3.4091
5	450001	455000	2,262,100	12.8528
2	565001	570000	1,131,000	6.4261
1	695001	700000	697,800	3.9648
2	870001	875000	1,745,200	9.9159
2	940001	945000	1,888,400	10.7295
1	1495001	1500000	1,500,000	8.5227
1	3556001	3561000	3,556,100	20.2051

942			17,600,000	100.0000
=====				

Categories of Shareholders

<i>Particulars</i>	<i>Number of Shareholders</i>	<i>Number of Shares held</i>	<i>Percentage</i>
Individuals	915	13,220,600	75.117
Financial Institutions	5	3,864,100	21.955
Joint Stock Companies	20	500,300	2.843
Investment Companies	1	10,000	0.057
Others	1	5,000	0.028

	942	17,600,000	100.0000
=====			

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zainab Textile Mills Limited** as at September 30, 2000 and the related profit and loss account, statement of changes in equity and 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 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 amount 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, statement of changes in equity 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 September 30, 2000 and of the profit, changes in equity and its cash flows 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 under Section 7 of that Ordinance.

Dated: February 15, 2001.
Faisalabad.

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

Balance Sheet as at September 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</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
Capital reserve	3	26,400,000	--
General reserve		58,600,000	24,000,000
Unappropriated profit		94,520	36,576
		----- 261,094,520	----- 200,036,576
LONG TERM LOANS	4	130,000,000	300,000,000
DEFERRED LIABILITY			
Staff retirement gratuity		14,376,572	11,631,009
CURRENT LIABILITIES			
Current portion of long term Loans		70,000,000	50,000,000

Creditors, accrued and other liabilities	5	29,297,048	27,258,802
Taxation		9,713,785	8,648,961
Dividend	6	456,093	18,405,839
		-----	-----
		209,466,926	104,313,602
CONTINGENCIES AND COMMITMENTS	7	--	--
		-----	-----
		614,938,018	615,981,187
		=====	=====

The annexed notes from 1 to 29 form an integral part of these accounts.

Chief Executive

OPERATING ASSETS	8	364,351,761	403,347,993
LONG TERM INVESTMENTS	9	5,000,000	5,000,000
LONG TERM DEPOSITS		648,140	1,128,140
CURRENT ASSETS			
Stores, spares and loose tools	10	7,135,784	5,162,292
Stock in trade	11	122,654,569	157,742,929
Trade debts	12	6,263,871	378,215
Loans and advances	13	34,382,241	13,748,885
Deposits, prepayments and other receivables	14	987,550	1,788,715
Cash and bank balances	15	73,514,102	27,684,018
		-----	-----
		244,938,117	206,505,054
		-----	-----
		614,938,018	615,981,187
		=====	=====

Director

Profit and Loss Account for the year ended September 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SALES	16	991,540,057	781,748,872
COST OF GOODS SOLD	17	848,186,099	696,847,338
		-----	-----
GROSS PROFIT		143,353,958	84,901,534
TRADING PROFIT	18	5,606,629	4,715,844
		-----	-----
OTHER INCOME	19	148,960,587	89,617,378
		2,880,557	2,774,448
		-----	-----
		151,841,144	92,391,826
OPERATING EXPENSES			
Administration	20	24,437,872	20,970,453
Selling - Freight forwarding and others		3,694,539	4,093,484
		-----	-----
		28,132,411	25,063,937
		-----	-----
OPERATING PROFIT		123,708,733	67,327,889
OTHER CHARGES			

Financial	21	53,589,851	19,653,232
Workers' profit participation fund		3,512,570	2,399,774
		-----	-----
		57,102,421	22,053,006
		-----	-----
NET PROFIT FOR THE YEAR BEFORE TAXATION		66,606,312	45,274,883
TAXATION			
Current	22	5,548,368	4,165,417
Prior years		--	1,671
		-----	-----
		5,548,368	4,167,088
		-----	-----
PROFIT AFTER TAXATION		61,057,944	41,107,795
UNAPPROPRIATED PROFIT BROUGHT FORWARD		36,576	528,781
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		61,094,520	41,636,576
APPROPRIATION			
Proposed cash dividend @ NIL % (1999 @ 10%)		--	17,600,000
Transfer to capital reserve for issue of stock dividend @ 15% (1999-		26,400,000	--
Transfer to general reserve		34,600,000	24,000,000
		-----	-----
		61,000,000	41,600,000
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		94,520	36,576
		=====	=====
Earning per share	26	3.47	2.34
		=====	=====

The annexed notes from 1 to 29 form an integral part of these accounts.

Chief Executive

Director

Statement of Changes in Equity for the year ended September 30, 2000

	<i>Share Capital</i>	<i>Capital Reserve</i>	<i>Revenue Reserves</i>	<i>Total</i>	
		<i>For issue of stock dividend</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Balance as at September 30, 1998	176,000,000	--	--	176,528,781	528,781
Profit for the year ended September 30, 1999	--	--	--	41,107,795	41,107,795
Transferred to general reserve	--	--	24,000,000	(24,000,000)	--
Dividend	--	--	--	(17,600,000)	(17,600,000)
	-----	-----	-----	-----	-----
Balance as at September 30, 1999	176,000,000	--	24,000,000	200,036,576	36,576
Profit for the year ended September 30, 2000	--	--	--	61,057,944	61,057,944
Transferred to capital reserve for issue of stock dividend	--	26,400,000	--	(26,400,000)	--
Transferred to general reserve	--	--	34,600,000	(34,600,000)	--
	-----	-----	-----	-----	-----
Balance as at September 30, 2000	176,000,000	26,400,000	58,600,000	94,520	261,094,520

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The annexed notes from 1 to 29 form an integral part of these accounts.

CHIEF EXECUTIVE**DIRECTOR**

Cash Flow Statement for the year ended September 30, 2000

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
a) CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations (Note 27)	159,088,085	74,468,173
Financial charges paid	(40,632,043)	(29,230,175)
Taxes paid	(4,483,544)	(4,182,671)
	-----	-----
Net cash from operating activities	113,972,498	41,055,327
	=====	=====
b) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,452,553)	(8,004,240)
Proceeds from disposal of fixed assets	2,076,827	--
Long term deposits	480,000	200,000
Interest on deposits	703,058	178,043
Dividend	--	1,000,000
	-----	-----
Net cash used in investing activities	(192,668)	(6,626,197)
	=====	=====
c) CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	--	100,000,000
Repayment of long term loans	(50,000,000)	--
Repayment of deferred custom levies	--	(2,065,761)
Decrease in short term bank borrowings-net	--	(100,000,000)
Payment of dividend	(17,949,746)	(17,000,876)
	-----	-----
Net cash used in financing activities	(67,949,746)	(19,066,637)
	=====	=====
NET INCREASE IN CASH AND BANK BALANCES (a+b+c)	45,830,084	15,362,493
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEA	27,684,018	12,321,525
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	73,514,102	27,684,018
	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended September 30, 2000

1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated on April 20, 1987 in Pakistan under the Companies Ordinance, 1984 and quoted on all 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 and basis of preparation

These accounts have been prepared under historical cost convention and in accordance with International Accounting Standards as applicable in Pakistan.

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 timing 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.

Depreciation on additions during the year is charged to income on the basis of whole year, however 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 investments.

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.

<i>2000</i>	<i>1999</i>
<i>Rupees</i>	<i>Rupees</i>

3. CAPITAL RESERVE

For issuance of stock dividend	264,000,000	--
	=====	=====

4. LONG TERM LOANS- SECURED

Banking Company		
Demand finance (4.1)	180,000,000	200,000,000
Morabaha finance (4.2)	120,000,000	150,000,000
	-----	-----
	300,000,000	350,000,000
Payable within one year shown under current liabilities	(170,000,000)	(50,000,000)
	-----	-----
	130,000,000	300,000,000
	=====	=====

4.1 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 4.2) and personal guarantee of the Company's directors.

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

It is subject to mark up @ 13.5% and 16% per annum.

4.2 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 4.1). It is further secured against first charge over current assets of the Company and personal guarantee of the Company's directors.

It is repayable in 5 half yearly installments commenced from May 21, 2000.

It is subject to mark up @ 13.5% and 17% per annum.

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors (5.1)	2,292,886	12,988,988
Advance from customers	669,804	253,767
Accrued charges	3,474,263	3,079,146
Retentions/deposits	710,256	550,752
Mark up/Interest on secured long term loans	13,115,342	157,534
Sales tax	5,390,335	7,736,424
Withholding tax	131,592	92,417
Workers' profit participation fund (5.2)	3,512,570	2,399,774
	-----	-----
	29,297,048	27,258,802
	=====	=====

5.1 It includes Rs. Nil (1999 - Rs. 8,784,342/-) being the trade credit from an associated undertaking against purchase of polyester staple fibre.

5.2 Workers' profit participation fund

Opening balance	2,399,774	4,750,449
Interest on fund utilised in the company's business	132,513	320,818
	-----	-----
	2,532,287	5,071,267
Paid to the Fund	(2,532,287)	(5,071,267)
	-----	-----
	--	--
Allocation for the year	3,512,570	2,399,774
	-----	-----
	3,512,570	2,399,774
	=====	=====

6. DIVIDEND

Proposed	--	17,600,000
Unclaimed	456,093	805,839
	-----	-----
	456,093	18,405,839
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

7.1 Company is claiming exemption from levy of import duties of Rs. 6,567,984/- (1999 Rs. 6,567,984/-) on import of machinery. Company's petitions are pending before the courts.

7.2 Outstanding bank guarantees Rs. 1,165,000/- (1999 - Rs. 1,165,000/-).

7.3 Outstanding letters of credit Rs. 72,824,528/- (1999 - Rs. 61,194,107/-).

8. OPERATING ASSETS

<i>PARTICULARS</i>	<i>Cost as at October 01, 1999</i>	<i>Additions/ (deletions)</i>	<i>Cost as at September 30, 2000</i>	<i>Accumulated depreciation as at September 30, 2000</i>	<i>Written down value as at September 30, 2000</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	114,387,634	40,715	144,428,349	70,043,136	44,385,213	4931690	10
Plant and machinery	754,270,200	2,530,146 (4,824,585)	751,975,761	454,707,582	297,268,179	33,029,798	10
Electric installations	27,697,981	209,000	27,906,981	16,719,203	11,187,778	1,243,087	10
Factory equipment	8,571,597	25,900	8,597,497	5,041,170	3,556,327	395,147	10
Office equipment	4,222,755	542,662	4,765,417	2,319,607	2,445,810	271,757	10
Furniture and fixture	1,383,498	29,800	1,413,298	812,774	600,524	66,725	10
Vehicles	4,224,903	74,330	4,299,233	2,564,216	1,735,017	433,754	20
Rupees	917,931,481	3,452,553 (4,824,585)	916,559,449	552,207,688	364,351,761	40,371,958	
1999 - Rupees	909,927,241	8,004,240	917,931,481	514,583,488	403,347,993	44,754,793	

8.1 Depreciation for the year has been allocated as under:

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Cost of goods manufactured	39,599,722	43,918,698
Administration	772,236	836,095
	-----	-----
	40,371,958	44,754,793
	=====	=====

8.2 Disposal of fixed assets (by negotiation)

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceeds</i>	<i>Purchaser</i>
Plant and machinery	4,824,585	2,747,758	2,076,827	2,076,827	Associated undertaking A.A. Textiles Ltd., 15-Club Road, Faisalabad.

9. LONG TERM INVESTMENT

Associated undertaking		
Un-listed		
Ibrahim Modaraba (Pvt) Ltd.		
50,000 fully paid ordinary shares of Rs. 100/- each (9.1)	5,000,000	5,000,000

9.1 Name of Chief Executive	--	Mr. Mohammad Naeem Mukhtar
Percentage of equity held	--	25%
Break up value per share	--	Rs. 139.61 (1999 - Rs. 144.60)

	2000	1999
	Rupees	Rupees
10. STORES, SPARES AND LOOSE TOOLS		
Stores	924,570	988,716
Spares	6,156,469	4,004,867
Loose tools	54,745	168,709
	-----	-----
	7,135,784	5,162,292
	=====	=====

11. STOCK IN TRADE

Raw material		
In hand	33,258,313	62,767,146
In transit	37,549,175	21,079,311
Work in process	8,364,172	7,007,773
Finished goods	43,434,609	66,856,744
Waste	48,300	31,955
	-----	-----
	122,654,569	157,742,929
	=====	=====

12. TRADE DEBTS

Local - unsecured considered good	6,263,871	378,215
	=====	=====

1:3. LOANS AND ADVANCES

Considered good		
Due from employees	848,486	534,056
Advances		
Income tax	12,378,179	813,453
Suppliers (13.1)	20,981,160	12,210,868
Letters of credit - fees, margin and expenses	174,416	190,508
	-----	-----
	34,382,241	13,748,885
	=====	=====

13.1 This represents the balance on account of purchase of power from an associated undertaking.

Maximum aggregate amount at the end of any month during the year was Rs. 34,786,810/- (1999 - Rs. 12,210,868/-).

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits with banks/financial institutions	823,000	1,293,000
Security deposits	10,000	10,000
Prepayments	154,550	427,550
Other	--	58,165
	-----	-----
	987,550	1,788,715
	=====	=====

15. CASH AND BANK BALANCES

Cash in hand	18,076,297	19,572,539
Cash at banks		
In current accounts	46,517,491	6,380,083
In deposit accounts	8,920,314	1,731,396
	-----	-----
	55,437,805	8,111,479
	-----	-----
	73,514,102	27,684,018
	=====	=====

16. SALES

Local		
Yarn	991,079,484	781,319,128
Waste	1,474,504	1,122,678
	-----	-----
	992,553,988	782,441,806
Less: Commission	(1,013,931)	(692,934)
	-----	-----
	991,540,057	781,748,872
	=====	=====

17. COST OF GOODS SOLD

Raw material consumed	643,046,495	534,822,955
Packing material	12,012,162	11,195,595
Salaries, wages & benefits	31,083,583	30,913,560
Retirement benefits	3,250,972	4,747,431
Power and fuel	83,867,885	83,908,475
Stores and spares	12,477,664	6,957,579
Insurance	716,962	806,686
Repairs and maintenance	81,263	160,092
Depreciation	39,599,722	43,918,698
	-----	-----
	826,136,708	717,431,071

Work in process

Opening stock	7,007,773	8,717,332
Closing stock	(8,364,172)	(7,007,773)
	-----	-----
	(1,356,399)	1,709,559
	-----	-----

Cost of goods manufactured

Finished goods		
Opening stock	66,888,699	44,595,407
Closing stock	(43,482,909)	(66,888,699)
	-----	-----
	23,405,790	(22,293,292)
	-----	-----
	848,186,099	696,847,338
	=====	=====

18. TRADING PROFIT

Sales - Local		
Viscose	57,628,001	49,293,861
Other	2,446,385	285,353
	-----	-----
	60,074,386	49,579,214
Cost of sales	(54,467,757)	(44,863,370)
	-----	-----
	5,606,629	4,715,844
	=====	=====

19. OTHER INCOME

Scrap sales	2,126,763	1,347,787
Interest on deposits	703,058	178,043
Dividend	--	1,000,000
Balances written back-net	50,736	248,618
	-----	-----
	2,880,557	2,774,448
	=====	=====

20. ADMINISTRATION EXPENSES

Director's remuneration	3,255,000	1,860,000
Salaries	11,243,591	9,294,638
Retirement benefits	1,450,930	1,418,063
Postage and telecommunication	844,958	182,052
Vehicles running and maintenance	1,017,348	728,627
Printing and stationery	1,003,543	738,857
Rent, rates and taxes	398,369	403,000
Travelling and conveyance	879,436	2,274,703
Fees, subscriptions and periodicals	531,534	615,203
Legal and professional	557,008	130,500
Insurance	255,866	611,364
Repairs and maintenance	726,208	688,029
Audit fee	85,000	85,000
Entertainment	615,250	399,761
Depreciation	772,236	836,095
Donations (20.1)	198,000	2,300
Others	603,595	702,261
	-----	-----
	24,437,872	20,970,453
	=====	=====

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

21. FINANCIAL CHARGES

Mark up/interest on		
Bank borrowings	52,635,329	19,264,279
Deferred customs levies	--	27,468
Workers' profit participation fund	132,513	320,818
Bank charges and commission	822,009	40,667
	-----	-----
	19,653,232	53,589,851
	=====	=====

22. TAXATION**Current**

The assessment of the Company has been finalised upto accounting year ended September 30, 1998.

Deferred

Tax effect of major timing differences after considering tax losses available for adjustment works out to Rs. 10.8 million debit (1999 - Rs. 4.126 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.

23. REMUNERATION TO DIRECTORS AND EXECUTIVES

<i>2000</i>		<i>1999</i>	
<i>Rupees</i>		<i>Rupees</i>	
<i>Chief Executive</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Executives</i>

Remuneration	2,100,000	5,344,944	1,200,000	5,278,743
House rent	945,000	2,407,200	540,000	2,375,446
Utilities	210,000	624,468	120,000	527,845
	-----	-----	-----	-----
	3,255,000	8,376,612	1,860,000	8,182,034
	=====	=====	=====	=====
Number of persons	1	31	1	29
	=====	=====	=====	=====

23.1 Five executive are entitled to free use of company maintained car. The monetary values are approximately Rs. 632,948/- (1999 - Rs. 465,797/-)

	2000	1999
	Rupees	Rupees

24. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases		
Raw material and stores	246,484,113	160,947,756
Power	83,520,058	82,441,738
Sales		
Raw material and stores	2,446,385	15,759,387
Fixed asset	2,076,827	--

25. 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.	15,089,469	14,607,592

26. EARNING PER SHARE - Basic

Net profit for the year (Rupees)	61,057,944	41,107,795
Weighted average number of Ordinary shares outstanding during the year	17,600,000	17,600,000
Earning per share (Rupees)	3.47	2.34

27. CASH GENERATED FROM OPERATIONS

Net profit for the year before taxation	66,606,312	45,274,883
Depreciation	40,371,958	44,754,793
Interest on deposits	(703,058)	(178,043)
Dividend	--	(1,000,000)
Provision for gratuity	4,701,902	6,165,494
Gratuity paid	(1,956,339)	(1,085,277)
Financial charges	53,589,851	19,653,232
	-----	-----
Operating profit before working capital changes	162,610,626	113,585,082
	=====	=====
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(1,973,492)	1,122,938
Stock in trade	35,088,360	(19,361,614)
Trade debts	(5,885,656)	(378,215)
Loans and advances	(20,633,356)	23,988,473
Deposits, prepayments and other receivables	801,165	(76,244)

Decrease in current liabilities

Creditors, accrued and other liabilities	(10,919,562)	(44,412,247)
	-----	-----
	(3,522,541)	(39,116,909)
	-----	-----
Cash generated from operations	159,088,085	74,468,173
	=====	=====

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Risk management

a) 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. All financial assets except cash and bank balances are subject to credit risk. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

b) 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.

28.2 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.

29. FIGURES

- have been rounded off to the nearest Rupees.

- of prior year have been rearranged and regrouped wherever necessary for the purpose of comparison.

Chief Executive

Director