

Kashmir Polytex Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. Mohamm Chief Executive
Mr. Farooq Khan
Mr. Nisar Husain Virani
Mr. Mohammed Akram
Dr. Mrs. Yasmin Ashraf
Mst. Azra Khan
Mrs. Harmeen Ara Hashmi

SECRETARY:

Mr. Shoaib Abdullah

BANKERS:

National Bank of Pakistan
Bank Al-Habib Limited
Industrial Development Bank of Pakistan

AUDITORS:

Kanwer Furqan All & Co.
Chartered Accountants

REGISTERED OFFICE:

Plot Nos. A/8-11 Industrial Estate, Mirpur, A.K.

LIAISON OFFICE:

501, Fifth Floor, Business Avenue, Main Shahrah-e-Faisal, Karachi.

FACTORIES:

i) Plot Nos. A/8-11 Industrial estate, Mirpur, A.K.
ii) Plot No. 190 Phase-III, Industrial Estate,
Gadoon Amazai, N.W.F.P.

NOTICE OF MEETING

Notice is hereby given that the 17th Annual General Meeting of the Shareholders of the Company will be held at plot Nos. A/8-11, Industrial Estate, Mirpur A. K., on Saturday 30th December, 2000 at 11.00 am to transact the following business:

1. To confirm the Minutes of Extra Ordinary General Meeting of the Shareholders of the Company held on 12th December, 2000.
2. To receive and adopt the report of the Directors and Audited Accounts of the Company for the year ended 30th June, 2000.
3. To appoint Auditors for the year 2000-2001 and fix their remuneration, the retiring Auditors M/s. Kanwer Furqan All & Co., Chartered Accountants have offered their services for the ensuing year.
4. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board

SHOAIB ABDULLAH

Secretary

December 09, 2000
Mirpur, Azad Kashmir

NOTE:

1. The Share Transfer Books of the Company will remain closed from December 21, 2000 to

December 30, 2000 (both days inclusive).

2. A member entitled to attend and vote at the 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 meeting.
3. The shareholders are requested to communicate to the Company any change in their addresses.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number for identification purpose and in case of proxy, to enclose an attested copy of his / her National Identity Card.

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Kashmir Polytex Limited, I am pleased to submit the Annual Report on the affairs of the company, together with the Audited Accounts for the year ended June 30, 2000.

FINANCIAL RESULTS

(Rupees in thousand)

	<i>MIRPUR</i>	<i>GADOON</i>	<i>TOTAL</i>
Net Loss for the period	18,042	30,968	49,010
Prior years adjustments	(95)	(549)	(644)
	-----	-----	-----
	17,947	30 419	48,366
Add: Accumulated Loss B/F	86,743	61,812	148,555
	-----	-----	-----
	104,690	92,231	196,921
	=====	=====	=====

Your Company operated during the year at only 21% of the total capacity. While the Mirpur plant was closed since May 1999, the Gadoon unit also operated far below capacity during the year for want of profit yielding orders of woven sacks. Realizing the potential in Jumbo Bags (Flexible Intermediate Bulk Containers - FIBC's) business, the management of the company decided in April 2000, to concentrate here only, thus completely quitting the polypropylene woven sacks making sector that is plagued by tax evading informal sector, and unhealthy trading practices.

Another very cogent reason to exit the woven sacks making sector is the large overcapacities that came on line because the woven sacks making sector is not a high-tech industry.

Adequately supported by the UK based principals, M/s. Storsack (UK) Limited, and Directors' friends and associates, your company was able to embark on the business of producing Jumbo Bags, after procuring all necessary machinery understandably without any support from the company's Bankers. Storsack has also committed to providing working capital support.

Upto June 30, 2000, an amount of Rs. 16.3 m, was outstanding as Directors' loans arranged from friends and associates. Subsequent to the balance sheet date, this amount has risen to over Rs. 20 m, in addition to over Rs. 5 m, of working capital support from Storsack.

The Market and Future Prospects

Jumbo bags are generally used extensively in developed countries where the labor is expensive, but these are mostly made in developing countries like India, Turkey, East Europe and Far East. The biggest and the fastest growing exporter countries are Turkey and India respectively. Jumbo Bags are highly labor-intensive, and this feature has converted most companies in Europe and North America from manufactures to importer-resellers. The market is hardly brand loyal, though some leading manufactures do have very distinct brand image.

The export potential for KPL is large, but your company is not expecting substantial margins in this business due to intense international competition. However, because of a high degree of dedication and commitment your company's management expects to make sizeable gains.

What is greatly needed is rationalization of Duty Drawback rates on the part of CBR on export of Jumbo bags. Local market presently is sizeable too, but much of the demand may be latent and is expected to come on stream when your company begins marketing locally. Your company believes that presently in excess of USD 3 million worth of Jumbo bags are being imported in Pakistan each year, which can be comfortably replaced by the high quality produce of your company.

Your company has started commercial production and sales of Jumbo Bags during the current year (2000-2001), and full scale operations and their results are expected around the year-end, that is June 2001.

We are thankful to our Bankers, Auditors, Clients and especially devoted employees for their meritorious services.

For and on behalf of the Board

MOHAMMAD ASHRAF KHAN
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of KASHMIR POLYTEX LIMITED as at June 30, 2000 and

the related Profit and Loss Account 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 informations and explanations which to the best of our knowledge and belief were necessary for the purposes 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.

in our opinion;

i) the Balance Sheet and Profit and Loss Account 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 by the Company;

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 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 30th June, 2000 and of the loss for the year then ended; and

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

(KANWER FURQAN ALI & co.)
Chartered Accountants

Karachi: December 6, 2000

BALANCE SHEET AS AT 30, 2000

	Note	<i>(Rupees in thousands)</i>	
		2000	1999
SHARE CAPITAL AND RESERVES			
CAPITAL			
Authorised			
7,500,000 Ordinary Shares of Rs. 10/- each		75,000	75,000
Issued, Subscribed & Paid up	3	71,000	71,000
GENERAL RESERVE		7,100	7,100
ACCUMULATED LOSS		(196,921)	(148,555)
		(118,821)	(70,455)
SURPLUS ON REVALUATION OF FIXED ASSETS	4	96,420	96,420
LONG-TERM LOANS	5	91,377	78,566
DEFERRED LIABILITY	6	18,284	17,630
CURRENT LIABILITIES			
Current Maturity	7	--	3,770
Short Term Loans and Bank Borrowings	8	139,408	163,387
Creditors		9,565	5,712
Accrued Liabilities	9	46,006	25,130
		194,979	197,999
CONTINGENCIES & COMMITMENTS	10	--	--
		282,239	320,160
TANGIBLE FIXED ASSETS	11	182,068	178,737
CAPITAL - WORK-IN-PROGRESS		--	20,960
LONG-TERM DEPOSITS	12	740	740
CURRENT ASSETS			
Stores, Spares and Loose Tools	13	5,929	5,276
Stock-in-Trade	14	36,444	36,230
Trade Debtors - Unsecured, Considered Good		1,069	13,020

Advances, Deposits, Prepayments

and Other Receivables	15	55,258	54,797
Cash and Bank Balances	16	731	10,400
		-----	-----
		99,431	119,723
		-----	-----
		282,239	320,160
		=====	=====

The annexed notes form an integral part of these accounts.

MOHAMMAD ASHRAF KHAN
CHIEF EXECUTIVE

FAROOQ KHAN
DIRECTOR

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

		<i>(Rupees in thousands)</i>	
	<i>Note</i>	<i>2000</i>	<i>1999</i>
Sales	17	211	65,660
Cost of Sales	18	6,130	67,894
		-----	-----
Gross Profit - Mirpur A.K. Project		(5,919)	(2,234)
	17	42,718	93,706
Cost of Sales	18	46,598	94,265
		-----	-----
Gross Profit - Gadoon Amazai Project		(3,880)	(559)
		-----	-----
Consolidated Gross profit		(9,799)	(2,793)
OPERATING EXPENSES			
Administrative	19	14,391	18,451
Selling	20	3,261	20,632
		-----	-----
		17,652	39,083
OPERATING PROFIT / (LOSS)		(27,451)	(41,876)
Other income	21	297	255
		-----	-----
		(27,154)	(41,621)
OTHER CHARGES			
Financial Charges	22	21,856	37,913
		-----	-----
PROFIT / (LOSS) FOR THE YEAR		(49,010)	(79,534)
Prior year's adjustment		644	(790)
		-----	-----
		(48,366)	(80,324)
Accumulated Loss brought forward		(148,555)	(68,231)
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD		(196,921)	(148,555)

The annexed notes form an integral part of these accounts.

Auditor's Report of even number and date is attached hereto.

MOHAMMAD ASHRAF KHAN
CHIEF EXECUTIVE

FAROOQ KHAN
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000**

		<i>(Rupees in thousands)</i>	
		<i>2000</i>	<i>1999</i>
SOURCES OF CASH (IN FLOW)			
OPERATION			
Profit / (Loss) after taxation		(49,010)	(79,534)
Items not involving funds			
Depreciation		17,428	17,024
(Gain) / Loss on disposal of fixed assets		(58)	(200)
Deferred Liabilities		654	13,814
Prior Year's adjustment		644	(709)
		-----	-----
		18,668	29,848
		-----	-----
Net Operational flow		(30,342)	(49,686)
OTHER SOURCES			
Sale proceed of fixed assets		560	286
Increase in long-term loans		1,843	--
Directors loan		7,198	9,113

increase in bank borrowings	--	23,518
Increase in creditors	3,853	55
Increase in accrued liabilities	20,876	--
Decrease in store and spares	--	154
Decrease in stock trade	--	17,989
Decrease in trade debtors	11,951	18,655
	-----	-----
	46,281	69,770
	-----	-----
	15,939	20,084

CASH OUT FLOW

Capital expenditure	21,261	821
Capital work-in-progress	(20,960)	10,644
Repayment of long-term loans	--	3,061
Decrease in Short term bank borrowings	23,979	--
Decrease in Creditors	--	2,961
Increase in store & spares	653	--
Increase in stock in trade	214	--
Increase in advances, deposits and other receivables	461	2,820
	-----	-----
	25,608	20,307
	-----	-----
NET INCREASE/(DECREASE) IN CASH & BANK BALANCES	(9,669)	(223)

CASH & BANK BALANCE

Opening	10,400	10,623
Closing	731	10,400
	-----	-----
NET INCREASE / (DECREASE) IN CASH & BANK BALANCES	(9,669)	(223)

MOHAMMAD ASHRAF KHAN
CHIEF EXECUTIVE

FAROOQ KHAN
DIRECTOR

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

1. THE COMPANY AND ITS OPERATION

The Company is incorporated in Azad Jammu & Kashmir, under the Companies Ordinance, 1984, as adopted by Azad Jammu & Kashmir Government, as a Public Limited Company, quoted on Karachi, and Lahore Stock Exchanges in Pakistan. The Company is engaged in the business of manufacturing and sale of polypropylene woven bags and cloth.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting Convention.**

These Accounts have been prepared under the historical cost convention.

2.2 Retirement Benefits

The Company operates an unfunded gratuity scheme and provision is made annually to cover the obligations under the scheme.

2.3 Taxation

Provision for current taxation is based on taxable income at current rates of taxation as applicable in Pakistan as adopted in Azad Jammu and Kashmir.

2.4 Tangible Fixed Assets

All fixed capital expenditure are at cost less accumulated depreciation except Leasehold Land which is stated at cost. Depreciation on assets calculated on reducing balance method at the rates specified in the fixed assets note. Maintenance and normal repairs are charged to income as and when incurred, while major replacements and improvements, if any are capitalised. Gain or Loss on disposal of assets is included in current income.

2.5 Store, Spares & Loose Tools

These are valued at Moving Average cost.

2.6 Stock in Trade

Stocks are valued at lower of cost or net releasable value, determined by First in First out method. Stock in Transit and at Bond are valued at cost.

2.7 Revenue Recognition

Sales are recorded when goods are dispatched and Invoiced.

2.8 Mark up/Interest on Working Capital loan has been allocated on the basis of Sales of Mirpur and Gadoon projects.

(Rupees in thousands)

	<i>Note</i>	2000	1999
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
7,100,000 Ordinary Shares of Rs. 10/- each fully paid in cash.		71,000	71,000

4. SURPLUS ON REVALUATION OF FIXED ASSETS

Surplus on Revaluation of Fixed Assets represents excess of the value of fixed assets as assessed by an independent valuer over Net Book Value as on February 28, 1999. The surplus is not available for distribution until realized on disposal of assets.

5. LONGTERM LOANS

Directors'/Other Loan	5.1	16,311	9,113
PICIC Loan for Mirpur-Secured	5.2.1	19,895	17,572
PICIC Loan for Gadoon-Secured	5.2.2	43,404	43,884
TFCs for Gadoon-Secured	5.3	11,767	7,997
		-----	-----
		91,377	78,566

5.1 DIRECTORS/OTHER LOAN

Mohammad Ashraf Khan		5,487	2,289
Farooq Khan		1,824	1,824
M/S. Storsack (UK) Limited		5,000	5,000
Zafar/Ahsan		4,000	--
		-----	-----
		16,311	9,113

5.2 PICIC LOAN FOR MACHINERY

5.2.1 Mirpur			
Principle Amount		26,726	26,726
Paid upto June, 2000		21,900	24,223
Adjustment on Rescheduling		(15,069)	(15,069)
		-----	-----
		6,831	9,154
		-----	-----
		19,895	17,572

Long term PICIC loan for Machinery is secured by first charge on fixed assets of the Company.

The loan had been adjusted in terms of rescheduling arrangement agreed on September, 1998.

(Rupees in thousands)

	2000	1999
5.2.2 Gadoon		
Principle Amount	62,546	62,546
Paid upto June, 2000	8,771	8,291
Adjustment on Rescheduling	10,371	10,371
	-----	-----
	19,142	18,662
	-----	-----
	43,404	43,884

Long term PICIC loan for Machinery is secured by first charge on fixed assets of the Company. The

loan had been rescheduled and the payment of principle amount was to commence from September 1998.

5.3 Term Finance Certificates

Principal amount	12,500	12,500
Paid upto June 2000	733	733
Current Maturity	--	3,770
	-----	-----
	733	4,503
	-----	-----
	11,767	7,997

In terms of SBP incentive scheme, an agreement had been reached between Company ICP led Syndicate to reschedule the outstanding principal to be repaid in 12 installments. First installment was due on December 1998.

This loan with other loans was taken up by the Bankers Committee on Sick Industrial Unit on 11-8-2000. The rescheduling package finalized by this committee asks KPL to repay the outstanding loans at 0% markup rate in 10 years time with one year moratorium. This package awaits the adoption by financial institution creditors of KPL.

(Rupees in thousands)

	2000	1999
6. DEFERRED LIABILITIES		
Against Land	78	115

Gratuity	2,124	3,652
PICIC Markup	16,082	13,863
	-----	-----
	18,284	17,630
	=====	=====

7. CURRENT MATURITY

S LT-TFC's

Investment Corporation of Pakistan	--	846
National Bank of Pakistan Limited	--	732
Habib Bank Limited	--	782
United Bank Limited	--	782
Muslim Commercial Bank Limited	--	316
Allied Bank of Pakistan Limited	--	312
	-----	-----
	--	3,770
	=====	=====

8. SHORT-TERM LOANS, DEPOSITS AND BANK BORROWINGS

SHORT-TERM LOANS

Directors-unsecured	115	115
	-----	-----
	115	115
	=====	=====

BANK BORROWINGS

From bank under Mark up Agreement - Secured

Bank Al-Habib		15,129	21,336
Bank Al-Habib ODBC/IBP	8.1	23,820	29,959
National Bank of Pakistan	8.2		
Cash Finance		10,845	11,115
Running Finance		8,000	8,000
FIM/TR		17,851	29,214
I B P		9,878	9,878
D.A. Payable		13,772	13,772
IDBP	8.3	39,998	39,998
		-----	-----
		139,293	163,272
		-----	-----
		139,408	163,387
		=====	=====

8.1 Bank Al-Habib has sanctioned a limit of Rs. 15 million for Running Finance and Rs. 30.0 million against Bill discounting facility which is secured against equitable mortgage of property valuing Rs. 50.00 million, second charge on fixed assets of Company, Hypothecation of stocks and personal guarantee of Directors. Markup is 52/54 paisa per thousand per day.

8.2 National Bank of Pakistan has sanctioned limits of Rs. 11.00 million in Cash Finance, 8.00 million in Running Finance, 10.00 million against Bill Discounting facility 5.00 million Inland Bank Guarantee, 40.00 million Import L/c Limit (allocated 25.00 million Sight and 15 million D.A., 20.00 million in FIM Account and 10.00 million in T.R. Account), 13,772 million Demand Finance secured against second charge on fixed assets of the Company, pledge of shares of Kashmir Polytex Limited issued in favor of the Directors, personal guarantee of the Directors, counter guarantee of the Company, pledge of raw material and finished goods, hypothecation of stock in process, equitable mortgage of properties of Directors valuing Rs. 20.38 million, charge on book debts of the Company, title of the goods imported through National Bank of Pakistan.

8.3 Industrial Development Bank of Pakistan has sanctioned Running Finance Limit of Rs. 40.00 million Secured against .second charge on fixed assets of the Company, mortgage of urban properties valuing Rs. 48 million, hypothecation of stock and floating charge on movable assets of the Company, personal guarantee of Directors of the Company, Markup is 60 paisa per thousand per day.

		<i>(Rupees in thousands)</i>	
	<i>Note</i>	<i>2000</i>	<i>1999</i>
9. ACCRUED LIABILITIES			
For Expenses	9.1	6,743	2,796
For Finance	9.2	37,244	20,510
For Other	9.3	2,019	1,824
		-----	-----
		46,006	25,130
		=====	=====

9.1 For Expenses

Salaries Payable		36	1,246
Accrued Expenses		6,657	1,550
Audit Fee		50	--
		-----	-----
		6,743	2,796
		=====	=====

9.2 For Finance

Mark up on PICIC	227	--
Mark up on TFC's	6,558	1,982
Sales Tax / Excise Duty	1,404	2,777
Others	29,055	15,751
	-----	-----
	37,244	20,510
	=====	=====

9.3 FOR OTHERS

Income Tax	905	710
Workers Profit		
Participation Fund	9.4	609
Workers Welfare Fund		351
Unclaimed Dividend		154
	-----	-----
	2,019	1,824
	=====	=====

9.4 WORKERS PROFIT PARTICIPATION FUND

Opening Balance	609	609
Provision for the year	--	--
	-----	-----
	609	609
Less: Paid during the year	--	--
	-----	-----
	609	609
	=====	=====

10. CONTINGENCIES & COMMITMENTS**Contingencies**

10.1 The Company has obtained stay order against imposition of increased Custom Duty and Sales Tax rate on the Letter of Credit established on or before 13.06.1996. Case is under process in Court of Law for Rs. 562,000/-

10.2 Liability for Custom Duty has not been provided on the over assessed value on imported material by the Custom Authority. The case is pending with the Appellate Collector of Customs, Karachi. Liability amounts to Rs. 465,000/-

10.3 Stay order obtained against imposition of Excise Duty on Polypropylene Strips @ 2.50 per K.g., Case under proceeding under Court of Law for Rs. 12,144,396/-.

10.4 The Supreme Court of AJK has passed a judgement on 20.05.1998 that imposition of Income Tax under Section 80-D of the Income Tax Ordinance, 1979 was without lawful authority and of no effect. Refund claim of Turnover Tax under Section 80-D deposited since its imposition has been filed with Department for Rs. 5,847,365/-.

10.5 The appeal before Income Tax Tribunal against Assessment Order for the assessment year 1993-94 is pending for decision. Tax deposited under protest amounted to Rs. 1,436,132/-.

10.6 PICIC has freezed 70% overdue markup amounting Rs. 28.00 million which may be waived off on pro rata basis against payment of each installment.

N.B. 10.1 Stay has been vacated and we have started deposit of this amount from 24.11.1999.

11. TANGIBLE FIXED ASSETS

PARTICULARS	COST				RATES	DEPRECIATION					
	AS ON 01-07-99	ADDITION	DISPOSAL/ ADJUSTMENT	SURPLUS ON REVALUATION 06-2000		ACCUMULATED FOR THE 01-07-99	YEAR	RELEASE ON ADJUSTMENT	ACCUMULATED REVALUATION 30-06-2000	NET BOOK VALUE	
MIRPUR-KARACHI											
LEASEHOLD LAND	1,557	--	--	--	1557	5	--	--	--	--	1,557
BUILDING - FACTORY	18,251	--	--	--	18,251	5	913	867	--	--	1,780
BUILDING - OFFICE	7,263	--	--	--	7,263	10	363	345	--	--	708
PLANT AND MACHINERY	57,754	--	--	--	57,754	10	17,521	4,023	--	--	21,544
ELECTRIC INSTALLATIONS	2,825	--	--	--	2,825	10	2,018	81	--	--	2,099
FURNITURE & FIXTURE	2,318	--	--	--	2,318	10	1,329	99	--	--	1,428
OFFICE EQUIPMENT	1,177	--	--	--	1,177	20	534	64	--	--	598
FIRE EXTINGUISHERS	6	--	--	--	6	20	6	--	--	--	6
MOTOR VEHICLES	3,294	--	(924)	--	2,370	20	1982.00	162	(422)	--	1,722
AIR COMPRESSOR	30	--	--	--	30	10	19	1	--	--	20
TELEPHONE	87	--	--	--	87	10	34	5	--	--	39
ARMS AND AMMUNITION	3	--	--	--	3	10	2	--	--	--	2
SUBTOTAL	94,565	--	(924)	--	93,641		24,721	5,647	(422)	--	29,946
GADOON											
LEASEHOLD LAND	2,000	--	--	--	2,000	--	--	--	--	--	2,000
BUILDING-FACTORY	25,131	25	--	--	25156	5	4,288	1,043	--	--	5,331
PLANT AND MACHINERY	93,560	21,195	--	--	114,755	10	9356	10,540	--	--	19,896
FURNITURE & FIXTURE	1,271	41	--	--	1312	10	569	74	--	--	643

OFFICE EQUIPMENT	98	--	--	--	98	10	51	5	--	--	56	42
MOTOR VEHICLES	48C	--	--	--	480	20	381	20	--	--	401	79
ELECTRIC INSTALLATION S	1,861	--	--	--	1,861	10	920	94	--	--	1014	847
TELEPHONE	66	--	--	--	66	10	12	5	--	--	17	49
ARMS & AMMUNITION	4	--	--	--	4	10	1	--	--	--	1	3
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
SUB TOTAL	124,471	21,261	--	--	145,732		15,578	11781	--	--	27,359	118,373
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
GRAND TOTAL 2000	219,036	21,261	(924)	--	239,373		40,299	17,428	(422)	--	57,305	182,068
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1999	206,640	821	(303)	11,876	219,036		85,594	17,024	(217)	(62,102)	40,299	178,737
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

SURPLUS ON REVALUATION OF FIXED ASSETS:

As at February 28, 2000. Company's assets were revalued by M/s Shahid Associates and subsequently confirmed by M/s. Muniff Ziauddin & Co. Chartered Accountants on the following basis:

Building	Present cost of construction discounted lot approximate depreciation.
Plant & Machinery	Replacement value of similar machinery at current exchange rates discounted for depreciation depending on the age, performance, upkeep and productivity of the machinery

ALLOCATION	MIRPUR	GADOON	TOTAL
	(Rupees in thousands)		
Cost of goods manufactured	4,518	9,425	13,943
Administrative	1,129	2,356	3,485
	-----	-----	-----
TOTAL RUPEES	5,647	11,781	17,428
	=====	=====	=====

(Rupees in thousands)
2000 1999

12. LONG-TERM DEPOSITS

Security Deposits	739	739
Gas Cylinder	1	1
	-----	-----
	740	740
	=====	=====

13. STORES, SPARES AND LOOSE TOOLS

Stores and Spares	5,754	5,122
Loose Tools	175	154
	-----	-----
	5,929	5,276
	=====	=====

14. STOCK - IN - TRADE

Raw Material in Bonded Ware House	17,482	20,492
Factory	8,074	2,795
Transit	2,275	3,659
	-----	-----
	27,831	26,946
	-----	-----
Work in Process	2,906	3,405
Finished Goods	5,707	5,879
	-----	-----
	36,444	36,230
	=====	=====

Stores, Spares, Loose tools and Stock-i n-Trade.
Valuation is taken as Certified by the management.

(Rupees in thousands)
2000 1999

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

ADVANCES	2000	1999
Against Land	24,091	24,091
Against Office Booking	2,208	2,208
To Contractors & Suppliers	3,677	3,677
To Staff	1,683	746
Sales Tax/Excise Duty	289	281
Income Tax	9,279	9,082
Other	6,168	6,234
	-----	-----
	47,395	46,319
	=====	=====

DEPOSITS

Earnest Money / Retention	3,567	3,739
Security Deposit	821	821
L/C. Margin	--	875
	-----	-----
	4,388	5,435
PREPAYMENTS		
Expenses	1,401	1,364
LC's	--	--
	-----	-----
	1,401	1,364
OTHER RECEIVABLES		
Bank Guarantee	322	471
Other	1,752	1,208
	-----	-----
	2,074	1,679
	-----	-----
	55,258	54,797
	=====	=====

16. CASH AND BANK BALANCES

Cash in Hand	310	752
Cash with Banks		
in Current Account	421	893
in Deposit Account	--	8,755
	-----	-----
	421	9,648
	-----	-----
	731	10,400
	=====	=====

(Rupees in thousands)

	2000	1999	2000	1999
	MIRPUR		GADOON	
17. NET SALES				
Sales	211	76,971	49,254	113,011
Sales Return/Deduction	--	1,083	563	254
Sales Tax	--	8,046	5,718	13,936
Excise Duty	--	2,182	255	5,155
	-----	-----	-----	-----
	--	(11,311)	(6,536)	(19,305)
	-----	-----	-----	-----
	211	65,6E~0	42,718	93,706
	=====	=====	=====	=====

(Rupees in thousands)

	2000	1999	2000	1999
	MIRPUR		GADOON	
18. COST OF SALES				
Opening Stock of Raw Materials	1,457	6,349	1,338	3,868
Purchases/Import	--	36,512	33,248	53,850
	-----	-----	-----	-----
	1,457	42,861	34,586	57,718
Closing Stock of Raw Materials	1,408	1,457	6,666	1,338
	-----	-----	-----	-----
	49	41,404	27,920	56,380
Salaries, Wages & Benefits	1,143	6,302	3,986	6,693
Finishing & Weaving Expenses	142	449	56	385
Travelling and Conveyance	13	37	293	529
Vehicle Running Expenses	1	1	--	--
Electricity	27	5,955	2,836	8,143
Postage, Telephone & Telex	--	192	101	128
Insurance	--	--	14	--
Rent, Rate & Taxes	3	1	89	141
Plant Maintenance/Spares Consumed	211	4,177	454	2,274
Cartage & Octroi	8	175	387	193
Printing & Stationery	--	17	25	33
Entertainment	2	41	19	75
Sundries & Others	13	16	322	390
Depreciation	4,518	5,082	9,425	8,538
	-----	-----	-----	-----
	6,081	22,445	18,007	27,522
	-----	-----	-----	-----
MANUFACTURING COST	6,130	63,849	45,927	83,902
Opening Stock Work-in-Process	1,121	2,346	2,284	5,390
Closing Stock Work-in-Process	1,121	1,121	1,785	2,284
	-----	-----	-----	-----
	--	1,225	499	3,106
	-----	-----	-----	-----
COST OF GOODS MANUFACTURED	6,129	65,074	46,426	87,008

Opening Stock of Finished goods	4,216	7,036	1,663	8,920
Closing Stock of Finished goods	4,216	4,216	1,491	1,663
	-----	-----	-----	-----
	--	2,820	172	7,257
	-----	-----	-----	-----
COST OF SALES	6,130	67,894	46,598	94,265
	=====	=====	=====	=====

(Rupees in thousands)

	Note	2000	1999
19. ADMINISTRATIVE EXPENSES			
Salaries, Allowances & Benefits		4,105	6,360
Directors Remuneration	23	300	360
Rent, Rate & Taxes		774	243
Postage, Telephone & Telex		377	898
Conveyance & Travelling		715	780
Entertainment		271	403
Printing & Stationery		186	431
Electricity		1,695	485
Vehicle Running Expenses		899	1,040
Insurance		156	990
Paper & Periodicals		20	33
Repair & Maintenance		138	293
Donations	24	114	199
Fee & Subscription		103	299
Guest House Expenses		11	35
Legal & Professional Charges		290	314
Sundries		678	1,822
Auditors Remuneration	25	74	62
Depreciation		3,485	3,404
		-----	-----
		14,391	18,451
		=====	=====

20. SELLING EXPENSES

Salaries, Allowances & Benefits		1,019	1,939
Delivery charges		663	3,617
Rent, Rates & Taxes		100	139
Postage, Telephone & Telex		286	786
Conveyance & Travelling		48	182
Advertisement		--	26
Entertainment		22	42
Electricity		49	131
Vehicle Running Expenses		114	172
Printing & Stationery		13	59
Tender Fees		19	2
Sundries		925	142
Repair & Maintenance		3	4
Bad Debts		--	13,391
		-----	-----
		3,261	20,632
		=====	=====

21. OTHER INCOME

Profit / (Loss) on Sale of Assets		58	200
Interest on FDR		239	55
		-----	-----
		297	255
		=====	=====

22. FINANCIAL CHARGES

Mark up on			
PICIC Loan		2,389	8,500
TFC's		1,938	1,482
ODBC/IBP		4,313	6,463
Running Finance		7,646	16,159
FIM / TR		5,570	2,756
Bank Charges and Others		--	2,553
		-----	-----
		21,856	37,913
		=====	=====

23. REMUNERATION TO DIRECTORS

	CHIEF EXECUTIVE	
Managerial Remuneration	195	234
House Rent	87	104
Other / Utility	18	22
	-----	-----
	300	360
	=====	=====
Number of persons	1	1

- i) Directors have waived their meeting fee.
 ii) Chief Executive and Directors are entitled to free use of company's cars and telephones at their residences.

24. DONATION

None of the Directors or their spouse have any interest in the institutions to which the donations has been made.

25. AUDITORS' REMUNERATION

Audit fee	50	25
Other Expenses	24	37
	-----	-----
	74	62
	=====	=====

26. CAPACITY AND PRODUCTION

	<i>K.G. IN '000s</i>	
Installed capacity	2,800	2,800
Actual Production	580	2,219
Utilisation %	21	79

The Installed capacity is based on 300 days, three shifts working per annum at 100% capacity operation.

Decline in production due to shortage of working capital and closure of Mirpur Plant since May 1999

28. FIGURES

- a) Figures have been rounded off to nearest thousand of rupees.
 b) Previous year's figures have been rearranged and reclassified wherever deemed necessary for the purpose of comparison.

MOHAMMAD ASHRAF KHAN
 CHIEF EXECUTIVE

FAROOQ KHAN
 DIRECTOR

PATTERN OF HOLDING OF SHARE HELD BY THE SHARE HOLDERS AS AT JUNE 30, 2000

NO. OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
217	1	100	21,700
2,890	101	500	1,348,400
160	501	1000	158,800
137	1001	5000	391,700
29	5001	10000	222,900
1	10001	15000	11,500
1	15001	20000	20,000
1	20001	25000	21,500
1	30001	35000	30,500
1	35001	40000	77,300
1	45001	50000	47,500
1	55001	60000	57,500
1	135001	140000	137,700
1	145001	150000	150,000
1	190001	195000	191,900
1	350001	355000	355,000
1	375001	380000	378,600
1	755001	760000	758,000
1	810001	815000	814,000
1	945001	950000	949,000
1	945001	960000	956,000
-----	-----	-----	-----
3,450			7,100,000
	=====	=====	=====

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2000

CATEGORIES SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
INDIVIDUALS	3445	5,840,300	82.25
INVESTMENT COMPANIES	1	355,000	5.00
INSURANCE COMPANIES	0	0	0.00
JOINT STOCK COMPANIES	2	761,500	10.73
FINANCIAL INSTITUTIONS	2	143,200	2.02
MODARABA COMPANIES	0	0	0.00
ASSOCIATED COMPANIES	0	0	0.00
HOLDING COMPANIES	0	0	0.00

OTHERS	0	0	0.00
	-----	-----	-----
	3450	7,100,000	100.00
	=====	=====	=====