

Elahi Cotton Mills Limited

Annual Report 2000

COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
MAHFOOZ ELAHI
MAHMOOD ELAHI
ABDUL RASHEED
FARRUKH AHMED
NAVEED AKHTER
SHAHID ANWAR

CHIEF EXECUTIVE

MAHBOOB ELAHI

AUDITORS

M/S. S. M. MASOOD & CO.
CHARTERED ACCOUNTANTS
23 EAST, SAEED PLAZA,
BLUE AREA,
ISLAMABAD.

REGISTERED OFFICE

270-SECTOR I-9,
INDUSTRIAL AREA,
ISLAMABAD.

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to welcome you to the 30th Annual General Meeting of your Company and feel pleasure in presenting their Annual Report alongwith audited financial statements for the year ended September 30, 2000.

The year under report, was favourable as compared to the last year. The financial results of the company for the year under review are given below:

RUPEES
IN MILLION

Operating profit / (Loss)	(6.269)
Add. Financial Charges	(8.604)

Other Income	7.046

Loss before taxation	(7.827)
Add. Provision for taxation	(0.819)

Net Loss after taxation	(8.646)
Accumulated loss brought forward	(85.217)

Accumulated loss carried forward	(93.863)
	=====

The net loss sustained by the Company has been reduced from Rs. 34.460 million to Rs. 8.646 million. This loss is attributed mainly due to heavy un-announced electric breakdowns, increase in purchase prices of polyester and non availability of working capital from Banks. Due to shortage of working capital, the company was not able to "Cash in" the advantage of decrease in Cotton prices during the season. Being a smaller unit of 12,432 spindles, the mills is suffering more by the above adverse situation.

The company produced 2.608 million kgs of polyester - cotton yarn after conversion into 20/1 as against 1.131 million kgs in the previous year, showing a production increase of 130 %. The net sales were Rs. 163.863 million as compared to Rs. 64.203 million in the previous year, showing increase of 155 %.

AUDITORS

The auditor M/S. S.M. Masood & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

SHAREHOLDING

A statement showing the pattern of share holding by the shareholders of the Company as on September 30, 2000 is attached herewith.

FUTURE PROSPECTS AND OUTLOOK

In the present circumstances, it is necessary to increase the spindles and replace some of the existing machinery. The company has approached various DFI's for financing BMR plan for revival of unit which will improve the profitability of the Company. At present the textile industry is moving towards consolidation and it is hoped that the next year for spinning Sector would be better and profitable.

The labour- management remained pleasantly co-operative throughout the year and I, together with fellow Directors, wish to acknowledge our gratitude to the labour as well as staff members for performing their duties so efficiently.

The Directors have to comment on Auditors qualification as under:

The company incurred loss of Rs. 8.646 million. This loss was mainly due to shortage of working capital, un-announced electric breakdowns and increase in prices of polyester. Due to these factors, the Company could not operate at 100 % capacity and incurred losses. However, the net loss during the year has been reduced from Rs. 34.460 million to Rs. 8.646 million which shows that the Company is moving towards improvement and will recoup pad of losses accumulated and will continue its operations.

BY ORDER OF THE BOARD

Islamabad,
March 03, 2001,

(MAHBOOB ELAHI)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ELAHI COTTON MILLS LIMITED, as at September 30,2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 state that:-

The company has suffered net loss of Rs. 8.6 million for the year ended September 30, 2000 and has accumulated loss of Rs. 93.8 million. Current liabilities exceeded its current assets by Rs. 26.16 million and total liabilities exceeded its total assets by Rs. 47.64 million.

The Company is also facing difficulties in meeting its financial obligation. Habib Bank Limited has filed a petition for recovery of Rs. 95.88 million in Honourable Lahore High Court, Rawalpindi Bench. This petition is pending as at the date of report.

These accounts have been prepared on the going concern assumption. Considering significance of the above matters, we are unable to form an opinion on the validity of the use of going concern assumption. Consequently adjustments may be required to the recorded assets and classification of liabilities.

Except for the effect of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves as to the matters set out above, we report 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 and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2000, and of the loss and cash flow and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

ISLAMABAD,
February 28, 2001.

S.M. MASOOD & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30TH SEPTEMBER, 2000

CAPITAL AND LIABILITIES	NOTE	2000 RUPEES	1999 RUPEES
SHARE CAPITAL			
Authorised			
5,000,000 ordinary shares of Rs. 10/- each		50,000,000	50,000,000
		=====	=====
ISSUED, SUBSCRIBED AND PAID UP		13,000,000	13,000,000
1300,000 ordinary share of Rs. 10/- each fully paid in cash			
ACCUMULATED LOSS		(93,863,454)	(85,217,303)
		-----	-----
		(80,863,454)	(72,217,303)
REVALUATION RESERVE	3	33,215,659	33,215,659
LONG TERM & DEFERRED LIABILITIES			

Obligation under finance lease	5	2,074,742	2,145,789
Provision for gratuity	6	2,147,246	2,400,361
		-----	-----
		88,668,720	98,053,754
CURRENT LIABILITIES			
Short Term Running Finance - secured	7	2,998,908	4,569,801
Current maturity of long term liabilities	8	19,714,275	22,427,261
Due to Directors		--	4,638,575
Creditors, Accrued & other liabilities	9	34,735,603	54,103,352
Provision for Taxation	10	6,051,394	5,232,077
		-----	-----
		63,500,180	90,971,066
CONTINGENCIES & COMMITMENTS			
	11	--	--
		-----	-----
		104,521,105	150,023,176
		=====	=====

AUDITORS REPORT TO THE MEMBERS IS ANNEXED

The annexed notes form an integral part of these accounts

PROPERTY AND ASSETS**FIXED CAPITAL EXPENDITURE**

Operating assets (at cost less depreciation)	12	67,114,554	71,119,009
Capital work in progress	13	--	474,884
Long term investments	14	25,000	25,000
Long term security deposits		41,656	41,656

CURRENT ASSETS

Stock in trade	15	19,361,634	37,684,116
Stores, spares and loose tools	16	1,735,866	1,776,327
Due from associated undertakings / directors	17	7,982,859	27,614,230
Trade debtors - unsecured considered good		31,415	230,904
Advances, deposits, prepayments and other receivables	18	7,780,821	10,908,199
Cash and bank balances	19	447,300	148,851
		-----	-----
		37,339,895	78,362,627
		-----	-----
		104,521,105	150,023,176
		=====	=====

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

	<i>NOTE</i>	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
Sales (Net)	20	163,863,387	64,203,276
Cost of Sales	21	166,611,940	79,825,826
		-----	-----

Gross loss		(2,748,553)	(15,622,550)
OPERATING EXPENSES			
Administrative	22	3,438,861	4,845,150
Selling & Distribution	23	81,105	583,216
		-----	-----
		3,519,966	5,428,366
		-----	-----
Operating loss		(6,268,519)	(21,050,916)
Other Income	24	7,046,021	5,298,113
		-----	-----
		777,502	(15,752,803)
Financial Charges	25	8,604,336	18,359,783
		-----	-----
NET LOSS BEFORE TAXATION		(7,826,834)	(34,112,586)
		-----	-----
PROVISION FOR TAXATION - Current		819,317	347,507
		-----	-----
NET LOSS AFTER TAXATION		(8,646,151)	(34,460,093)
		-----	-----
BALANCE BROUGHT FORWARD		(85,217,303)	(50,757,210)
		-----	-----
BALANCE CARRIED FORWARD		(93,863,454)	(85,217,303)
		=====	=====
LOSS PER SHARE	26	(6.65)	(26.51)

AUDITORS REPORT TO THE MEMBERS IS ANNEXED.

The annexed notes form an integral part of these accounts.

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2000.**

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss) before Taxation	(7,826,834)	(34,112,586)
Adjustment for:		
Depreciation	4,600,857	5,056,100
Financial charges	8,604,336	18,359,783
Provision for gratuity- Net	354,013	184,999
Fixed assets in Bangladesh	--	1,334,214
Gain on sale of fixed assets	(251,138)	(162,085)
	-----	-----
LOSS BEFORE WORKING CAPITAL CHANGES	5,481,234	(9,339,575)

Changes in working capital:

Decrease / (Increase) in inventories	18,362,943	(11,091,754)
Decrease in Trade debtors	199,489	3,607,837
Decrease in advances, deposits, prepayments and other receivable	3,127,378	12,350,570
Increase / (Decrease) in short term finances	(1,570,893)	(68,530,818)
Decrease in creditors, accrued and other liabilities	(16,842,667)	13,797,307
	-----	-----
Cash generated from operations	8,757,484	(59,206,433)
	-----	-----
Financial charges paid	(11,129,418)	(19,056,239)
Income Tax paid	--	(187,470)
Gratuity paid	(607,128)	(208,828)
	-----	-----
	(11,736,546)	(19,452,537)
	-----	-----
Net cash from operating activities	(2,979,062)	(78,658,970)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(990,542)	(305,391)
Disposal of fixed assets	645,278	225,000
Capital work in progress	474,884	(11,449)
	-----	-----
Net cash flow from investing activities	129,620	(91,840)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Long term financing (Net)	(11,773,858)	82,000,000
Obligation under finance lease	(71,047)	(1,180,826)
Associated undertakings / Directors	14,992,796	(2,809,947)
	-----	-----
Net cash flow from Financing activities	3,147,891	78,009,227
	-----	-----
Net Increase / (decrease) in cash and cash equivalents	298,449	(741,583)
Cash and cash equivalents at the beginning of the year	148,851	890,434
	-----	-----
Cash and cash equivalents at the end of the year 19	447,300	148,851
	=====	=====

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

1. STATUS AND NATURE OF BUSINESS:

The company was incorporated as a public limited company on June 26, 1970 and is listed on Karachi and Islamabad Stock Exchange. The company is engaged in the manufacturing and sale of yarn.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in compliance with the requirements of International Accounting standards as adopted by The Institute of Chartered Accountants of Pakistan which are applicable to the Company.

Following accounting policies have been consistently applied in preparation of accounts:

2.1 ACCOUNTING CONVENTION:

The accounts have been prepared under historical cost convention except that certain fixed assets have been included at revalued amounts.

2.2 STAFF RETIREMENT BENEFITS:

The company operates defined contributory unfunded gratuity scheme for officers and employees. Provision for gratuity is made on the basis of last drawn salary for each completed year of service. Minimum qualifying period for gratuity benefit is one year from date of joining. Gratuity becomes payable on lumpsum basis on the date of retirement or resignation. The Company does not contribute towards or maintain any pension or provident fund.

2.3 TAXATION:

The company provides for deferred taxation using liability method on all major timing differences which are expected to reverse in the foreseeable future. However, provision for deferred taxation for the current year is not considered necessary due to heavy losses. Deferred taxation on timing differences not accounted for is due to:

	<i>(Rupees)</i>
- accelerated tax depreciation	6,784,135
- carry forward of business losses	(34,351,343)
	(27,567,208)
	(27,567,208)

In view of available tax losses, provision for current taxation represents the minimum tax due under Section 80-D of the Income Tax Ordinance, 1979. For the purpose of current taxation, unassessed losses available for carry forward at September 30,2000 are estimated at Rs. 104,094,978 (1999 :Rs. 96,939,396).

2.4 FIXED ASSETS

OWNED

Operating fixed assets except freehold land are stated at cost or revalued amounts less accumulated depreciation except Freehold land which are valued at cost.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. The full annual rate of depreciation is applied on the cost of additions while no depreciation is charged on assets disposed off during the year. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred.

Major renewals and repairs are capitalised and the assets so replaced are retired. Gains or losses on disposal of fixed assets are accounted for as profit or loss for the year.

LEASED

Plant and machinery and vehicles are stated at amounts computed on the basis of discounted value of total minimum lease payment and residual value of the asset at the end of lease period guaranteed, if any, by the company. Financial charges are allocated to accounting period in the manner so as to provide a constant periodic rate of charge on the outstanding liability under finance lease agreement.

Depreciation charge is based on the estimated useful life of asset in view of the certainty of the ownership of the asset at the end of the lease.

2.5 STORES, SPARES AND LOOSE TOOLS

These have been valued using moving average cost.

2.6 STOCK IN TRADE

Raw materials are valued at moving average cost.

Work in process is valued at production cost which includes related portion of factory wages and overheads.

Finished goods are valued at lower of cost or net realisable value. Net realisable value signifies prevailing selling price in the ordinary course of business less costs incidental to sale of goods.

2.7 INVESTMENTS

These are valued at cost less taking any permanent devaluation in the market value thereof. Dividends in cash are accounted as income on receipt basis whereas bonus dividend is accounted by increasing the number of shares held.

2.8 REVENUE RECOGNITION

Local sales are recorded on dispatch of goods to customers and export sales are recorded on shipment of goods.

2.9 BORROWING COST

Mark up, interest and other borrowing cost are charged to income in the year in which they are incurred

2.10 FOREIGN CURRENCY TRANSLATIONS:

Assets and liabilities in foreign currencies are translated into Rupees at exchange rates approximating those prevailing at the Balance Sheet date and exchange difference arising from translation are taken to profit and loss accounts.

2.11 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand , cash at Banks and short term investments with maturity of not later than three months at known amount in Rupees.

2.12 FINANCIAL INSTRUMENTS.

All the financial assets and liabilities are recognised at the time the company becomes party to the contractual provisions of the instruments. Any gain or loss on recognition and derecognition of the financial assets ad liabilities is included in the profit and loss for the period in which it arises.

3. REVALUATION RESERVE

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
Surplus on revaluation of fixed assets	33,215,659	33,215,659
	=====	=====

Freehold land and building was revalued on June 30, 1996 by M/S. Zia Consultants, independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold

land and replacement value for building. At the above date the revaluation resulted in a surplus of Rs. 33,215,659/- over the cost of Rs 9,117,753/- of these assets.

4. LONG TERM FINANCES -Secured

Muslim Commercial Bank- Demand Finance	4.1	6,125,000	9,625,000
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Habib Bank Limited, Restructured Finances

Habib Bank Limited - Demand Finance -I	4.2	29,671,732	33,582,604
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Habib Bank Limited - Demand Finance -II	4.3	39,000,000	39,000,000
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Habib Bank Limited - Demand Finance -III	4.4	9,650,000	11,300,000
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		-----	-----
		78,321,732	83,882,604
		-----	-----

		84,446,732	93,507,604
		=====	=====

4.1 Muslim Commercial Bank- Demand Finance		16,725,000	17,500,000
--	--	------------	------------

Less: Current Maturity and over dues		10,600,000	7,875,000
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		-----	-----
		6,125,000	9,625,000
		=====	=====

It represents short term running finance converted into long term finance with effect from July 01, 1998. The facility is secured against pari passu charge on fixed assets of the company. Mark-up rate is 38 paisas per thousand per diem. Principal is repayable in 20 quarterly installments along with mark-up from July 07, 1998.

As per bank record this liability has been transferred to IBL - an associated undertaking of the company. However, as per these financial statements this liability belongs to the company as the management does not agree with the Bank.

4.2 Habib Bank Limited - Demand Finance I	4.5	35,795,375	39,000,000
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Less: Current Maturity and over dues		6,123,643	5,417,396
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		-----	-----
		29,671,732	33,582,604
		=====	=====

Mark up is chargeable @ 38.5 paisas per thousand per diem. Finance is repayable in 84 monthly installments commencing from April 1999 to April 2006.

4.3 Habib Bank Limited - Demand Finance -II (4.5)		39,000,000	39,000,000
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Less: Current Maturity and over dues		--	--
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		-----	-----
		39,000,000	39,000,000
		=====	=====

The finance is mark-up free and repayable in monthly installment of Rs. 730,000/- each, repayment will commence from April 2006.

4.4 Habib Bank Limited - Demand Finance -III (4.5)		12,050,000	14,000,000
--	--	------------	------------

Less: Current Maturity		2,400,000	2,700,000
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		-----	-----
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9,650,000	11,300,000
=====	=====

The finance is mark-up free and repayable in 93 monthly installments of Rs. 150,000/- each from April 1999 to January 2007.

4.5 The above stated facilities from Habib Bank Limited resulted from a package announced in their letter MAH/CAD dated May 10, 1999 for restructuring of short term loans and long term liabilities and are secured by way of equitable mortgage over factory land and charge over fixed assets and pledge of stocks of the company. In case of consecutive default in repayment of three due installments, restructuring arrangements shall stand cancelled and the amounts will be repayable in lumpsum upon one month notice by the lender bank.

5. OBLIGATION UNDER FINANCE LEASE:

The amounts of future minimum lease payments and related periods in which these payments shall fall due are:

	<i>2000</i> <i>RUPEES</i>	<i>1999</i> <i>RUPEES</i>
Payable not later than one year	975,000	7,487,180
Payable not later than five years	2,400,000	3,375,000
	-----	-----
Obligation committed under finance lease agreement	3,375,000	10,862,180
Less: financial charges not yet due	709,626	1,101,085
	-----	-----
Payable lease rentals	2,665,374	9,761,095
Less: current maturity and overdue installment of long term obligation	590,632	7,615,306
	-----	-----
	2,074,742	2,145,789
	=====	=====

5.1 The company has entered into lease finance agreements on following terms and conditions:

<i>Lessor</i>	<i>Note</i>	<i>No. of Monthly Installments</i>	<i>Start of repayments</i>	<i>Rate of Return %</i>
B. R.R. International Modaraba	5.2	60	July 1999	12.89

5.2 The Company has rescheduled its obligation against an agreement with BRR International Modaraba. Accordingly rate of return has been revised from 22.71% per annum to 12.89% per annum and period of repayment has been extended which shall expire on May 31, 2004.

6. PROVISION FOR GRATUITY

Opening Balance	2,400,361	2,424,190
Add: Provision for the year	354,013	184,999
	-----	-----
	2,754,374	2,609,189
Less: Paid during the year	607,128	208,828

2,147,246	2,400,361
=====	=====

7. SHORT TERM RUNNING FINANCES - SECURED:

Habib Bank Limited PAD Account	2,998,908	--
Habib Bank Limited Cash Finance (7.1)	--	4,569,801
	-----	-----
	2,998,908	4,569,801
	=====	=====

7.1 The facility is granted by HBL for payment of LC No. 932/97 created in favour ICI Limited for purchase of polyester. The facility carries mark up @ 50 paisas per day per thousand.

8. CURRENT MATURITY OF LONG TERM LIABILITIES

Muslim Commercial Bank- Demand Finance	10,600,000	7,875,000
Habib Bank Limited - Demand Finance-I	6,123,643	5,417,396
Habib Bank Limited - Demand Finance-II	--	--
Habib Bank Limited - Demand Finance-III	2,400,000	2,700,000
Obligation under finance lease	590,632	6,434,865
	-----	-----
	19,714,275	22,427,261
	=====	=====

8.1 Current maturity includes overdue installments of Rs. 7,100,000/- (1999: Rs. 4,375,000/-) on demand finance from Muslim Commercial Bank Limited, Rs. 2,474,557/- (1999: Rs. 2,865,682/-) on demand finances from Habib Bank Limited and Rs. Nil (1999 Rs. 5,810,766) on obligation under finance lease.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES:

Creditors	11,193,294	34,241,009
Sales tax payable	265,221	--
Accrued expenses	4,790,221	3,932,706
Accrued interest on:		
secured finances	5,223,172	6,567,813
Mark-up on leased obligations	--	1,180,441
	-----	-----
	5,223,172	7,748,254
Deposits (interest free payable on demand)	15,000	65,000
Other liabilities	13,142,208	8,022,973
Workers profit participation Fund 9.1	106,487	93,410
	-----	-----
	34,735,603	54,103,352
	=====	=====

9.1 WORKER'S PROFIT PARTICIPATION FUND

Opening Balance	93,410	81,939
Interest credited on funds utilised by the Company	13,077	11,471
	-----	-----
	106,487	93,410
	=====	=====

10. PROVISION FOR TAXATION

Provision for Income Tax Brought Forward	5,232,077	5,072,038
Provision for the year	819,317	347,507
	-----	-----
	6,051,394	5,419,545
Less: payments / adjustments	--	(187,468)
	-----	-----
	6,051,394	5,232,077
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

There were no commitments of capital expenditure at close of the year (1999: Rs. Nil)

12. FIXED ASSETS:

<i>Particulars</i>	COST					DEPRECIATION				
	<i>As on 1.10.99</i>	<i>Additions / Transfers</i>	<i>Disposals / Transfers</i>	<i>As at 30.09.2000</i>	<i>Rate %</i>	<i>As on 1.10.1999</i>	<i>For the year</i>	<i>Adjustments</i>	<i>As on 30.09.2000</i>	<i>Book Value as at 30.09.2000</i>
Land free hold	25,515,000	--	--	25,515,000	--	--	--	--	--	25,515,000
Residential building on free hold L	2,257,500	--	--	2,257,500	5	418,752	91,937	--	510,689	1,746,811
Factory Building on free hold Land	12,413,747	477,584	--	12,891,331	10	4,154,303	873,703	--	5,028,006	7,863,325
Plant & Machinery	56,918,629	481,818	--	73,590,817	10	36,015,929	3,004,968	7,525,206	46,546,103	27,044,714
		16,190,370								
Furniture, Fixture & Office equipm	966,375	900	--	967,275	10	618,259	34,902	--	653,161	314,114
Power and other Installations	2,016,400	30,240	--	2,046,640	10	1,298,316	74,832	--	1,373,148	673,492
Factory equipment & Scientific instruments	2,001,887	--	--	2,001,887	10	1,491,812	51,008	--	1,542,820	459,068
Motor Vehicles	1,821,758	1,555,140	(769,140)	2,607,758	20	1,415,827	145,507	839,394 (375,000)	2,025,728	582,030

ASSETS SUBJECT TO FINANCE LEASE

Plant & Machinery	20,190,370	--	(16,190,370)	4,000,000	10	8,285,205	324,000	(7,525,206)	1,083,999	2,916,001
Motor Vehicles	1,555,140	--	(1,555,140)	--	20	839,394	--	(839,394)	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees 2000:	125,656,806	18,736,052	18,514,650	125,878,208		54,537,797	4,600,857	(375,000)	58,763,654	67,114,555
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Rupees 1999:	125,651,415	305,391	--	125,656,806		44,034,770	5,056,100	--	54,537,797	71,119,009
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

12.1 DEPRECIATION HAS BEEN ALLOCATED AS FOLLOWS:

	1999 (Rupees)	2000 (Rupees)
Cost of sales	4,699,496	4,328,511
Administrative expenses	356,604	272,346
	-----	-----

5,056,100	4,600,857
=====	=====

12.2 DETAIL OF FIXED ASSETS SOLD

<i>DESCRIPTION</i>	<i>Cost</i>	<i>Written Down Value</i>	<i>Sale Proceeds</i>	<i>Gain on Disposal</i>	<i>Mode of Disposal</i>
Motor Vehicle (T Corola 2000 cc	769,140	394,140	645,278	251,138	Negotiation

The vehicle was sold to Mr. M. Zulfiqar (Commercial Manager) Taxila Cotton Mills Limited (Associated undertaking of the Company), Islamabad.

	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
13. CAPITAL WORK IN PROGRESS		
Opening Balance	474,884	463,435
Addition during the year	--	11,449
	-----	-----
Transferred to fixed depreciable asset	474,884 (474,884)	474,884 --
	-----	-----
	--	474,884
	=====	=====

14. LONG TERM INVESTMENTS:

Investment in listed companies

Faysal Bank Limited, 550(50 bonus shares)fully paid ordinary shares of Rs. 10/- each (1999: 550 ord. Shares)	15,000	15,000
Market value Rs. 3,987/- (1999: Rs.13,125)		
Tri-pack Films Limited, 500 fully paid ordinary shares of Rs.10/each (1999: 500 ord. Shares) Market value Rs. 15,775 (1999: Rs. 5,500)	5,000	5,000
	-----	-----
Investment in listed Modaraba	20,000	20,000
First Paramount Modaraba, 500 certificates of Rs. 10/- each (1999: 500 certificates) Market value Rs. 5,125 (1999: Rs. 5,375)	5,000	5,000
	-----	-----
	25,000	25,000
	=====	=====

15. STOCKS IN TRADE:

Raw Material	8,777,861	28,859,602
--------------	-----------	------------

Work in process	5,796,632	5,055,903
Finished goods	4,741,412	3,761,258
Waste Materials	45,729	7,353
	-----	-----
	19,361,634	37,684,116
	=====	=====

16. STORES, SPARES AND LOOSE TOOLS:

Stores	398,018	701,650
Spares	1,221,879	1,012,506
Loose Tools	115,969	62,171
	-----	-----
	1,735,866	1,776,327
	=====	=====

17. DUE FROM ASSOCIATED UNDERTAKINGS / DIRECTORS

International Beverages (Pvt) Limited		--	318,012
Taxila Cotton Mills Limited	17.1	7,982,859	27,006,423
Taj Mills Limited		--	108,962
		-----	-----
		7,982,859	27,433,397
Due from Directors		--	180,833
		-----	-----
		7,982,859	27,614,230
		=====	=====

17.1 This represents amount receivable from Taxila Cotton Mills Limited - an associated undertaking, on account of sale of raw cotton. This have been charged at the average prevailing market rates. None of the associated undertakings has been paid commission on these transactions. Mark - up on balances due from associated undertakings (including amount due from Directors) is charged at the rate of 50 paisa per diem per thousand. Detail of transaction during the year is given below:

Sales of raw materials and yarn	12,448,726	462,392
Sales of fixed assets	--	300,000
Purchase of raw material	--	413,407
Mark-up on balances due from associated undertakings/Directors	2,458,841	5,076,729

Following are the maximum balances due from associated undertakings at the end of any month during the year:

International Beverages (Pvt) Ltd	210,972	719,786
Taxila Cotton Mills Limited	22,232,031	27,006,424
Taj Mills Limited	--	108,962
Due from Directors	189,752	196,136

18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Sales tax receivable	--	1,891,445
Income Tax deducted at source	3,727,181	3,707,511
Advances to Employees	1,228,703	1,270,278

Suppliers	2,163,780	2,514,213
Others	536,741	1,362,058
	-----	-----
	3,929,224	5,146,549
Prepayments	24,012	27,012
Other receivables	100,404	135,682
	-----	-----
	7,780,821	10,908,199
	=====	=====

There were no advances or loans to Chief Executive and executives (1999: Nil)

19. CASH AND BANK BALANCES:

Cash in Hand	395,528	16,912
With Banks (current Accounts)	51,772	131,939
	-----	-----
	447,300	148,851
	=====	=====

20. SALES (Net)

Local	163,528,319	62,202,382
Export	--	1,835,724
Rebate on export	--	74,250
Waste net	335,068	187,967
	-----	-----
	163,863,387	64,300,323
Less:		
Export development surcharge	--	4,511
Commission	--	92,536
	-----	-----
	--	97,047
	-----	-----
	163,863,387	64,203,276
	=====	=====

21. COST OF SALES:

Raw material consumed	(21.1)	127,040,296	46,731,666
Stores, spares and loose tools consumed	(21.2)	4,391,812	4,909,962
Salaries, Wages & other benefits		9,646,260	5,740,884
Power charges		22,837,013	18,494,714
Insurance		85,575	131,066
Repairs & Maintenance		41,731	90,319
Depreciation		4,328,511	4,699,496
		-----	-----
		168,371,198	80,798,107
Opening work in process		5,055,904	1,931,145
Closing work in process		(5,796,632)	(5,055,904)
		-----	-----
		(740,728)	(3,124,759)
		-----	-----
Cost of goods produced during the year		167,630,469	(77,673,348)

Opening Stock of Finished Goods	3,768,611	5,921,089
Closing stock - finished goods	(4,787,141)	(3,768,611)
	-----	-----
	(1,018,530)	2,152,478
	-----	-----
	166,611,940	79,825,826
	=====	=====

21.1 RAW MATERIAL CONSUMED

Opening Stock	28,859,602	16,580,511
Purchases	105,142,496	57,417,825
Direct expenses	1,816,059	1,592,932
Cost of raw materials available for use	135,818,157	75,591,268
Closing Stock	(8,777,861)	(28,859,602)
	-----	-----
	127,040,296	46,731,666
	=====	=====

21.2 STORES SPARES AND LOOSE TOOLS CONSUMED

Opening stock	1,776,327	5,764,394
Purchases	4,351,351	2,750,345
Write off of stock against provision	--	(1,828,450)
	-----	-----
	6,127,678	6,686,289
Closing stock	(1,735,866)	(1,776,327)
	-----	-----
	4,391,812	4,909,962
	=====	=====

22. ADMINISTRATIVE EXPENSES

Salaries and other benefits	1,679,049	1,429,179
Travelling, Conveyance & entertainment	89,278	235,563
Rent Rates & Taxes	149,344	149,344
Motor running expenses	75,979	358,332
Electricity, water and gas	16,208	51,443
Printing, Stationery & Periodicals	86,782	115,797
Postage, telephone and telegram	632,100	476.18
Advertisement	31,930	48,600
Subscription and membership fee	29,500	--
Repair & Maintenance	95,303	60,636
Audit Fee	40,000	40,000
Depreciation (12.1)	272,346	356,604
Provision against assets in Bangladesh	--	1,334,214
Interest on WPPF	13,077	11,471
Legal & Professional expenses	186,922	102,930
Textile Cess	12,432	12,432
Other expenses	28,611	62,428
	-----	-----
	3,438,861	4,845,150
	=====	=====

22.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including benefits applicable to the chief executive, directors and executives of the company are as follows:

	<i>2000 (Rupees)</i>		<i>1999 (Rupees)</i>	
	<i>Chief Executive</i>	<i>Executive</i>	<i>Chief Executive</i>	<i>Executive</i>
Managerial Remuneration	278,400	420,000	278,400	230,400
Retirement benefits	--	--	--	12,750
Utilities and Medical	--	32,000	--	60,000
	-----	-----	-----	-----
	278,400	452,000	278,400	303,150
	=====	=====	=====	=====
Number of persons	1	2	1	1

Chief executive has been provided a free maintained vehicle. No fee was paid to the directors of the company during the year (1999: Nil)

23. SELLING AND DISTRIBUTION EXPENSES

Carriage yarn	--	89,933
Other selling expenses	81,105	493,283
	-----	-----
	81,105	583,216
	=====	=====

24. OTHER INCOME

Gain on sale fixed assets	12.2	251,138	162,085
Mark-up on balance due from Associated undertakings / Directors	17.1	2,458,841	5,076,729
Foreign exchange gain		--	20,102
Miscellaneous income		4,334,292	39,197
Dividend income		1,750	--
		-----	-----
		7,046,021	5,298,113
		=====	=====

25. FINANCIAL CHARGES

Mark-up on term finances		6,815,443	17,459.35
Bank commission and charges		233,567	185,617
Lease Finance Charges		1,555,326	714,813
		-----	-----
		8,604,336	18,359,783
		=====	=====

26. LOSS PER SHARE

Loss after taxation	(8,646,151)	(34,460,093)
Issued shares	1,300,000	1,300,000
Loss per share	(6.65)	(26.51)

27 STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital (Rupees)</i>	<i>Revaluation Reserve (Rupees)</i>	<i>Accumulated Loss (Rupees)</i>	<i>Net Equity (Rupees)</i>
Opening balance as at October 01, 1999	13,000,000	33,215,659	(85,217,303)	(39,001,644)
Loss for the year ended September 30, 2000	--	--	(8,646,151)	(8,646,151)
Closing balance as at September 30, 1999	13,000,000	33,215,659	(93,863,454)	(47,647,795)

COMPARATIVE INFORMATION

Opening balance as at October 01, 1998	13,000,000	33,215,659	(50,757,210)	(4,541,551)
Loss for the year ended September 30, 1999	--	--	(34,460,093)	(34,460,093)
Closing balance as at September 30, 1999	13,000,000	33,215,659	(85,217,303)	(39,001,644)

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 INTEREST/MARK-UP RATE

The Company's exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarised as follows:

2000

<i>FINANCIAL INSTRUMENT</i>	<i>Due amount</i>	<i>Interest/mar-up bearing</i>		<i>Non interest/ Mark-up bearing</i>
		<i>Due within one year</i>	<i>Due after one year</i>	
ASSETS				
Long term investments	25,000	--	--	25,000
Security deposits	41,656	--	--	41,656
Trade debts	31,415	--	--	31,415
Due from associated undertakings	7,982,859	7,982,859	--	--
Advances, deposits, prepayments other receivables	7,780,821	--	--	7,780,821
Cash and bank balances	447,300	--	--	447,300
TOTAL	16,309,051	7,982,859	--	8,326,192
LIABILITIES				
Long term finances	103,570,375	16,723,643	35,796,732	51,050,000
Liabilities against assets subject to finance lease	2,665,374	590,632	2,074,742	--
Provision for gratuity	2,147,246	--	--	2,147,246

Short term finances	2,998,908	2,998,908	--	--
Due to directors	--	--	--	--
Creditors, accrued and other liabilities	34,735,603	106,487	--	34,629,116
TOTAL	146,117,506	20,419,670	37,871,474	87,826,362

1999

FINANCIAL INSTRUMENT	Due amount	Interest/mark-up bearing		Non interest/ Mark-up bearing
		Due within one year	Due after one year	
ASSETS				
Long term investments	25,000	--	--	25,000
Security deposits	41,656	--	--	41,656
Trade debts	230,904	--	--	230,904
Due from associated undertakings	27,614,230	27,614,230	--	--
Advances, deposits, prepayments other receivables	10,908,199	--	--	10,908,199
Cash and bank balances	148,851	--	--	148,851
TOTAL	38,968,840	27,614,230	--	11,354,610
LIABILITIES				
Long term finances	109,500,000	15,992,396	40,507,604	53,000,000
Liabilities against assets subject to finance lease	9,761,095	7,615,306	2,145,789	--
Provision for gratuity	2,400,361	--	--	2,400,361
Short term finances	4,569,801	4,559,801	--	--
Due to directors	4,638,575	--	--	4,638,575
Creditors, accrued and other liabilities	52,922,911	93,410	--	52,829,501
TOTAL	183,792,743	28,270,913	42,653,393	112,868,437

28.2 Non-interest / mark-up bearing financial assets and liabilities include Rs. 66,656/- (1999 : Rs. 66,656/- and Rs. 50,797,246 (1999: Rs. 52,706,361) respectively maturing after one year.

28.3 EFFECTIVE INTEREST/MARK UP RATES

	2000	1999
Financial assets		
Due from associated undertakings	18.25 % per annum	18.25 % per annum
Financial liabilities		
Long term finances	14 % per annum	14 % per annum
Liabilities against assets subject to finance lease	12.89 % per annum	12.89 % to 25.53 % per annum
Short term finances	18.25 % per annum	18.25 % per annum

Due to Director, s	Nil	Nil
Creditors. accrued and other liabilities (except WPPF)	Nil	Nil

28.4 CREDIT RISK

The company's credit risk exposure is not significantly different from that reflected from financial statements.

28.5 FOREIGN EXCHANGE RISK MANAGEMENT

Import bills payable exposed to foreign currency risk amounting to Nil (1999: Rs. 2,850,000/-)

28.8 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

29. PLANT CAPACITY AND PRODUCTION:

No. of spindles installed	12,432	12,432
Installed Capacity Lbs. (Converted into 20's count)	6,806,520	6,806,520
Actual production (20's count)	5,749,303	2,492,431
Actual production in Lbs.	3,878,400	1,635,511
Average count manufactured	30	30
No. of shifts worked daily (average)	3	3
No. of employees	259	246

29.1 REASONS FOR UNDER UTILISATION OF CAPACITY

plant capacity could not be fully utilised due to shortage of working capital, partial closure of plant and un announced electric break downs.

30. COMPARATIVE FIGURES

Figures in these accounts have been rounded - off to the nearest rupee. Prior year's figures have been regrouped, where necessary for the purpose of comparison.

Chief Executive**Director****PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT SEPTEMBER 30, 2000.**

<i>NO. OF SHAREHOLDERS</i>		<i>SHAREHOLDERS</i>		<i>TOTAL SHARES HELD</i>		
<i>2000</i>	<i>1999</i>			<i>2000</i>	<i>1999</i>	
41	41	1	to	100	4,100	4,100
3	3	101	to	500	1,300	1,300
12	11	501	to	1,000	11,467	10,467
345	345	1,001	to	5,000	615,366	615,366
3	3	70,001	to	75,000	222,000	222,000
--	--	75,001	to	80,000	--	--

--	--	80,001	to	85,000	--	--	
--	--	85,001	to	90,000	--	--	
--	--	90,001	to	95,000	--	--	
1	1	95,001	to	100,000	96,000	96,000	
1	1	155,001	to	160,000	158,867	159,867	
--	--	160,001	to	165,000	--	--	
--	--	165,001	to	170,000	--	--	
--	--	170,001	to	175,000	--	--	
--	--	175,001	to	180,000	--	--	
--	--	180,001	to	185,000	--	--	
--	--	185,001	to	190,000	--	--	
1	1	190,001	to	195,000	190,900	190,900	
-----				-----			
407	406			1,300,000	1,300,000		
=====				=====			

CATEGORIES OF SHAREHOLDERS:

	<i>NUMBER</i>		<i>SHARESHELD</i>		<i>PERCENTAGE</i>		
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	
Individuals	405	404	950,233	949,233	73.10	73.02	
Investment Company	1	1	158,867	159,867	12.22	12.30	
Insurance Company	--	--	--	--	--	--	
Joint Stock Companies	--	--	--	--	--	--	
Financial Institutions	1	1	190,900	190,900	14.68	14.68	
-----				-----			
	407	406	1,300,000	1,300,000	100	100	
=====				=====			

NOTICE OF 30TH ANNUAL GENERAL MEETING

Notice is hereby given that 30th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector I/9, Industrial Area, Islamabad on March 31, 2001 at 10.30 a.m. to transact the following business:-

1. To Confirm the minutes of the 29th Annual General Meeting.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2000 together with Auditors and Directors Reports thereon.
3. To appoint Auditors of the Company for the next financial year and to fix their remuneration.
4. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad,
March 03, 2001.

(MAHBOOB ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company shall remain closed from March 26, 2001 to March 31, 2001 (both days inclusive)
2. A member entitled to attend and vote in the meeting is authorised to appoint any other member of the Company a proxy to attend, speak and vote for him or her.
3. In order to valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or Authority, must be reached at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. Share holders are requested to notify immediately any change in their registered address.