

A.A. Textile Limited

ANNUAL REPORT 1997

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Company Information

Board of Directors	Sheikh Mukhtar Ahmed Sheikh Mohammad Yaseen Mr. Mohammad Naeem Mukhtar Mr. Mohammad Waseem Mukhtar Mr. Atif Yaseen Mrs. Iqbal Begum Mr. Fazle-Rahim Sabir Mr. Mohammad Aleem	Chairman Chief Executive ICP Nominee NIT Nominee
Secretary	S.M. Hasnain Rizvi	
Auditors	Rahman Sarfaraz & Co., Chartered Accountants, Lahore.	
Tax Consultants	F.R. Merchant & Co., Chartered Accountants, Karachi.	
System Consultants	KPMG Peat Marwick Associates (Pvt) Ltd. Karachi.	
Bankers	Emirates Bank International PJSC Faysal Bank Limited.	
Registered Office	Ibrahim Centre, 1-A, Ahmed Block, New Garden Town, Lahore.	
Head Office	Ibrahim Centre, 15 Club Road, Faisalabad.	
Shares Department	Ibrahim Centre	

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

Mills 40 - Kilometer,
Faisalabad, Sheikhpura Road,
Tehsil Jaranwala,
District Faisalabad.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Notice is hereby given that the 15th Annual General Meeting of the shareholders of the Company will be held on 31-03-1998 at 10:30 A.M., at Avari Hotel, Lahore to transact the following business:-

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider, approve and adopt the Annual Audited Accounts of the Company for the year ending 30-09-1997.
3. To approve Cash Dividend @ 20% as recommended by the Board of Directors.
4. To appoint Auditors for the next year 1997-98 and to fix their remuneration. The present auditors M/s Rahman Sarfaraz & Co., Chartered Accountants, Lahore being eligible for appointment, offer themselves for reappointment.

5. SPECIAL BUSINESS:-

To approve the following special business.

To fix/increase remuneration of Chief Executive.

"Resolved that keeping in view the inflationary trend, the remuneration of Mr. Mohammad Naeem Mukhtar, Chief Executive of the Company be and is hereby fixed/increased w.e.f. 01-04-1998 as follows:-

1. Basic Salary	Rs.	100,000.00	per month
2. House Rent Allowance	Rs.	45,000.00	per month
3. Utilities	Rs.	10,000.00	per month

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

Note:

i) The share transfer books of the Company shall remain closed from 23-03-1998 to 30-03-1998 (both days inclusive) to determine the names of members entitled to Dividend payment and to attend the meeting. Transfers received in order at the Registered office of the Company at the close of business on 22-03-1998 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.

Your Directors have great pleasure to present before you the 15th audited Annual Report 1997 of the company

for the year ended on September 30, 1997.

OPERATING RESULTS:

The results are satisfactorily with a total production of 6,782,091 Kgs of different counts of blended yarn as compared to 6,911,866 Kgs in the corresponding period of last year. The mills have manufactured 30/S to 45/S count of blended yarn during the year. There is slight decrease in production over previous year due to manufacture of higher counts of yarn.

The summary of comparative production details are as under:

Type of Yarn Produced	Production	Production
	1997	1996
	Kgs.	Kgs.
Polyester cotton yarn	3,563,391	3,843,808
Polyester viscose yarn	898,037	3,068,060
Acrylic viscose yarn	2,319,257	-
Polyester	1,406	-
	-----	-----
	6,782,091	6,911,868
	=====	=====

You will observe that the mills are maintaining constant production level over the years which is a great satisfaction for the company.

The above information regarding type of yarn produced by your mills is entirely on the basis of market demand of various blend of yarn with different counts.

The idea of furnishing the details of product mix being manufactured by your mills is to provide a broad based information regarding the availability and range of our blended yarn to the existing as well as prospective customers.

FINANCIAL RESULTS:

The company has earned a gross profit of Rs. 125,876,714/= as compared to gross profit of Rs. 94,975,413/= in the previous year. The sales revenue targets have been achieved. The financial ~: performance of the company is quite satisfactory during the year and the overall results with comparative details are summarized as follows:

	1997	%	1996	%
	Rupees		Rupees	
Sales	802,873,327		856,676,123	
Cost of Sales	676,996,613		761,700,710	
	-----		-----	
Gross Profit	125,876,714	15.68	94,975,413	11.09
Operating expenses	36,312,618		33,699,222	
	-----		-----	
Miscellaneous Revenue	89,564,096		61,276,191	
	588,887		(64,543)	
	-----		-----	
Financial and other charges	90,152,983		61,211,648	
	51,013,407		46,736,644	
	-----		-----	

Net Profit earned	39,139,576		14,475,004	
Provision for current taxation	11,741,873		5,166,782	
	-----		-----	
Net profit after taxation	27,397,703	3.41	9,308,222	1.09
Unappropriated profit brought forward	38,862		30,640	
	-----		-----	
Surplus available for appropriation	27,436,565		9,338,862	
	=====		=====	

There is increase in operating expenses due to cost inflation. The financial and other charges have also increased due to high rate of mark up.

GENERAL OVERVIEW:

We would like to point out that overall position of the textile industry in general and textile spinning units in particular are in severe crises for the last 5 years due to continuous decline in demand and prices of yarn and increase in prices of input.

The textile industry is badly suffering due to declining trend in the domestic market. The recessionary condition prevailing in the international market for value added product is one of the reason for crises in textile spinning unit. There are many textile mills closed or running at below rated capacity.

The cycle of improvement in demand and rates witnessed during this period always proved short lived with no long term increase in demand and prices. The revival of spinning sectors in full swing entirely depend on the increase in demand for value added in domestic and international market.

CASH DIVIDEND:

You will be happy to note that the Board of Directors has recommended payment of cash dividend @ 20% i.e. Rs.2/= per share of Rs. 10/- each.

The profit has been appropriated as follows:

	1997	1996
Surplus available for appropriation	27,436,565	9,338,862
APPROPRIATION:		
Proposed dividend @ 20% (1996 @ Nil)	20,625,000	-
Transfer to general reserve	6,800,000	9,300,000
	-----	-----
	27,425,000	9,300,000
	-----	-----
Unappropriated profit carried forward	11,565	38,862
	=====	=====

AUDITORS:

The present auditors M/s Rahman Sarfaraz & Co., Chartered Accountants, Lahore retire and are being eligible, consented for reappointment for the next financial year 1997-98.

PATTERN OF SHAREHOLDING:

Pattern of shareholding of the company is annexed.

ACKNOWLEDGMENT:

The management express its appreciation for hard work and positive efforts made by the workers and staff, guidance provided by our valued Customers and all type of support and cooperation extended by our Bankers,- Financial Institutions and shareholders and hope to have the same level cooperation, guidance and support in future.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of A. A. TEXTILES LIMITED as at 30 September, 1997 and the related Profit & 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 purpose of our audit and, after due verification thereof, we report that:

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.

(b) In our opinion

(i) the Balance Sheet and Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and 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 and the Balance Sheet, Profit & Loss Account and the Cash flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September, 1997 and of the Profit and Cash flow Statement for the year then ended and

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

Balance Sheet as at 30 September, 1997

	NOTE	1997 Rupees	1996 Rupees
CAPITAL & RESERVES			
Authorised capital			
20,000,000 ordinary			
shares of Rs. 10/- each		200,000,000	200,000,000
		=====	=====
Issued, subscribed & paid-up-capital	3	103,125,000	103,125,000
General reserve	4	59,300,000	52,500,000
Unappropriated profit		11,565	38,862
		-----	-----

162,436,565 155,663,862

LONG TERM LOANS	5	79,200,000	155,345,660
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	4,599,228	7,177,894
DEFERRED LIABILITIES			
Customs debentures	7	12,582,871	1,677,716
Staff retirement gratuity	8	6,185,422	4,528,350
		-----	-----
		7,443,709	6,206,066
CURRENT LIABILITIES			
		-----	-----
Short term borrowings	9	166,376,029	202,841,297
Current portion of long term liabilities	10	2,998,095	72,533,957
Creditors, provisions & accrued liabilities	11	51,813,216	37,805,170
Provision for taxation		16,908,655	15,095,316
Dividend payable	12	170,479	170,479
Proposed dividend		20,625,000	-
		-----	-----
		258,891,474	328,446,219
CONTINGENT LIABILITIES/COMMITMENTS	13	-	-
		-----	-----
		512,570,976	652,839,701
		=====	=====

The annexed notes form an integral part of these accounts.

FIXED ASSETS	14	218,923,373	230,643,297
LONG TERM INVESTMENTS	15	5,000,000	159,915,200
CURRENT ASSETS			
Stores, spares and loose tools	16	18,552,010	11,104,857
Stock in trade	17	191,416,652	116,611,556
Trade Debts	18	4,408,177	4,955,769
Advances, deposits and other receivables	19	54,013,631	36,680,767
Shod term investments	20	-	48,083,308
Cash and bank balances	21	20,257,133	44,844,947
		-----	-----
		288,647,603	262,281,204
		-----	-----
		512,570,976	652,839,701
		=====	=====

**Profit & Loss Account
for the year ended 30 September 1997**

	1997	1996
NOTE	Rupees	Rupees

SALES	22	802,873,327	856,676,123
COST OF SALES	23	676,996,613	761,700,710
		-----	-----
GROSS PROFIT		125,876,714	94,975,413
OPERATING EXPENSES			
	24	30,442,414	27,179,632
	25	5,870,204	6,519,590
		-----	-----
		36,312,618	33,699,222
		-----	-----
OPERATING PROFIT		89,564,096	61,276,191
OTHER INCOME		-----	-----
Miscellaneous revenue	26	1,333,771	1,932,594
Profit / (loss) on trading	27	(744,884)	(1,997,137)
		-----	-----
		588,887	(64,543)
		-----	-----
		90,152,983	61,211,648
OTHER CHARGES			
	28	48,935,355	45,955,800
Zakat		18,074	19,002
Workers Profit			
Participation Fund		2,059,978	761,842
		-----	-----
		51,013,407	46,736,644
		-----	-----
PROFIT FOR THE YEAR		39,139,576	14,475,004
PROVISION FOR TAXATION - Current	29	(11,741,873)	(5,166,782)
		-----	-----
PROFIT AFTER TAXATION		27,397,703	9,308,222
UNAPPROPRIATED PROFIT B/F		38,862	30,640
		-----	-----
AVAILABLE SURPLUS FOR APPROPRIATION		27,436,565	9,338,862
APPROPRIATIONS			
Proposed Dividend @ 20% (1996 Nil)		20,625,000	-
Transferred to general reserve		6,800,000	9,300,000
		-----	-----
		27,425,000	9,300,000
		-----	-----
UNAPPROPRIATED PROFIT RETAINED		11,565	38,862
		=====	=====

The annexed notes form integral part of these accounts.

**Cash Flow Statement
for the year ended on 30 September 1997**

1997 1996

	Rupees	Rupees
a) CASH FROM OPERATING ACTIVITIES		
Profit/(loss) for the year before taxation	39,139,576	14,475,004
Adjustment for		
Depreciation	22,592,888	23,946,851
(Profit) /loss on disposal of fixed assets	902,029	(106,245)
Provision for gratuity	2,240,272	1,070,297
Gratuity paid	(583,200)	(865,979)
Financial charges	48,935,355	45,955,800
	-----	-----
Operating profit before working capital changes	113,226,920	84,475,728
	=====	=====
CHANGES IN WORKING CAPITAL		
(Increase) / Decrease in current assets		
Stores, spares & loose tools	(7,447,153)	180,944
Stock in trade	(74,805,096)	(14,897,805)
Trade debtors	547,592	68,037,653
Advances, deposits		
prepayments and other receivables	(17,332,863)	(27,207,815)
(Decrease) / increase in current liabilities		
Creditors, accrued and other liabilities	11,468,922	11,845,932
	-----	-----
	(87,568,598)	37,958,909
	=====	=====
Cash generated from operations	25,658,322	122,434,637
Financial charges paid	46,396,231	(43,806,910)
Taxes paid	(9,928,534)	(2,000,000)
	-----	-----
Net cash (used in) from operating activities	30,666,443	76,627,727
	=====	=====
CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(12,316,552)	(9,221,078)
Proceeds from disposal of fixed assets	541,558	582,594
Long term investments	154,915,200	-
Short term investments	48,083,308	-
	-----	-----
Net cash (used in) from investing activities	191,223,514	(8,638,484)
	=====	=====
c) CASH FROM FINANCING ACTIVITIES		
Long term loans	50,000,000	69,042,571
Lease finance	-	2,097,145
Repayment of long term loans	(195,188,231)	(1,900,000)
Repayment of lease liability	(3,071,957)	(3,355,900)
Repayment of custom levies	(419,429)	-
Increase / (decrease) in short term borrowings	(36,465,268)	(93,108,759)
	-----	-----
Net cash (used in) from financing activities	(185,144,885)	(27,224,943)
	=====	=====

NET INCREASE IN CASH & BANK BALANCES (a+b+c)	(24,587,814)	40,764,300
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	44,844,947	4,080,647
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	20,257,133	44,844,947
	=====	=====

**Notes to the Accounts
for the year ended 30 September 1997**

1. THE COMPANY AND ITS OPERATIONS

The company is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the company is to manufacture cotton / blended yarn of different counts.

2. ACCOUNTING POLICIES

2.1 The accounts have been prepared under historical cost convention as modified by adjustments of exchange rate fluctuations.

2.2 Provision for gratuity

The company used to operate an unfunded gratuity scheme for its permanent employees. Provision has been made in the accounts to cover the obligation under the scheme at the rate of 30 days basic salary for each completed year.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at current rates after taking into account tax credits and tax rebates 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 to the extent as per Note 30, it can be established with reasonable probability that these differences are not likely to reverse in the foreseeable future due to accelerated rate of tax depreciation on operating assets.

2.4 Operating assets

Operating assets are stated at cost less depreciation except freehold land, leasehold land and capital work in progress which are stated at cost. Cost of operating assets consists of historical cost after adjustment for exchange gain or loss in respect of foreign currency loan utilised for acquisition thereof.

Operating assets other than land and capital work in progress are depreciated on reducing balance method without considering extra shift working, at the annual rates of 10% to 20% on written down values, depending upon the class of assets. No depreciation is charged on fixed assets sold or

scrapped during the year and full depreciation is charged on acquisition during the year.

Normal repairs and maintenance are charged to expenses as and when incurred. Major repairs and renewals are capitalised.

Gains and losses on disposal of assets are included in the Profit & Loss Account.

2.5 Capital work in progress

All costs / expenditure connected with specific assets are recorded under this head. These are transferred to specific assets when assets are available for use.

2.6 Unallocated capital expenditure

All cost / expenditure not directly related to specific assets, incurred during the project implementation period are stated under this head. These are allocated to plant and machinery and building at the: time of completion of the project.

2.7 Investments

Long term investments are stated at cost with comparative market value on the balance sheet date. Short term investments are valued at lower of cost and net realisable value.

2.8 Accounting for leases

The company accounts for the assets acquired under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the ' company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the assets over its estimated useful life in view of the certainty of ownership of assets at the end of the lease period.

2.9 Deferred costs

These are written off in maximum period of five years from the year of deferment.

2.10 Stores, spares and loose tools

These are valued at average costs,

2.11 Stocks

These are valued at lower of cost and net realisable value applying the following basis:

Raw Material	Weighted average cost
Finished goods	Net cost
Work in process	Average manufacturing cost
Wastes	Net realisable value

2.12 Trade debtors

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

2.13 Rates of exchange

Assets and liabilities in foreign currencies are converted into rupees at the rates of exchange ruling on the balance sheet date or exchange booked under the scheme of State Bank of Pakistan. Exchange differences other than those mentioned in Note 2.4 are included in current income.

2.14 Revenue recognition

Sales are recorded on despatch of goods.

	1997 Rupees	1996 Rupees
3. ISSUED, SUBSCRIBED & PAID UP CAPITAL		
6,500,000 ordinary shares of Rs. 10/- each fully paid up in cash	65,000,000	65,000,000
3,381,500 ordinary shares of Rs. 10/- each fully paid bonus shares	38,125,000	38,125,000
	-----	-----
	103,125,000	103,125,000
	-----	-----
4. GENERAL RESERVE		
Balance as at 1 October, 1996	525,000,001	43,200,000
Transferred from / (to) profit & loss a/c	6,800,000	9,300,000
	-----	-----
	59,300,000	52,500,000
	=====	=====
5. LONG TERM LOANS		
Opening balance	224,388,231	157,245,660
Obtained during the year	50,000,000	69,042,571
	-----	-----
	274,388,231	226,288,231
	-----	-----
Paid during the year	195,188,231	1,900,000
	79,200,000	224,388,231
	-----	-----
Current portion	-	69,042,571
	-----	-----
	79,200,000	155,345,660
	=====	=====

5.1 The repayment of loan is secured against fixed assets/floating charges on company assets and personal guarantee of directors, It carries mark up @ 17% to 19% per annum,

	1997 Rupees	1996 Rupees
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as on 1 October, 1996	10,249,851	13,605,751
Less: Paid during the year	(3,071,957)	(3,355,900)
	-----	-----
	7,177,894	10,249,851
Installments due within following twelve months transferred to current liabilities	(2,578,666)	(3,071,957)
	-----	-----
Balance as on 30 September, 1997	4,599,228	7,177,894
	=====	=====

These represent machinery acquired under various agreements with the leasing companies. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreements. The cost plus financial charges are payable on 36 to 60 monthly and 12-- to 20 quarterly installments under different leasing agreements. The liability represents the minimum lease payments discounted at the rate of 19% to 20% per annum being the company's incremental rate of borrowings.

i~:i~

The future minimum lease payments to which the company is committed as at 30 September, 1997 are as follows:

Year ending 30 September	Rupees
1998	3,627,500
1999	3,048,680
2000	2,267,570

	8,943,750
Financial charges allocated to future period	1,765,856

	7,177,894
	=====

1997	1996
Rupees	Rupees

7. DEFERRED LIABILITIES

Customs debentures

Balance on 1 October, 1996	2,097,145	-
Obtained during the year	-	2,097,145
Payments/adjustments	(419,429)	-
	-----	-----
	1,677,716	2,097,145
Less: Redeemable within following 12 months transferred to current Liabilities	419,429	419,429
	-----	-----
	1,258,287	1,677,716
	=====	=====

7.1 It represents deferred payment of custom duty, surcharge and Iqra surcharge on plant and machinery.

7.2 It is secured, in pursuance of bank guarantee whereby no particular asset is specifically charged by the company. However, the company has agreed inter alia to maintain its existence and keep the property and assets in proper order.

7.3 The bank guarantees issued for custom debentures are collaterally secured against charge on fixed assets of the company.

7.4 It carries interest @ 1% above bank rate, presently 11% per annum payable biannually.

7.5 It is redeemable in biannual installments over a period between 5 November, 1996 to 5 November, 2000.

8. PROVISION FOR GRATUITY

Balance as at 1 October, 1996	4,528,350	4,324,032
Less: Payments during the year	(583,200)	(865,979)
	-----	-----
	3,945,150	3,458,053
Add: Provision during the year	2,240,272	1,070,297
	-----	-----
Balance on 30 September, 1997	6,185,422	4,528,350
	=====	=====
	1997	1996
	Rupees	Rupees

9. SHORT TERM BORROWINGS - Secured

Banking Companies under mark up arrangement	143,376,029	164,841,297
Financial Institutions	-	-
Morabaha finance	23,000,000	38,000,000
	-----	-----
	166,376,029	202,841,297
	=====	=====

Bank finance is secured against pledge of stocks of raw material, finished goods, hypothecation of stock in process and store / spares.

It is further secured against first charge on fixed assets of the company and personal guarantee of directors of the company. It is subject to mark up @ 52 paisa per Rs. 1,000/- per day.

Morabaha finance has been obtained from Morabaha Institutions under sale/repurchase arrangements. The repurchase price is Rs. 27,830,000.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

Long term loans	-	69,042,571
Custom debentures	419,429	419,429
Lease financing	2,578,666	3,071,957
	-----	-----
	2,998,095	72,533,957
	=====	=====

11. CREDITORS, PROVISIONS & ACCRUED LIABILITIES

Creditors (Note 11.1)	32,183,213	6,028,108
Accrued liabilities	2,107,948	5,691,566
Duty payable	3,290,328	3,290,328
Sales tax payable	-	11,950,084

Interest on long term loan	6,379,901	3,521,817
Mark up on shod term loans	5,747,737	6,066,697
Withholding tax	44,111	58,115
Workers profit participation fund (Note 11.2)	2,059,978	1,198,455
	-----	-----
	51,813,216	37,805,170
	=====	=====

11.1 CREDITORS

These include Rs. 30,374,599/- (1996 Rs. NIL)
on account of purchase of polyester fibre from an associated undertaking.

	1997 Rupees	1996 Rupees
11.2 WORKERS' PROFIT PARTICIPATION FUND		
Balance as at 1 October, 1996	1,198,455	436,613
Mark up paid	336,715	-
	-----	-----
	1,535,170	436,613
Less: Paid/adjusted during the year	(1,535,170)	-
	-----	-----
	-	436,613
Contributions for the year @ 5%	2,059,978	761,842
	-----	-----
Balance as at 30 September, 1997	2,059,978	1,198,455

12. UNCLAIMED DIVIDEND

Balance as at 1 October, 1996	170,479	170,324
Additions/(payments)	-	155
	-----	-----
	170,479	170,479
	=====	=====

13. CONTINGENT LIABILITIES/CAPITAL COMMITMENTS

Commitments against irrevocable letters of credit
outstanding 97.157 Milli 42.171 Million

The amount of irrevocable letters of credit represents invoice value of goods under import.

14. SCHEDULE OF FIXED ASSETS AS AT 30 SEPTEMBER, 1997

PARTICULARS	COST		As on 30-9-97	Rate %	DEPRECIATION		As on 30-9-97	Written down value as at 30-9-97
	As on September 1996	Addition (deletions)			As on 30-9-96	For the year		

Land freehold	18,763,254	31,675	18,794,929	-	-	-	-	18,794,929
Building on freehold land	61,792,220	-	61,792,220	10	37,142,967	2,464,925	39,607,892	22,184,328
Plant & Machinery	374,017,149	7,583,107	379,868,881	10	218,518,241	16,131,984	234,231,022	145,637,859
		(1,731,375)				(469,203)		
Electric installation	15,683,266	3,383,243	19,066,509	10	8,540,871	1,052,564	9,593,435	9,473,074
Mills equipment	2,242,333	117,000	2,359,333	10	1,191,070	116,826	1,307,896	1,051,437
Office equipment	6,623,107	3,036,654	9,513,021	10	2,283,240	729,262	2,949,662	6,563,359
		(146,740)				(62,840)		
Furniture & fixtures	5,048,854	285,856	5,334,710	10	2,167,329	316,738	2,484,067	2,850,643
Vehicles	4,243,784	678,436	4,457,237	20	1,617,146	641,512	1,891,190	2,566,047
		(464,983)				(367,468)		
Rupees	488,413,967	15,115,971	501,186,840		271,460,864	21,503,811	292,065,164	209,121,676
		(2,343,098)				(899,511)		

LEASED ASSETS

Plant & machinery	13,795,989	(4,535,989)	9,260,000	10	3,782,624	750,060	2,509,460	6,750,540
						(2,023,224)		
Office equipment	4,991,234	-	4,991,234	10	1,601,060	339,017	1,940,077	3,051,157
Vehicles	790,000	(790,000)	-	20	503,346	(503,346)	-	-
Rupees	507,991,190	15,115,971	515,438,074		277,347,894	22,592,888	296,514,701	218,923,373
		(7,669,087)				(3,426,081)		
1996	499,984,860	9,221,078	507,991,190		254,139,440	23,946,852	277,347,893	230,643,297
		(1,214,748)				(738,399)		

14.1 Depreciation for the year has been appointed as follows:

Cost of goods manufactured	20,506,422	22,039,465
Administrative	2,086,466	1,907,387
Rupees	22,592,888	23,946,852

14.2 DISPOSAL OF ASSETS

PARTICULARS	YEAR OF PURCHASE	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEEDS	PROFIT AND (LOSS)	SOLD BY NEGOTIATION
Plant & machinery Savio Auto Coner Sargodha.	1993-94	1,731,375	469,203	1,262,172	300,000	(962,172)	Taymoor Spinning Mills Ltd Sargodha.
Office equipment Premier Insurance Co. Ltd.	1995-96	62,840	62,840	83,900	144,043	60,143	Mr. Muhammad Tahir Faisalabad Premier Insurance Co. Ltd.
Vehicles J-7312 Toyota Corolla	1989-90	367,468	367,468	97,515	97,515		-Mr. Ahsan, Multan.
Rupees		2,343,098	899,511	1,443,587	541,558	(902,029)	

1997 Rupees 1996 Rupees

15. LONG TERM INVESTMENTS AT COST

ASSOCIATED UNDERTAKING

50,000 Ordinary shares of Rs. 100/- each 5,000,000 5,000,000
of Ibrahim Modaraba (Private) Limited.

Break up value Rs. 140.66

Name of Chief Executive Mr. Mohammad Naeem Mukhtar

Percentage of Equity held 25%

9,682,200 ordinary shares of Rs. 10/- each of
Ibrahim Fibres Ltd. (Sold) - 154,915,200

5,000,000 159,915,200
=====

16. STORES, SPARES & LOOSE TOOLS

General stores 2,841,070 2,080,692

Spare parts and accessories 4,664,890 4,298,563

Loose tools 16,675 25,046

In transit 11,029,375 4,700,556

18,552,010 11,104,857
=====

17. STOCK IN TRADE

Raw materials 102,347,752 14,530,309

Work in process 10,777,472 11,550,924

Finished goods 47,006,269 75,017,708

Wastes 385,535 1,172,887

Raw material in transit 30,899,624 14,339,728

191,416,652 116,611,556
=====

18. TRADE DEBTS-CONSIDERED GOOD

Foreign - secured 884,056 898,203

Local - unsecured 3,524,121 4,057,566

4,408,177 4,955,769
=====

19. ADVANCES, DEPOSITS & OTHER

RECEIVABLES UNSECURED

CONSIDERED GOOD

Advances to employees 924,139 263,038

Sales tax receivable 1,895,742 14,247,093

Advance income tax 21,948,883 16,214,073

Other receivable and deposits (Note 19.1) 29,244,867 5,956,563

54,013,631 36,680,767
=====

19.1 It includes Rs. 25,294,799/- (1996 Rs. Nil) due from an associated undertaking against purchase of

electricity. Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 26,454,438/- (1996 Rs. Nil).

20. SHORT TERM INVESTMENTS

Associated Undertaking

2,059,734 ordinary shares of Rs. 10/- each
of Muslim Commercial Bank Ltd.

-	48,083,308
=====	=====

21. CASH & BANK BALANCES

Cash in hand	14,286,892	41,309,763
Cash at banks		
In current accounts	5,020,241	2,585,184
In deposit accounts	950,000	950,000
	-----	-----
	20,257,133	44,844,947
	=====	=====

22. SALES

Local sale of yarn	782,916,983	852,460,346
Local sale of waste	-	3,384,691
Export sale of waste	20,622,837	21,800,313
	-----	-----
	803,539,820	877,645,350
	=====	=====
Less:		
Excise duty	-	13,969,911
Commission and brokerage	666,493	577,651
Discount	-	6,421,665
	-----	-----
	666,493	20,969,227
	-----	-----
	802,873,327	856,676,123
	=====	=====

23. COST OF SALES

Opening stock	76,190,595	63,203,813
Cost of goods manufactured (Note 23.1)	648,197,821	774,687,492
	-----	-----
	724,388,416	837,891,305
Less Closing Stock	47,391,803	76,190,595
	-----	-----
	676,996,613	761,700,710
	=====	=====

23.1 COST OF GOODS MANUFACTURED

Raw material consumed (Note 23.2)	507,693,038	639,921,240
Packing material consumed	9,504,628	8,829,521
Salaries, wages and, benefits	25,068,874	23,122,067
Stores consumed	10,786,591	10,697,736
Fuel & power	72,808,037	67,296,801
Other expenses	1,056,781	1,108,795
Depreciation	20,506,422	22,039,465
	-----	-----

	647,424,371	773,015,625
	-----	-----
Work in process opening	11,550,925	13,222,792
Work in process closing	(10,777,475)	(11,550,925)
	-----	-----
	773,450	1,671,867
	-----	-----
	648,197,821	774,687,492
	=====	=====

23.2 Raw material consumed

23.2.1 Cotton

Opening stocks	2,315,295	17,317,841
Purchases	162,968,560	148,422,817
	-----	-----
	165,283,855	165,740,658
Less: Closing stock	8,711,656	2,315,295
	-----	-----
Cost of cotton consumed	156,572,199	163,425,363
	=====	=====

23.2.2 Polyester fibre

Opening stock	2,687,649	643,310
Purchases	185,277,258	176,798,600
	-----	-----
	187,964,907	177,441,910
Less: Closing stock	44,409,664	2,687,649
	-----	-----
Cost of polyester fibre consumed	143,555,243	174,754,261
	=====	=====

23.2.3 Acrylic fibre

Opening stocks	8,995,373	1,028,500
Purchases	213,763,642	265,794,013
Less cost of price of acrylic fibre sold	(21,017,171)	-
	-----	-----
	201,741,844	266,822,513
Less: Closing stocks	40,046,590	8,995,373
	-----	-----
Cost of acrylic fibre consumed	161,695,254	257,827,140
	=====	=====

23.2.4 Viscose fibre

Opening stocks	531,992	-
Purchases	57,391,666	52,294,065
Less cost price of viscose fibre sold	(2,873,474)	(7,847,597)

	55,050,184	44,446,468
Less: Closing stocks	9,179,842	531,992
Cost of viscose fibre consumed	45,870,342	43,914,476
Total cost of raw material consumed	507,693,038	639,921,240
	=====	=====

1997	1996
Rupees	Rupees

24. ADMINISTRATIVE EXPENSES

Directors remuneration	300,000	300,000
Meeting fee	-	500
Salaries & benefit	15,605,624	11,669,860
Rent & utilities	1,839,722	606,615
Postage, telephone and telegrams	2,694,702	2,970,882
Printing & stationery	622,171	685,123
Repair & maintenance	414,670	2,681,333
Travelling, conveyance and entertainment	2,563,193	3,409,994
Motor vehicle expense	1,123,526	798,054
Audit Fee	40,000	40,000
Out of pocket expense	19,000	4,405
Legal & professional charges	148,185	146,710
Advertisement	98,961	350
Fees & subscription	1,496,647	1,219,082
Donation (24.1)	404,000	8,000
Insurance	331,935	249,180
Other expenses	653,612	482,157
Depreciation	2,086,466	1,907,387
	-----	-----
	30,442,414	27,179,632
	=====	=====

24.1 No director or his/her spouse had any interest in the donees.

25. SELLING EXPENSES

Ocean freight	344,167	1,429,598
Local freight	1,794,133	2,050,745
Octroi/zila tax	1,829,254	2,035,962
Education cess	72,626	79,249
Other expenses	1,830,024	924,036
	-----	-----
	5,870,204	6,519,590
	=====	=====

26. MISCELLANEOUS REVENUE

Sales of scrap	844,881	1,193,463
Profit on sale of spares	178	-
Profit / (loss) on sale of fixed assets	(902,029)	106,245
Miscellaneous income	1,390,741	632,886
	-----	-----

1,333,771 1,932,594
 =====

27. PROFIT / (LOSS) OF TRADING

	Sales	Cost of sales	Net profit/ (Loss)
Acrylic	20,365,471	21,017,171	(651,700)
Viscose	2,780,290	2,873,474	(93,184)
	-----	-----	-----
Total Rs.	23,145,761	23,890,645	(744,884)
	-----	-----	-----
1996 Rs.	5,850,459	7,847,596	(1,997,137)
	=====	=====	=====

28. FINANCIAL EXPENSES

	1997 Rupees	1996 Rupees
Mark up / interest on		
Long term loans	23,084,744	25,708,400
Shod term loans	20,105,616	13,389,714
Custom debentures	338,600	-
Lease financing	1,562,849	2,152,826
Bank guarantee commission & bank charges	1,748,371	2,413,403
Excise duty	1,758,460	2,291,457
Interest on W. P. P.F.	336,715	-
	-----	-----
	48,935,355	45,955,800
	=====	=====

29. PROVISION FOR TAXATION

29.1 Provision for tax has been made in these accounts for the year ended 30 September. 1997
 Rs. 11,741,873 (1996 Rs. 5,166,782)

29.2 No provision has been made in these accounts for deferred tax. There is no deferred tax liability as
 the tax depreciation is less than the accounting depreciation.

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OFFICERS

Particulars	Chief Executive		Officers	
	1997	1996	1996	1997
Salaries	300,000	300,000	3,125,397	2,170,908
Housing and conveyance	-	-	1,488,869	976,872
	-----	-----	-----	-----
	300,000	300,000	4,614,266	3,147,780
	=====	=====	=====	=====
No. of persons	1	1	17	13

30.1 The Chief Executive was also provided with car maintained by the company and the telephone, electricity at residence.

30.2 No remuneration was paid to any other director during the year.

31. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

	1997 Rupees	1996 Rupees
Purchases	245,409,460	315,337,963
Sales (including of investment)	227,075,971	5,850,459
Rent & utilities	540,000	555,000

32. PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	38,400	38,400
Average number of spindles worked	38,125	38,195
No. of shifts worked per day	3	3
Installed capacity converted to 20/s Kgs	10,085,814	10,085,814
Actual production converted to 20/s Kgs	12,896,873	12,946,653

No. of Share Holders	Having Shares		Shares held	Percentage
	From	To		
21	1	100	1,275	0.0124
317	101	500	49,500	0.4800
41	501	1,000	29,225	0.2834
78	1,001	5,000	154,300	1.4962
8	5,001	10,000	54,975	0.5331
2	10,001	15,000	23,250	0.2255
2	15,001	20,000	36,750	0.3564
1	20,001	25,000	25,000	0.2424
1	35,001	40,000	36,850	0.3573
1	50,001	55,000	51,562	0.5000
5	60,001	65,000	310,000	3.0061
1	95,001	100,000	97,375	0.9442
2	150,001	155000	309,374	3.0000
1	195,001	200000	195,937	1.9000
2	205,001	210000	412,500	4.0000
1	215,001	220.00	216,562	2.1000
3	235,001	240000	711,561	6.9000
2	390,001	395,000	783,754	7.6000
1	565,001	570,000	569,375	5.5212
2	1,110,001	1,115,000	2,227,500	21.6000
1	1,245,001	1,250,000	1,250,000	12.1212
1	2,765,001	2,770,000	2,765,875	26.8206
-----			-----	-----
494			10,312,500	100.0000
=====			=====	=====

Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
Individuals	480	5,519,625	53.52
INVESTMENT COMPANIES	5	583,300	5.66
PRIVATE COMPANIES	2	1,256,625	12.19
INSURANCE COMPANIES	2	63,125	0.61
FINANCIAL INSTITUTIONS	3	2,792,075	27.07
Others	2	97,750	0.95
	-----	-----	-----
	494	10,312,500	100.000
	=====	=====	=====