

A.A. Textile Limited

Annual Report 1998

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
(Chairman)
Sheikh Mohammad Yaseen
Mr. Mohammad Naeem Mukhtar
(Chief Executive)
Mr. Mohammad Waseem Mukhtar
Mr. Atif Yaseen
Mrs. Iqbal Begum
Mrs. Ghazala Naeem
Mr. Mohammad Farooq
(ICP Nominee)

Secretary

S. M. Hashain Rizvi

Auditors

Rahman Sarfaraz & Co.,
Chartered Accountants,
Lahore, Pakistan.

Tax Consultants

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

System Consultants

KPMG Peat Marwick Associates (Pvt) Ltd.
Karachi, Pakistan.

Bankers

Emirates Bank International PJSC

Registered Office

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

Head Office

Ibrahim Centre
1S Club Road,
Faisalabad, Pakistan.

Shares Department

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

Mills

40 - Kilometre,
Faisalabad, Sheikhupura Road,
Tehsil Jaranwala,
District Faisalabad, Pakistan.

Notice of Meeting

Notice is hereby given that the 16th Annual General Meeting of the shareholders of the Company will be held on 26-03-1999 at 9:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider, approve and adopt the Annual Audited Accounts of the Company for the year ending 30-09-1998.
3. To approve Cash Dividend @ 20% as recommended by the Board of Directors.
4. To appoint Auditors for the next year 1998-99 and to fix their remuneration. The present auditors M/s Rahman Sarfaraz & Co., Chartered Accountants, Lahore being eligible for appointment, offer themselves for re-appointment.
5. To transact any other business with the permission of the chair.

By order of the Board

Dated: 8 February, 1999
Lahore

S.M. Hashain Rizvi
Company Secretary

Note:

i) The share transfer books of the Company shall remain closed from 20-03-1999 to 26-03-1999 (both days inclusive) to determine the names of members entitled to Dividend payment and to attend the meeting, transfers received in order at the Shares Registration office of the Company at the close of business on 19-03-1999 will be treated in time.

ii) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and Vote on his/her behalf.

(iii) The proxies, in order to be effective, must be received by the Company at least 48 hours before the meeting at the registered office of the Company at 1-A Ahmad Block, New Garden Town, Lahore.

Directors' Report to the Shareholders

Your Directors are pleased to present before you the 16th Audited Financial Results of the company for the year ended September 30, 1998.

OPERATING RESULTS

The operating results of the mills are satisfactory. The mills has produced 6,865,508 Kgs. of blended yarn of different count as compared to production of 6,782,091 Kgs. of yarn in the corresponding period of last year. The different count manufactured during the year ranging from 30/S to 45/S count of blended yarn.

The summarized production results are as under:

Type of Yarn Produced	Production Kgs
Polyester cotton yarn	3,785,972
Acrylic Viscose Yarn	2,218,603
Acrylic Yarn	860,933

	6,865,508
	=====

You will appreciate that your mills are doing its best to maintain the constant level of production from year to year with optimum level of capacity utilization.

The pattern of production with different counts of yarn is based on the market demand and also to achieve best selling rates. A variety of product mix of blended yam are offered to customers which gives them satisfactory weaving results.

FINANCIAL RESULTS

The financial results of your company are also satisfactory. The after tax net profit of the company is Rs. 29,317,864/- as compared to previous year's net profit of Rs. 27,397,703/-. The summarized position of financial results of your company for the year ended 30 September, 1998, are as follows:

	Rupees
Gross Profit	108,999,225
Other Income	1,629,220

	110,628,445

Operating Expenses	35,812,558

Operating Profit	74,815,887
Financial and Other Charges	32,473,927

Profit before Taxation	42,341,960
Provision for Taxation	13,024,096

Profit after Taxation	29,317,864
Unappropriated Profit Brought Forward	11,565

Surplus Available for Appropriation	29,329,429
	=====

CASH DIVIDEND

The Board of Directors has recommended payment of Cash Dividend @ 20% i.e. Rupees 2/- per share of Rupees 10/- each.

The Profit has been appropriated as follow

	Rupees
Surplus available for appropriation	29,317,864
Appropriations	
Proposed Dividend @ 20% (1997 - @ 20%)	20,625,000
Transfer to general reserve	87,000,000

	29,325,000

Unappropriated Profit Carried Forward	4,429
	=====

GENERAL OVERVIEW

The overall position of industrial activity in general and textile industry in particular is not satisfactory. There is no respite in continuous recession from last many years. It has further aggravated with the currency debacle in the South East Asian Countries.

The exports to Far East Countries has declined drastically which has ultimately affected the domestic yarn market in particular and other textile products in general.

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We hope that once the currency crises are over in the South East Asian Countries then there is a possibility of some improvement in the exports business as well as in local sales.

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YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The company has assigned the work of year 2000 compliance of the existing computer system to its consultants and they have confirmed that the work will be completed by September 1999 and all our applications will be made year 2 K compliant.

AUDITORS

The present auditors M/s Rahman Sarfaraz & Co., Chartered Accountants, Lahore retire and are being

eligible, consented for re-appointment for the next financial year 1998-99.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is annexed.

ACKNOWLEDGMENT

The management is happy and wishes to place on record its deep appreciation for their hard work and positive efforts made by the workers and staff. The management would also like to thank valued Customers, Bankers, Financial Institutions and shareholders for their whole hearted support and hopes to get the same cooperation in the future.

On behalf of the Board

Dated: 8 February, 1999
Lahore

(MOHAMMAD NAEEM MUKHTAR)
Chief Executive

Pattern of Shareholding as at 30 September , 1998

No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
37	1	100	2,050	0.02
317	101	500	52,975	0.51
45	501	1000	35,025	0.34
88	1001	5000	189,675	1.84
8	5001	10000	58,750	0.57
2	10001	15000	25,000	0.24
1	15001	20000	18,750	0.18
1	20001	25000	24,500	0.24
1	50001	55000	51,562	0.50
5	60001	65000	310,000	3.01
1	125001	130000	128,875	1.25
2	150001	155000	309,374	2.10
1	195001	200000	195,937	1.90
2	205001	210000	412,500	4.00
1	215001	220000	216,562	2.10
3	235001	240000	711,561	6.90
2	390001	395000	783,754	7.60
1	585001	590000	587,275	5.70
2	1110001	1115000	2,227,500	21.60
1	1245001	1250000	1,250,000	12.12
1	2720001	2725000	2,720,875	26.38
-----			-----	-----
522			10,312,500	100.00
=====			=====	=====

Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
-------------	--------------	--------------	------------

Individuals	505	5,519,200	53.52
Investment bank/companies	5	614,500	5.96
Private companies	3	128,925	1.25
Insurance companies	2	63,125	0.61
Non-resident companies	2	1,250,275	12.12
Financial institution/companies	3	273,475	26.52
Mutual fund/brokerage house	2	2,000	0.02
	-----	-----	-----
	522	10,312,500	100.00
	=====	=====	=====

Auditors' Report to the Members

We have audited the annexed balance sheet of A. A. Textiles Limited as at September 30, 1998 and the related profit and loss account and cash flow statement (statement of changes in financial position) 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 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 expenditures were incurred during the year were 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, the balance sheet, profit and loss account and the cash flow statement (statement of changes in financial position) 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 September 30, 1998 and of the profit and changes in financial position for the year then ended; and

(d) In our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in central Zakat Fund established u/s 7 of that Ordinance.

Dated: 8 February, 1999
Lahore

(RAHMAN SARFARAZ & CO.)
Chartered Accountants

Balance Sheet**as at 30 September, 1998**

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	103,125,000	103,125,000
General reserve	4	68,000,000	59,300,000
Unappropriated profit		4,429	115,651
		-----	-----
		171,129,429	162,436,565
LONG TERM LOANS	5	23,000,000	79,200,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	2,155,522	4,599,228
DEFERRED LIABILITY			
customs Debentures	7	838,858	1,258,287
Gratuity Payable	8	8,228,206	6,185,422
		-----	-----
		9,067,064	7,443,709
CURRENT LIABILITIES			
Short term borrowings	9	149,476,555	166,376,029
Current portion of long term liabilities	10	2,863,135	2,998,095
Creditors, provisions and accrued liabilities	11	69,492,603	51,813,216
Provision for taxation		23,394,461	16,908,655
Unclaimed dividend	12	202,663	170,479
Proposed dividend		20,625,000	20,625,000
		-----	-----
		266,054,417	258,891,474
CONTINGENCIES AND COMMITMENTS	13	-	-
		-----	-----
		471,406,432	512,570,976
		=====	=====
FIXED ASSETS	14	204,655,522	218,923,373
LONG TERM INVESTMENTS	15	5,000,000	5,000,000
CURRENT ASSETS			
Stores, spares and loose tools	16	11,528,816	18,552,010
Stock in trade	17	146,958,766	191,416,652
Trade debts	18	4,234,253	4,408,177
Advances, deposits and other receivables	19	55,639,786	54,013,631

Cash and bank balances	20	43,389,289	20,257,133
		-----	-----
		261,750,910	288,647,603
		-----	-----
		471,406,432	512,570,976
		=====	=====

The annexed notes form an integral part of these accounts.

**Profit and Loss Account
for the year ended 30 September, 1998**

	Note	1998 Rupees	1997 Rupees
SALES	21	749,697,177	802,873,327
COST OF SALES	22	640,697,952	676,996,613
		-----	-----
GROSS PROFIT		108,999,225	125,876,714
OPERATING EXPENSES			
Administrative	23	30,174,206	30,442,414
Selling	24	5,638,352	5,870,204
		-----	-----
		35,812,558	36,312,618
		-----	-----
OPERATING PROFIT		73,186,667	89,564,096
OTHER INCOME			
Miscellaneous revenue	25	700,860	1,333,771
Profit/(loss) on trading	26	928,360	(744,884)
		-----	-----
		1,629,220	588,887
		-----	-----
		74,815,887	90,152,983
OTHER CHARGES			
Financial	27	30,232,686	48,935,355
Zakat		12,717	18,074
Workers' profit participation fund		2,228,524	2,059,978
		-----	-----
		32,473,927	51,013,407
		-----	-----
PROFIT FOR THE YEAR		42,341,960	39,139,576
		-----	-----
PROVISION FOR TAXATION - Current	28	11,652,589	11,741,873
- Prior Y ears		1,371,507	-
		-----	-----
		13,024,096	11,741,873
		-----	-----

PROFIT AFTER TAXATION	29,317,864	27,397,703
UNAPPROPRIATED PROFIT BROUGHT FORWARD	11,565	38,862
	-----	-----
SURPLUS AVAILABLE FOR APPROPRIATION	29,329,429	27,436,565
 APPROPRIATIONS		
Proposed Dividend @ 20% (1997 - @ 20%)	20,625,000	20,625,000
Transferred to general reserve	8,700,000	6,800,000
	-----	-----
	29,325,000	27,425,000
	-----	-----
UNAPPROPRIATED PROFIT RETAINED	4,429	11,565
	=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Director

**Cash Flow Statement
for the year ended 30 September, 1998**

	1998	1997
	Rupees	Rupees
a) CASH FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year before taxation	42,341,960	39,139,576
Adjustments for:		
Depreciation	21,049,464	22,592,888
(Profit)/loss on disposal of fixed assets	1,423,461	902,029
Provision for Gratuity	2,797,195	2,240,272
Gratuity paid	(754,411)	(583,200)
Financial charges	30,232,686	48,935,355
	-----	-----
Operating profit before working capital changes	97,090,355	113,226,920
 Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	7,023,194	(7,447,153)
Stock in trade	44,457,886	(74,805,096)
Trade debtors	173,924	547,592
Advances, Deposits, Prepayments and other receivables	(1,626,155)	(17,332,863)
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	556,860	11,468,922
	-----	-----
	50,585,709	(87,568,598)
	-----	-----
Cash generated from operations	147,676,064	25,658,322
Financial charges paid	(33,702,975)	(46,396,231)
Taxes paid	(6,538,290)	(9,928,534)
	-----	-----

Net cash (used in)/from operating activities	107,434,799	(30,666,443)
	=====	=====
b) CASH FLOW FROM INVESTMENT ACTIVITIES		
Fixed capital expenditure	(10,077,009)	(12,316,552)
Proceeds from disposals of fixed assets	1,871,935	541,558
Long term investments	-	154,915,200
Short term investments	-	48,083,308
	-----	-----
Net cash (used in)/from investing activities	(8,205,074)	191,223,514
	=====	=====
c) CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	-	550,000,000
Repayment of long term loans	(56,200,000)	(195,188,231)
Repayment of lease liability	(2,578,666)	(3,071,957)
Repayment of customs levies	(419,429)	(419,429)
Increase/(decrease) in short term borrowings	(16,899,474)	(36,465,268)
	-----	-----
Net cash (used in)/from financing activities	(76,097,569)	(185,144,885)
	=====	=====
NET INCREASE IN CASH AND BANK BALANCES (a+b+c)	23,132,156	(24,587,814)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	20,257,133	44,844,947
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	43,389,289	20,257,133
	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended 30 September, 1998

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

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 not 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 is included in the profit and loss account.

2.5 Capital work in progress

All cost/expenditures 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/expenditures 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 realizable 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 cost

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 realizable value applying the following basis:

Raw Material	Weighted average cost
Work in Process	Average manufacturing cost
Finished Goods	Net cost
Wastes	Net realizable value

2.12 Trade debtors

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

2.13 Rate of exchange

Assets and liabilities in foreign currencies are converted into rupees at the rate 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.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	1998 Rupees	1997 Rupees
6,500,000 Ordinary shares of Rs. 10/- each fully paid in cash	65,000,000	65,000,000
3,381,500 Ordinary shares of Rs. 10/- each fully paid up bonus shares	38,125,000	38,125,000
	-----	-----
	103,125,000	103,125,000
	=====	=====

4. GENERAL RESERVE

Balance as at October 1, 1997	59,300,000	52,500,000
Transfer from profit and loss account	8,700,000	6,800,000
	-----	-----
	68,000,000	59,300,000
	=====	=====

5. LONG TERM LOANS

Revolving finance	23,000,000	79,200,000
	=====	=====

5.1 The repayment of loan is secured against personal guarantee of directors. It carries mark up @ 19% per annum.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as at Oct. 1, 1997	7,177,894	10,249,851
----------------------------	-----------	------------

Less: paid during the year	2,578,666	3,071,957
	-----	-----
	4,599,228	7,177,894
Less: Installments due within following twelve months transferred to current liabilities	2,443,706	2,578,666
	-----	-----
Balance as at Sep. 30, 1998	2,155,522	4,599,228
	=====	=====

These represent machinery/equipment 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 in 36 to 60 monthly and 12 to 20 quarterly installments under different leasing agreements. The liability represents the total minimum lease payments discounted at the rate of 19% to 20% per annum being the company's incremental rate of borrowings.

The future minimum lease payments to which the company is committed as at September 30, 1998 are as follows:-

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

	5,316,250
Financial charges allocated to future period	717,022

	4,599,228
	=====

7. CUSTOMS DEBENTURES

	1998	1997
	Rupees	Rupees
Balance as at Oct. 1, 1997	1,677,716	2,097,145
Obtained during the year	-	-
Payments/adjustments	(419,429)	(419,429)
	-----	-----
	1,258,287	1,677,716
Less: Redeemable within the following 12 months transferred to current liabilities	419,429	419,429
	-----	-----
Balance as at September 30, 1998	838,858	1,258,287
	=====	=====

7.1 It represents deferred payment of customs 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 interalia to maintain its existence and keep the property and assets in proper order.

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

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

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

8. GRATUITY PAYABLE

	1998 Rupees	1997 Rupees
Balance as at Oct. 1, 1997	6,185,422	4,528,350
Less: payment during the year	754,411	583,200
	-----	-----
	5,431,011	3,945,150
Add: Provision during the year	2,797,195	2,240,272
	-----	-----
Balance as at Sept. 30, 1998	8,228,206	6,185,422
	=====	=====

9. SHORT TERM BORROWINGS - SECURED

	1998 Rupees	1997 Rupees
Banking companies under markup arrangements	149,476,555	166,376,029
	=====	=====

Bank Finance is secured against pledge of stocks of raw material, finished goods, hypothecation of stocks 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 @ 47 to 58 paisas per Rs. 1,000/- per day.

10. CURRENT PORTION OF LONG TERM LIABILITIES

Customs debentures	419,429	419,429
Lease financing	2,443,706	2,578,666
	-----	-----
	2,863,135	2,998,095
	=====	=====

11. CREDITORS, PROVISIONS AND ACCRUED LIABILITIES

Creditors (Note 11.1)	18,969,117	32,183,213
Accrued liabilities	5,025,622	2,107,948
Bills payable	31,090,575	-
Duty payable	-	3,290,328
Sales tax payable	3,439,137	-
Interest on long term loans	45,100	6,379,901
Markup on short term loans	8,612,249	5,747,737
Withholding tax	82,279	44,111
Workers' profit participation fund (Note 11.2)	2,228,524	2,059,978

-----	-----
69,492,603	51,813,216
=====	=====

1 1.1 These include Rs. 15,758,228/- (1997 Rs. 30,374,559/-) on account of purchase of polyester fibre from an associated undertaking.

11.2 Workers' profit participation fund

Balance as at Oct. 1, 1997	2,059,978	1,198,455	
Markup paid	200,213	336,715	
	-----	-----	
	2,260,191	1,535,170	
Less: paid/adjusted during the year	2,260,191	1,535,170	
	-----	-----	
	-	-	
Contributions for the year @ 5%	2,228,524	2,059,978	
	-----	-----	
Balance as at September 30, 1998	2,228,524	2,059,978	
	=====	=====	

12. UNCLAIMED DIVIDEND

Balance as at Oct. 1, 1997	170,479	170,479	
Additions/(payments)	32,184	-	
	-----	-----	
	202,663	170,479	
	=====	=====	

13. CONTINGENCIES AND COMMITMENTS

13.1 Commitments against irrevocable letters of credit outs 64.524 Mln 97.157 Mln

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

14. SCHEDULE OF FIXED ASSETS AS AT SEPTEMBER 30, 1998

PARTICULARS	COST				DEPRECIATION			Written Down, Value as at 30-09-98
	As at 30-09 97	Addition (Deletion)	As at 30-09-98	Rate %	As at 30-09-97	For the Year	As at 30 09 98	
Land	18,794,929	-	18,794,929	-	-	-	-	18,794,929
Building on Free Hold Land	61,792,220	1,863,144	63,655,364	10%	39,607,892	2,404,747	42,012,639	21,642,725
Plant and Machinery	379,868,881	5,236,939	385,105,820	10%	234,231,022	15,087,480	249,318,502	135,787.32
Electric Installations	19,066,509	55,900	19,122,409	10%	9,593,435	952,897	10,546,332	8,576,077
Mills Equipment	2,359,333	12,600	2,371,933	10%	1,307,896	106,404	1,414,300	957,633
Office Equipment	9,513,021	692,817	10,205,838	10%	2,949,662	725,618	3,675,280	6,530,558
Furniture and Fixtures	5,334,710	205,617	5,540,327	10%	2,484,067	305,626	2,789,693	2,750,634
Vehicles	4,457,237	2,009,992	5,050,099	20%	1,891,190	716,915	2,182,439	2,867,660
		(1,417,130)				(425,666)		

Rupees	501,186,840	10,077,009	509,846,719		292,065,164	20,299,687	311,939,185	197,907,534
		(1,417,130)				(425,666)		
LEASED ASSETS								
Plant and Machinery	9,260,000	-	9,260,000	10%	2,509,460	675,054	3,184,514	6,075,486
Office Equipment	4,991,234	-	1,025,000	10%	1,940,077	74,723	352,498	672,502
		(3,966,234)				(1,662,302)		
1998 Rupees	515,438,074	10,077,009	520,131,719		296,514,701	21,049,464	315,476,197	204,655,522
		(5,383,364)				(2,087,968)		
1997 Rupees	507,991,190	15,115,971	515,438,074		277,347,893	22,592,888	296,514,701	218,923,373
		(7,669,087)				(3,426,081)		

14.1 Depreciation for the year has been apportioned as follows:

	1998 Rupees	1997 Rupees
Cost of Goods Manufactured	19,226,582	20,506,422
Administrative	1,822,882	2,086,466
	-----	-----
	21,049,464	22,592,888
	=====	=====

14.2 Disposal of assets

PARTICULARS	YEAR OF PURCHASE	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEEDS	PROFIT/ (LOSS)	SOLD BY NEGOTIATION
Office Equipment Computer E-35	1992-93	3,016,150	1,273,233	1,742,917	-	(1,742,917)	Written off being obsolete
Office Equipment Terminal - (Leased)	1992-93	950,084	389,069	561,015	561,015		- Transfer to company owned assets on WDV
FDT-6184 Suzuki Khyber	1996-97	389,480	77,896	311,584	350,000	38,416	The Premier Insurance Co. Ltd.
FDP 0005 Suzuki Margla	1996-97	138,650	27,730	110,920	110,920		- Mr. Tariq Mehmood- IEL Shahkot
FDT-3751 Honda Civic	1995-96	889,000	320,040	568,960	850,000	281,040	The Premier Insurance

Total:	5,383,364	2,087,968	3,295,396	18,171,935	(1,423,461)
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15. LONG TERM INVESTMENTS - AT COST

	1998 Rupees	1997 Rupees
Associated undertaking		
50,000 ordinary shares of Rs. 100/- each of Ibrahim Modaraba (Private) Ltd.	5,000,000	5,000,000
Break up value Rs. 153/33 per share.		
Name of Chief Executive - Mr. Mohammad Naeem Mukhtar		
Percentage of Equity held 25%		
	-----	-----
	5,000,000	5,000,000
	=====	=====

16. STORES, SPARES AND LOOSE TOOLS

General stores	2,939,050	2,841,070
Spare parts and accessories	7,321,406	4,664,890
Loose tools	17,864	16,675
In transit	1,250,496	11,029,375
	-----	-----
	11,528,816	18,552,010
	=====	=====

17. STOCKS IN TRADE

Raw material	46,520,601	102,347,752
Work in process	11,121,588	10,777,472
Finished goods	77,010,035	47,006,269
Wastes	2,288,577	385,535
Raw material in transit	10,017,965	30,899,624
	-----	-----
	146,958,766	191,416,652
	=====	=====

18. TRADE DEBTS - CONSIDERED GOOD

Foreign - secured	-	884,056
Local - unsecured	4,234,253	3,524,121
	-----	-----
	4,234,253	4,408,177
	=====	=====

19. ADVANCES, DEPOSITS AND OTHER RECEIVABLES - UNSECURED AND CONSIDERED GOOD

Advances to employees	782,794	924,139
-----------------------	---------	---------

Sales tax rebate	-	1,895,742
Advance income tax	29,843,461	21,948,883
Other receivables and deposits (Note 19.1)	25,013,531	29,244,867
	-----	-----
	55,639,786	54,013,631
	=====	=====

19.1 It includes Rs. 17,396,219/- (1997 - Rs. 25,294,799/-) 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. 19,912,646/- (1997 - Rs. 26,454,438/-).

20. CASH AND BANK BALANCES

	1998	1997
	Rupees	Rupees
Cash in hand	18,212,435	14,286,892
Cash at banks		
In current accounts	20,618,978	5,020,241
In deposit accounts	4,557,876	950,000
	-----	-----
	43,389,289	20,257,133
	=====	=====

21. SALES

Local sale of yarn	730,928,125	782,916,983
Local sale of waste	3,018,933	2,886,331
Export sale of waste	17,082,768	17,736,506
	-----	-----
	751,029,826	803,539,820
Less: Commission and Brokerage	1,332,649	666,493
	-----	-----
	749,697,177	802,873,327
	=====	=====

22. COST OF SALES

Opening stocks	47,391,803	76,190,595
Cost of goods manufactured (Note 22.1)	672,604,761	648,197,821
	-----	-----
	719,996,564	724,388,416
Less: Closing stocks	79,298,612	47,391,803
	-----	-----
	640,697,952	676,996,613
	=====	=====

22.1 Cost of goods manufactured

Raw material consumed (Note 22.2)	524,277,101	507,693,038
Packing material consumed	9,237,451	9,504,628
Salaries, wages and benefits	27,051,247	25,068,874
Stores consumed	8,615,034	10,786,591

Fuel and power	82,976,068	72,808,037
Other expenses	1,565,391	1,056,781
Depreciation	19,226,582	20,506,422
	-----	-----
	672,948,874	647,424,371
	-----	-----
Work in process - opening	10,777,475	11,550,925
Work in process - closing	(11,121,588)	(10,777,475)
	-----	-----
	(344,113)	773,450
	-----	-----
	672,604,761	648,197,821
	=====	=====

22.2 Raw material consumed

	1998	1997
	Rupees	Rupees
22.2.1 Cotton		
Opening stocks	8,711,656	2,315,295
Purchases	163,622,196	162,968,560
	-----	-----
	172,333,852	165,283,855
Less: Closing stock	490,908	8,711,656
	-----	-----
Cost of cotton consumed	71,842,944	156,572,199
	=====	=====

22.2.2 Polyester fibre

Opening stock	44,409,664	2,687,649
Purchases	88,156,336	185,277,258
	-----	-----
	132,566,000	187,964,907
Less: Closing stocks	33,147,695	44,409,664
	-----	-----
Cost of polyester fibre consumed	99,418,305	143,555,243
	=====	=====

22.2.3 Acrylic fibre

Opening stocks	40,046,590	8,995,373
Purchases	208,984,261	213,763,642
Less: Cost price of Acrylic Fibre sold	(15,588,551)	(21,017,171)
	-----	-----
	233,442,300	201,741,844
Less: Closing stocks	11,684,966	40,046,590
	-----	-----
Cost of acrylic fibre consumed	221,757,334	161,695,254
	=====	=====

22.2.4 Viscose fibre

Opening stocks	9,179,842	531,992
----------------	-----------	---------

Purchases	30,856,186	57,391,666
Less: cost price of viscose fibre sold	(7,580,478)	(2,873,474)
	-----	-----
	32,455,550	55,050,184
Less: Closing stocks	1,197,032	9,179,842
	-----	-----
Cost of viscose fibre consumed	31,258,518	45,870,342
	=====	=====
Total cost of raw material consumed	524,277,101	507,693,038
	=====	=====

23. ADMINISTRATIVE EXPENSES

	1998	1997
	Rupees	Rupees
Directors remuneration	1,080,000	300,000
Meeting fee	1,500	-
Salaries and benefits	14,052,951	15,605,624
Rent and utilities	3,517,863	1,839,722
Postage, telephone and telegrams	2,403,427	2,694,702
Printing and stationary	595,210	622,171
Repair and maintenance	787,980	414,670
Travelling, conveyance and entertainment	2,028,736	2,563,193
Motor vehicle expenses	1,329,972	1,123,526
	-----	-----
Audit fee	85,000	40,000
Out of pocket expenses	10,350	19,000
	-----	-----
	95,350	59,000
Legal and professional charges	267,420	148,185
Advertisement	48,940	98,961
Fees and subscription	703,584	1,496,647
Donation (23.1)	119,250	404,000
Insurance	350,695	331,935
Other expenses	968,446	653,612
Depreciation	1,822,882	2,086,466
	-----	-----
	30,174,206	30,442,414
	=====	=====

2 3.1 No director or his/her spouse had any interest in the donee's fund.

24. SELLING EXPENSES

Ocean freight	560,202	344,167
Local freight	2,262,805	1,794,133
Octroi/zila tax	1,995,473	1,829,254
Education cess	67,903	72,626
Other expenses	751,969	1,830,024

-----	-----
5,638,352	5,870,204
=====	=====

25. MISCELLANEOUS REVENUE

Sales of scrap	971,909	844,881	
Profit/(Loss) on sale of spares	-	178	
Profit/(Loss) on sale of fixed assets	(1,423,461)	(902,029)	
Miscellaneous Income	29,364	1,390,741	
Balance written back	1,123,048	-	
	-----	-----	
	700,860	1,333,771	
	=====	=====	

26. PROFIT/(LOSS) ON TRADING

	Sales	Cost of Sales	Net Profit/
	Rupees	Rupees	(loss)
			Rupees
Acrylic	14,907,406	15,588,551	(681,145)
Viscose	9,178,911	7,580,478	1,598,433
Comber Noil	635,421	624,349	11,072
	-----	-----	-----
Total- 1998	24,721,738	23,793,378	928,360
	=====	=====	=====
Total - 1997	23,145,761	23,890,645	(744,884)
	=====	=====	=====

27. FINANCIAL CHARGES

	1998	1997
	Rupees	Rupees
Mark up/interest on		
Long term loans	1,771,847	23,084,744
Short term loans	26,661,440	20,105,616
Customs debentures	351,362	338,600
Lease financing	1,048,547	1,562,849
Bank guarantee commission and bank charges	199,277	1,748,371
Excise duty	-	1,758,460
Interest on W.P.P.E	200,213	336,715
	-----	-----
	30,232,686	48,935,355
	=====	=====

28. PROVISION FOR TAXATION

28.1 Provision for tax has been made in these accounts for the year ended September 30, 1998 Rs. 11,652,589/- (1997- Rs. 11,741,873/-).

28.2 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.

**29. REMUNERATION OF CHIEF EXECUTIVE,
DIRECTORS AND OFFICERS**

	1998	1997
	Rupees	Rupees
Chief Executive		
Salaries	750,000	300,000
Housing and conveyance	330,000	-
	-----	-----
	1,080,000	300,000
	=====	=====
No. of persons	1	1
Officers		
Salaries	4,064,348	2,170,908
Housing and conveyance	1,870,357	976,872
	-----	-----
	5,934,705	3,147,780
	=====	=====
No. of persons	18	13

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

29. :2 No remuneration was paid to any other director during the year.

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1998	1997
	Rupees	Rupees
Sales	15,548,242	245,409,460
Purchases	177,697,766	227,075,971
Rent and utilities	540,000	540,000

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Total No. of spindles installed	38,400	38,400
Average No. of spindles worked	38,093	38,125
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.	12,919,195	12,896,873

32. FIGURES

- Figures have been rounded off to the nearest rupee.
- Corresponding figures of prior year have been re-arranged wherever necessary to facilitate comparison.

Chief Executive

Director